Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION APRIL 2018

STATUS OF THE GRF

HIGHLIGHTS

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

GRF tax revenue received during the first three quarters of FY 2018 was nearly $230 million above the estimate published by the Office of Budget and Management (OBM) in September 2017. Receipts from the personal income tax (PIT) accounted for $211 million of that. The income tax filing season ends in April, and the results of that should provide a good idea about whether the GRF will end FY 2018 with revenue above projections. OBM projected April to yield over 10% of the full year income tax revenue.

Ohio's nonfarm payroll employment grew by 13,400 in February, despite a decrease in government employment. The unemployment rate decreased to 4.5% in February.

Through March 2018, GRF sources totaled $23.68 billion:

- Revenue from the PIT was $211.0 million above estimate;
- Sales and use tax receipts were $3.9 million above estimate.

Through March 2018, GRF uses totaled $24.14 billion:

- Program expenditures were $430.8 million below estimate due largely to Medicaid ($291.5 million) and a timing related negative variance of $103.9 million in Property Tax Reimbursements;
- Spending on Primary and Secondary Education was $99.7 million above estimate, also primarily due to timing.

VOLUME 41, 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 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 2, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$120,749	$122,000	-$1,251	-1.0%
Nonauto Sales and Use	$625,420	$595,300	$30,120	5.1%
Total Sales and Use Taxes	**$746,169**	**$717,300**	**$28,869**	**4.0%**
Personal Income	$478,822	$493,000	-$14,178	-2.9%
Commercial Activity Tax	$2,011	$15,700	-$13,689	-87.2%
Cigarette	$75,269	$75,200	$69	0.1%
Kilowatt-Hour Excise	$32,244	$34,100	-$1,856	-5.4%
Foreign Insurance	$41,812	$28,300	$13,512	47.7%
Domestic Insurance	$21	$100	-$79	-79.1%
Financial Institution	$41,212	$27,200	$14,012	51.5%
Public Utility	$2,482	$2,100	$382	18.2%
Natural Gas Consumption (MCF)	$0	$0	$0	---
Alcoholic Beverage	$5,656	$5,100	$556	10.9%
Liquor Gallonage	$3,490	$3,400	$90	2.7%
Petroleum Activity Tax	$2,162	$2,000	$162	8.1%
Corporate Franchise	$64	$0	$64	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$1,431,413**	**$1,403,500**	**$27,913**	**2.0%**
NONTAX REVENUE				
Earnings on Investments	$22	$0	$22	---
Licenses and Fees	$27,518	$30,830	-$3,312	-10.7%
Other Revenue	$10,293	$820	$9,473	1155.3%
Total Nontax Revenue	**$37,834**	**$31,650**	**$6,184**	**19.5%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$0	$0	---
Total Transfers In	**$0**	**$0**	**$0**	**---**
TOTAL STATE SOURCES	**$1,469,247**	**$1,435,150**	**$34,097**	**2.4%**
Federal Grants	$716,058	$718,590	-$2,532	-0.4%
TOTAL GRF SOURCES	**$2,185,305**	**$2,153,740**	**$31,565**	**1.5%**

*Estimates of the Office of Budget and Management as of September 2017.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2018 as of March 31, 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 2, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$1,031,122	$987,400	$43,722	4.4%	$1,015,342	1.6%
Nonauto Sales and Use	$6,425,686	$6,465,500	-$39,814	-0.6%	$6,834,289	-6.0%
Total Sales and Use Taxes	**$7,456,808**	**$7,452,900**	**$3,908**	**0.1%**	**$7,849,631**	**-5.0%**
Personal Income	$5,957,456	$5,746,500	$210,956	3.7%	$5,478,938	8.7%
Commercial Activity Tax	$1,122,230	$1,128,800	-$6,570	-0.6%	$960,001	16.9%
Cigarette	$641,100	$642,000	-$900	-0.1%	$667,262	-3.9%
Kilowatt-Hour Excise	$264,367	$275,400	-$11,033	-4.0%	$272,516	-3.0%
Foreign Insurance	$316,628	$315,500	$1,128	0.4%	$336,770	-6.0%
Domestic Insurance	$402	$3,000	-$2,598	-86.6%	$158	154.6%
Financial Institution	$121,800	$97,700	$24,100	24.7%	$105,722	15.2%
Public Utility	$83,421	$78,300	$5,121	6.5%	$72,302	15.4%
Natural Gas Consumption (MCF)	$34,302	$33,100	$1,202	3.6%	$32,145	6.7%
Alcoholic Beverage	$43,401	$42,700	$701	1.6%	$42,856	1.3%
Liquor Gallonage	$35,945	$34,500	$1,445	4.2%	$34,786	3.3%
Petroleum Activity Tax	$5,442	$4,800	$642	13.4%	$5,014	8.5%
Corporate Franchise	$1,971	$0	$1,971	---	$3,394	-41.9%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$119	$0	$119	---	$494	-75.9%
Total Tax Revenue	**$16,085,019**	**$15,855,200**	**$229,819**	**1.4%**	**$15,861,313**	**1.4%**
NONTAX REVENUE						
Earnings on Investments	$30,349	$28,000	$2,349	8.4%	$24,083	26.0%
Licenses and Fees	$50,263	$53,420	-$3,157	-5.9%	$56,244	-10.6%
Other Revenue	$247,372	$265,360	-$17,988	-6.8%	$54,634	352.8%
Total Nontax Revenue	**$327,984**	**$346,780**	**-$18,796**	**-5.4%**	**$134,961**	**143.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$133,327	$128,929	$4,398	3.4%	$92,844	43.6%
Total Transfers In	**$133,327**	**$128,929**	**$4,398**	**3.4%**	**$92,844**	**43.6%**
TOTAL STATE SOURCES	**$16,546,329**	**$16,330,909**	**$215,420**	**1.3%**	**$16,089,118**	**2.8%**
Federal Grants	$7,134,929	$7,384,106	-$249,177	-3.4%	$9,022,909	-20.9%
TOTAL GRF SOURCES	**$23,681,257**	**$23,715,015**	**-$33,758**	**-0.1%**	**$25,112,027**	**-5.7%**

*Estimates of the Office of Budget and Management as of September 2017.
***Cumulative totals through the same month in FY 2017.*
Detail may not sum to total due to rounding.

REVENUES[1]

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

Overview

With one quarter to go in the fiscal year, recent trends continued in March. Through the first three quarters of FY 2018, GRF sources of $23.68 billion were $33.8 million (0.1%) below OBM's estimates published in September 2017. Shortfalls of $249.2 million and $18.8 million, respectively, for federal grants and for nontax revenue were partially offset by positive variances of $229.8 million for GRF tax sources and $4.4 million for transfers into the GRF. GRF taxes and federal grants are expected to make up about 68% and 30%, respectively, of anticipated GRF sources for FY 2018. The latter mainly consists of federal reimbursements for Medicaid expenditures made from state GRF moneys. Tables 1 and 2 show GRF sources for March and for FY 2018 through March, respectively.

Through March in FY 2018, GRF sources were $33.8 million below estimate.

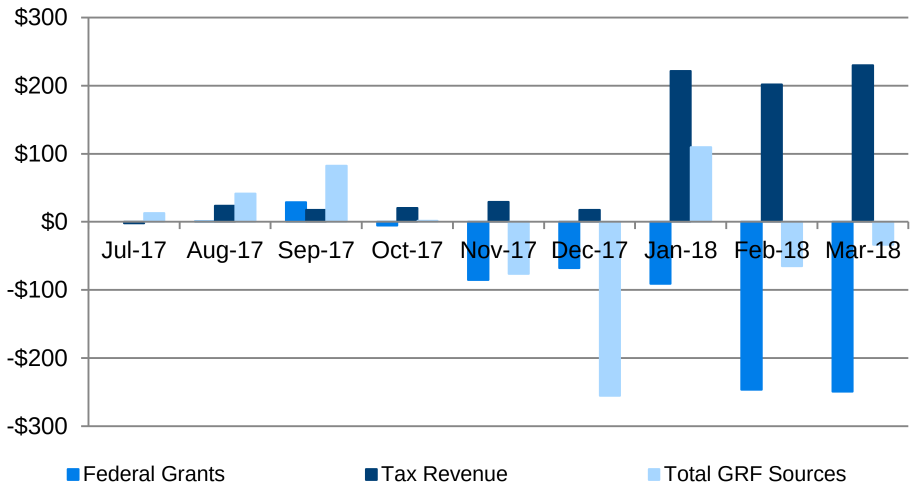
GRF sources for the month of March were $31.6 million (1.5%) above estimates, from positive variances of $27.9 million (2.0%) for tax sources and $6.2 million (19.5%) for nontax revenue. These positive variances were partially offset by a shortfall of $2.5 million (0.4%) for federal grants. OBM estimates for March did not include any transfers into the GRF. Regarding tax sources, the sales and use tax was ahead of estimate by $28.9 million for the month. The financial institution tax (FIT) and the foreign insurance also posted positive variances of $14.0 million and $13.5 million, respectively. The cigarette and other tobacco products tax nearly matched its projected receipts, but the PIT, the commercial activity tax (CAT), and the kilowatt-hour tax had shortfalls of $14.2 million, $13.7 million, and $1.9 million, respectively. The remaining tax sources had smaller positive or negative variances.

FY 2018 GRF tax sources were $229.8 million above estimate through March.

For FY 2018 through March, the following taxes had the largest positive variances: the PIT ($211.0 million), the auto sales and use tax ($43.7 million), the FIT ($24.1 million), the public utility tax ($5.1 million), and the corporate franchise tax ($2.0 million); and taxes with the largest deficits included the nonauto sales and use tax ($39.8 million), the CAT ($6.6 million), the kilowatt-hour tax ($11.0 million), and the domestic insurance tax ($2.6 million).

[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

Chart 1: Cumulative Variances of GRF Sources in FY 2018
(Variance from Estimates, $ in millions)



Through March, federal grants to the GRF were $249.2 million less than estimate.

FY 2018 year-to-date (YTD) GRF sources were $1.43 billion (5.7%) below FY 2017 GRF sources through March, due to a decline of $1.89 billion (20.9%) in federal grants. That decline was partially offset by increases of $223.7 million (1.4%) for GRF tax sources, $193.0 million (143.0%) for nontax revenue, and $40.5 million (43.6%) for transfers in.

As explained in previous editions of this publication, federal grants to the GRF will decline from FY 2017 as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. More spending for the Medicaid program is being made from non-GRF funds this fiscal year, and the GRF will thus experience lower federal reimbursements in FY 2018. For tax sources, revenue grew for the PIT ($478.5 million, 8.7%), the CAT ($162.2 million, 16.9%), the FIT ($16.1 million, 15.2%), the auto sales and use tax ($15.8 million, 1.6%), and the public utility tax ($11.1 million, 15.4%). However, revenue declined for the nonauto sales and use tax ($408.6 million, 6.0%), the foreign insurance tax ($20.1 million, 6.0%), the cigarette tax ($26.2 million, 3.9%), and the kilowatt-hour tax ($8.1 million, 3.0%). The revenue increase for the PIT is due, in large part, to continued growth in payroll employment and wages. The increase in CAT receipts was due in part to an increase in the share of CAT revenue allocated to the GRF enacted in H.B. 49, the budget act for the current biennium, while the decline in sales tax revenue resulted from a policy change that decreased the nonauto sales and use tax base, as explained in the following section.

Sales and Use Tax

Sales and use tax receipts to the GRF in March 2018 of $746.2 million were $28.9 million (4.0%) above estimate. This positive variance follows shortfalls of $39.0 million in January and $2.2 million in February. This month, the nonauto sales and use tax turned in a good performance while the auto portion of the tax experienced a shortfall. Through nine months, sales and use tax revenue tracked estimates very closely, with the March receipts resulting in a positive variance of $3.9 million (0.1%) YTD. Through March 2018, GRF sales and use tax receipts of $7.46 billion were $392.8 million (5.0%) below receipts in the corresponding period last year.

Through March in FY 2018, the sales and use tax was above estimate by $3.9 million.

Though overall sales tax revenue has tracked estimates closely, revenue from the auto sales and use tax generally has been more than expected throughout the fiscal year, while the nonauto portion of the tax has failed to match expectations during most months. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections 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.[2]

Nonauto Sales and Use Tax

In March, the nonauto sales and use tax was above estimate after two bad months, when the combined shortfall for this GRF source totaled $62.4 million. Receipts to the GRF of $625.4 million were $30.1 million (5.1%) ahead of projections, decreasing the cumulative YTD negative variance of this tax source to $39.8 million (0.6%), down from $69.9 million at the end of February. Despite the good performance this month for this tax, its revenue shortfall in the third fiscal quarter as a whole was $32.3 million of the total YTD negative variance.

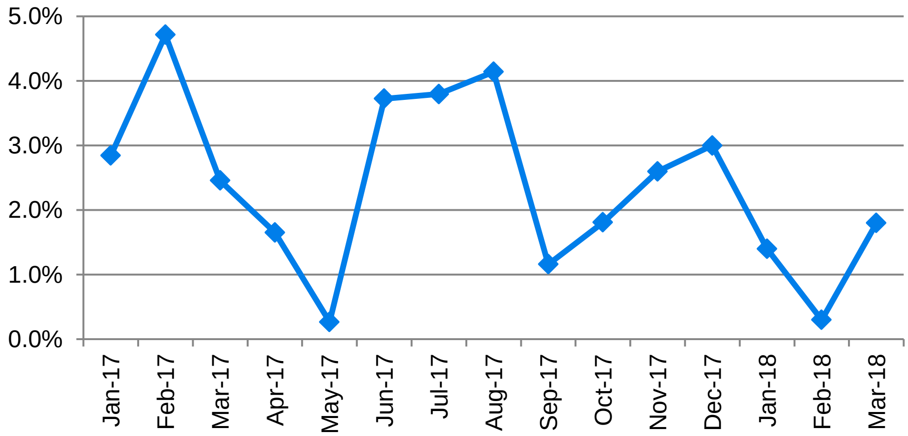
YTD nonauto sales and use tax receipts were $39.8 million below estimate.

March 2018 revenue was also $25.7 million (4.0%) below receipts in the same month last year, for reasons described below. For the fiscal year through March, GRF receipts from this tax totaled $6.43 billion, $408.6 million (6.0%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base. Starting

[2] Taxes arising from leases are paid immediately upon the lease signing. The clerks of court generally make auto sales and use tax payments on Mondays for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts mostly, but not perfectly, reflect vehicles sold and titled during the month.

July 1, 2017, H.B. 49 replaced the sales tax on Medicaid health insuring corporations (MHICs) with a provider assessment on both Medicaid and non-Medicaid managed care companies, with proceeds deposited in a non-GRF fund. Sales tax revenue attributable to MHICs had grown to be a sufficiently large portion of nonauto sales and use tax revenue overall by FY 2017, that declines in revenue from this tax source are generally expected this year when compared to the corresponding months in FY 2017. Monthly revenue growth on a year-ago basis, after adjusting for the decrease in the tax base described above, has generally declined, but improved in the latest month, as shown in Chart 2 below.[3]

Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year (with tax base adjustment)
(Three-month Moving Average)

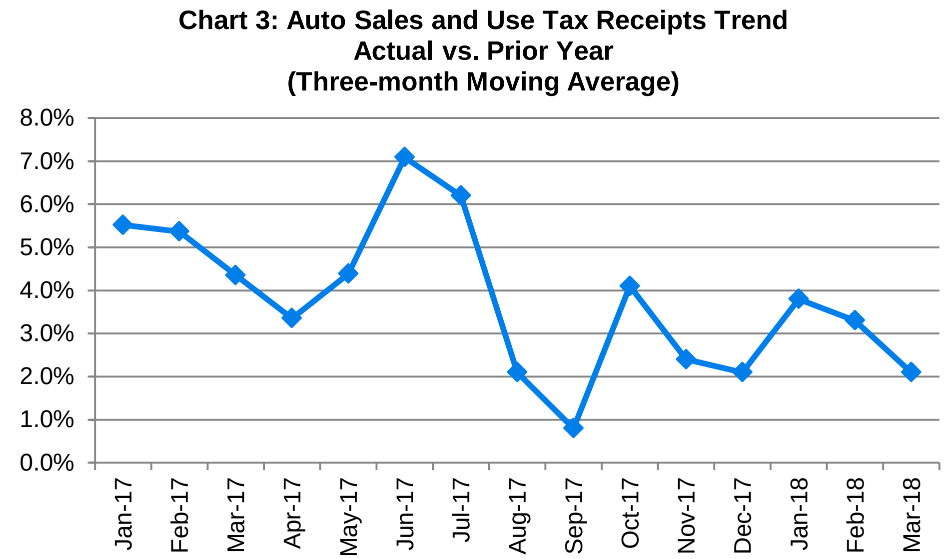


Auto Sales and Use Tax

Through three fiscal quarters, the auto sales and use tax has performed well. Total auto sales and use tax revenue of $1.03 billion for the fiscal YTD was $43.7 million (4.4%) above estimate and $15.8 million (1.6%) above revenue in FY 2017 through March. GRF receipts of $120.7 million in March 2018 for the auto portion of the sales and use tax were below estimate by $1.3 million (1.0%), and $6.0 million (4.8%) lower than receipts in the same month in 2017. Chart 3 provides year-over-year growth in auto sales and use tax collections in 2017. For FY 2018 as a whole, OBM expects a decline of 2.5% in revenue from the Ohio auto sales and use tax when compared to FY 2017; although revenue growth has steadily declined, so far it appears the auto tax base has continue to expand, just at a slower rate than in earlier in the fiscal year.

Through March in FY 2018, the auto sales and use tax was $43.7 million above estimate.

[3] Please note that to adjust for changes to the existing tax base, this chart excludes monthly revenue from MHICs starting in August 2016 in FY 2017 so that changes in nonauto sales and use tax revenue are on a comparable basis.



Personal Income Tax

PIT GRF revenue was $211.0 million above estimate in FY 2018 through March.

Ahead of the conclusion of the tax filing season in mid-April, the PIT continues to be above estimate. For the YTD, total PIT GRF revenue of $5.96 billion was $211.0 million (3.7%) above estimate, and $478.5 million (8.7%) above corresponding receipts through March in FY 2017. PIT revenue is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[4] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections, and to a lesser extent, the amount of refunds to taxpayers.

In February, the PIT was $24.8 million below estimate, giving back some of its strong January performance, mostly because early payouts of refunds for tax year 2017 were delayed this year. In March, PIT revenue was again below anticipated revenues, this time by $14.2 million (2.9%), also from higher than anticipated refunds that were $6.8 million (1.8%) above estimate. Also contributing to the negative variance for the month were lower than projected miscellaneous payments ($4.9 million, 30.8%). Employer withholding was on target for the month, but the remaining components were below estimates.

[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

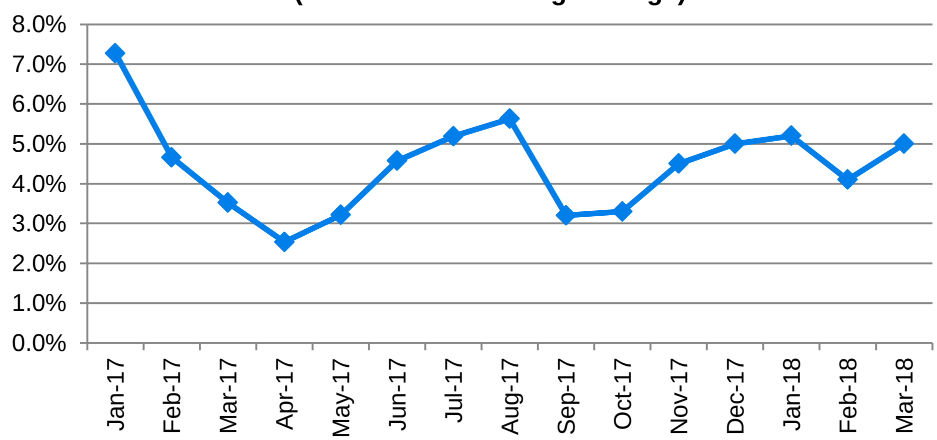
FY 2018 revenues through March from each component of the PIT relative to estimates and to revenue received in FY 2017 are detailed in the table below. PIT trends in the earlier months of FY 2018 continued for gross collections. Annual return payments posted a negative variance, while the remaining components exceeded estimates through March 2018. Refunds and LGF distributions were also higher than estimates.

FY 2018 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$89.9	1.4%	$274.5	4.3%
Quarterly Estimated Payments	$173.3	32.6%	$187.1	36.1%
Trust Payments	$8.4	35.8%	$8.0	33.7%
Annual Return Payments	-$22.8	-13.0%	-$13.4	-8.0%
Miscellaneous Payments	$6.7	10.1%	$8.5	13.1%
Gross Collections	$255.4	3.5%	$464.8	6.6%
Less Refunds	$39.0	3.1%	-$19.0	-1.4%
Less LGF Distribution	$5.4	1.9%	$5.2	1.8%
GRF PIT Revenue	$211.0	3.7%	$478.5	8.7%

Compared to corresponding receipts in FY 2017 through March, receipts from employer withholding, quarterly estimated payments, and miscellaneous payments were all higher in FY 2018, but payments with annual returns were below such payments last year. LGF distributions were also higher than in the corresponding period in FY 2017, though refunds were lower. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. Though revenue from employer withholding is still growing, the rate of growth has declined in calendar year 2018.

Chart 4: Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



As mentioned earlier, the performance of the PIT has been solid through the first three fiscal quarters. However, fourth-quarter PIT receipts may be as high as a third of total PIT fiscal year receipts; thus results of the individual income tax filing season ending 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 results for this tax source, and probably that of GRF tax receipts as a whole.

Commercial Activity Tax

This GRF tax source has weakened in recent months. GRF revenue of $2.0 million from the CAT in March was $13.7 million (87.2%) below projected revenue. For the January to March quarter, the CAT's negative variance totaled $15.5 million (3.8%), and with three months left in the fiscal year (one last quarterly calendar taxpayer payment, due in May), GRF receipts totaling $1.12 billion were $6.6 million (0.6%) below estimate. Through December 2017, however, the CAT was $8.9 million (1.2%) above estimate.

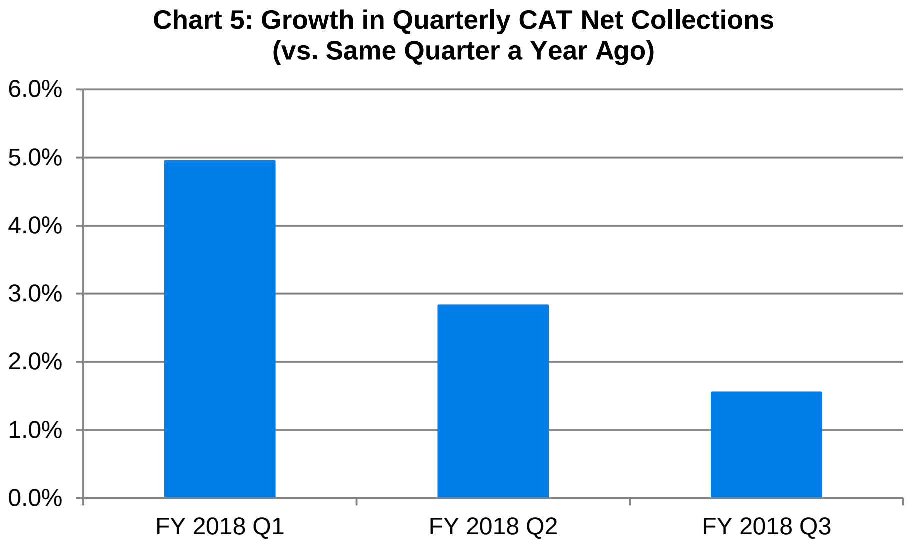
FY 2018 CAT GRF tax receipts through March were $6.6 million below estimate.

YTD FY 2018 GRF receipts were $162.2 million (16.9%) above receipts in FY 2017 through March. This strong growth was due in part to the change in allocation of revenue enacted in H.B. 49. H.B. 49 increased the share of CAT revenue credited to the GRF from 75% to 85% beginning July 1, 2017, and decreased the shares allocated to reimburse school districts from 20% to 13% (Fund 7047) and to other local taxing units from 5% to 2% (Fund 7081) for their loss of tangible personal property tax revenues. Compared to the corresponding period in FY 2017, through March 2018, CAT receipts to Fund 7047 and Fund 7081 decreased $84.4 million (33.0%) and $37.6 million (58.7%), respectively.

While the allocation change increases the amount of CAT receipts directly credited to the GRF, it reduces "excess" CAT receipts that are transferred back to the GRF. Under continuing law, CAT receipts deposited into Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF. In other words, the CAT allocation change has no net effect on its total contribution to the GRF.

Gross collections have been relatively robust, and through March 2018, they increased by $76.7 million (5.6%) relative to collections in the corresponding period in FY 2017. On the other hand, refunds also increased by $37.6 million (46.4%), with more than half of this growth occurring in the third fiscal quarter. YTD, net collections grew

$39.2 million (3.0%) compared to the corresponding period in FY 2017. Chart 5 below provides growth in quarterly net collections when compared to collections in the same quarter the previous year.



Cigarette and Other Tobacco Products Tax

Through March, FY 2018 revenue from the cigarette and other tobacco products tax of $641.1 million was $0.9 million (0.1%) below estimate, and $26.2 million (3.9%) below revenue in the corresponding period in FY 2017. Total revenue included $587.5 million and $53.6 million, respectively, from sales of cigarettes and sales of other tobacco products. Though the performance of this tax source has been uneven this fiscal year, with monthly positive variances alternating with shortfalls, cigarette tax revenue of $75.3 million in March 2018 was nearly on target, just $69,000 (0.1%) above estimate. However, cigarette tax revenue this month was $4.8 million (6.0%) below revenue in the same month last year. Compared to FY 2017, receipts from cigarette sales fell $31.2 million (5.0%) while those from other tobacco products grew $5.0 million (10.3%). Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

FY 2018 cigarette tax receipts were $0.9 million below estimate through March.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2018
($ in thousands)
(Actual based on OAKS reports run April 4, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$641,761	$591,146	$50,615	8.6%
Higher Education	$192,223	$193,410	-$1,187	-0.6%
Other Education	$2,617	$3,160	-$543	-17.2%
Total Education	**$836,601**	**$787,716**	**$48,885**	**6.2%**
Medicaid	$999,162	$1,034,158	-$34,996	-3.4%
Health and Human Services	$105,677	$97,624	$8,053	8.2%
Total Welfare and Human Services	**$1,104,839**	**$1,131,783**	**-$26,943**	**-2.4%**
Justice and Public Protection	$148,251	$152,999	-$4,748	-3.1%
General Government	$22,029	$23,933	-$1,904	-8.0%
Total Government Operations	**$170,280**	**$176,932**	**-$6,652**	**-3.8%**
Property Tax Reimbursements	$83,435	$184,911	-$101,476	-54.9%
Debt Service	$143,737	$146,878	-$3,141	-2.1%
Total Other Expenditures	**$227,172**	**$331,790**	**-$104,618**	**-31.5%**
Total Program Expenditures	**$2,338,893**	**$2,428,220**	**-$89,327**	**-3.7%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$0	$0	$0	---
Total Transfers Out	**$0**	**$0**	**$0**	**---**
TOTAL GRF USES	**$2,338,893**	**$2,428,220**	**-$89,327**	**-3.7%**

*September 2017 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 2018 as of March 31, 2018
($ in thousands)
(Actual based on OAKS reports run April 4, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$6,234,566	$6,134,832	$99,733	1.6%	$6,293,444	-0.9%
Higher Education	$1,741,726	$1,751,619	-$9,893	-0.6%	$1,733,246	0.5%
Other Education	$56,364	$57,068	-$703	-1.2%	$62,196	-9.4%
Total Education	**$8,032,656**	**$7,943,519**	**$89,138**	**1.1%**	**$8,088,887**	**-0.7%**
Medicaid	$10,945,983	$11,237,472	-$291,489	-2.6%	$13,397,130	-18.3%
Health and Human Services	$999,541	$1,058,249	-$58,708	-5.5%	$1,041,294	-4.0%
Total Welfare and Human Service	**$11,945,524**	**$12,295,721**	**-$350,197**	**-2.8%**	**$14,438,424**	**-17.3%**
Justice and Public Protection	$1,631,355	$1,655,411	-$24,055	-1.5%	$1,577,353	3.4%
General Government	$271,514	$290,839	-$19,326	-6.6%	$285,897	-5.0%
Total Government Operations	**$1,902,869**	**$1,946,250**	**-$43,381**	**-2.2%**	**$1,863,251**	**2.1%**
Property Tax Reimbursements	$989,963	$1,093,868	-$103,905	-9.5%	$1,135,431	-12.8%
Debt Service	$1,202,692	$1,225,113	-$22,422	-1.8%	$1,218,382	-1.3%
Total Other Expenditures	**$2,192,655**	**$2,318,982**	**-$126,327**	**-5.4%**	**$2,353,812**	**-6.8%**
Total Program Expenditures	**$24,073,704**	**$24,504,472**	**-$430,767**	**-1.8%**	**$26,744,374**	**-10.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$69,445	$65,514	$3,931	6.0%	$256,256	-72.9%
Total Transfers Out	**$69,445**	**$65,514**	**$3,931**	**6.0%**	**$285,739**	**-75.7%**
TOTAL GRF USES	**$24,143,149**	**$24,569,986**	**-$426,837**	**-1.7%**	**$27,030,113**	**-10.7%**

*September 2017 estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2017.

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 April 5, 2018)

	Month of March 2018				Year to Date Through March 2018			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,861,289**	**$1,886,687**	**-$25,398**	**-1.3%**	**$17,777,817**	**$18,028,350**	**-$250,533**	**-1.4%**
GRF	$943,061	$979,264	-$36,203	-3.7%	$10,431,309	$10,718,412	-$287,103	-2.7%
Non-GRF	$918,228	$907,423	$10,805	1.2%	$7,346,508	$7,309,938	$36,571	0.5%
Developmental Disabilities	**$225,596**	**$243,702**	**-$18,106**	**-7.4%**	**$2,010,520**	**$2,068,992**	**-$58,472**	**-2.8%**
GRF	$51,401	$47,534	$3,867	8.1%	$447,618	$447,742	-$124	0.0%
Non-GRF	$174,195	$196,168	-$21,973	-11.2%	$1,562,902	$1,621,250	-$58,348	-3.6%
Job and Family Services	**$15,611**	**$20,240**	**-$4,629**	**-22.9%**	**$182,312**	**$197,565**	**-$15,253**	**-7.7%**
GRF	$4,105	$6,828	-$2,723	-39.9%	$60,069	$64,605	-$4,536	-7.0%
Non-GRF	$11,506	$13,411	-$1,906	-14.2%	$122,243	$132,960	-$10,717	-8.1%
Health	**$3,530**	**$3,536**	**-$7**	**-0.2%**	**$19,955**	**$20,839**	**-$885**	**-4.2%**
GRF	$310	$271	$40	14.6%	$2,966	$2,707	$259	9.6%
Non-GRF	$3,219	$3,266	-$46	-1.4%	$16,988	$18,132	-$1,144	-6.3%
Mental Health and Addiction	**$285**	**$410**	**-$125**	**-30.5%**	**$2,884**	**$3,775**	**-$892**	**-23.6%**
GRF	$0	$0	$0	--	$1,250	$1,250	$0	0.0%
Non-GRF	$285	$410	-$125	-30.5%	$1,633	$2,525	-$892	-35.3%
Aging	**$479**	**$552**	**-$73**	**-13.2%**	**$4,389**	**$5,483**	**-$1,093**	**-19.9%**
GRF	$270	$252	$18	7.1%	$2,539	$2,550	-$11	-0.4%
Non-GRF	$209	$300	-$91	-30.2%	$1,850	$2,933	-$1,082	-36.9%
Pharmacy Board	**$35**	**$36**	**-$1**	**-1.7%**	**$1,582**	**$1,669**	**-$87**	**-5.2%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$35	$36	-$1	-1.7%	$1,582	$1,669	-$87	-5.2%
Education	**$15**	**$18**	**-$3**	**-17.8%**	**$240**	**$405**	**-$166**	**-40.9%**
GRF	$15	$9	$6	64.0%	$232	$205	$26	12.9%
Non-GRF	$0	$9	-$9	-99.5%	$8	$200	-$192	-95.9%
Total GRF	**$999,162**	**$1,034,158**	**-$34,996**	**-3.4%**	**$10,945,983**	**$11,237,472**	**-$291,489**	**-2.6%**
Total Non-GRF	**$1,107,677**	**$1,121,022**	**-$13,345**	**-1.2%**	**$9,053,715**	**$9,089,606**	**-$35,891**	**-0.4%**
Total All Funds	**$2,106,839**	**$2,155,181**	**-$48,342**	**-2.2%**	**$19,999,698**	**$20,327,078**	**-$327,380**	**-1.6%**

*Estimates are from the Department of Medicaid.

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 April 5, 2018)

	Month of March 2018				Year to Date Through March 2018			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$940,933	$944,899	-$3,966	-0.4%	$8,340,819	$8,380,350	-$39,531	-0.5%
ACA - Managed Care	$344,542	$352,552	-$8,010	-2.3%	$3,077,328	$3,113,292	-$35,964	-1.2%
DDD Services	$214,476	$231,150	-$16,674	-7.2%	$1,945,483	$1,999,828	-$54,345	-2.7%
Hospitals	$60,455	$60,714	-$259	-0.4%	$1,634,111	$1,641,945	-$7,834	-0.5%
Nursing Facilities	$111,745	$109,249	$2,496	2.3%	$1,140,163	$1,088,990	$51,173	4.7%
Physicians/All Other	$88,736	$105,719	-$16,983	-16.1%	$839,307	$909,137	-$69,829	-7.7%
Behavioral Health	$96,694	$93,865	$2,829	3.0%	$893,861	$887,732	$6,129	0.7%
Administration	$95,878	$90,189	$5,689	6.3%	$693,831	$789,260	-$95,429	-12.1%
Medicare Buy-In	$49,750	$55,066	-$5,316	-9.7%	$454,021	$467,986	-$13,965	-3.0%
Medicare Part D	$37,565	$39,114	-$1,549	-4.0%	$350,382	$362,969	-$12,586	-3.5%
Prescription Drugs	$22,270	$28,406	-$6,135	-21.6%	$239,612	$272,065	-$32,453	-11.9%
Aging Waivers	$34,671	$33,602	$1,068	3.2%	$297,492	$310,844	-$13,352	-4.3%
Home Care Waivers	$9,124	$10,656	-$1,532	-14.4%	$93,287	$102,679	-$9,392	-9.1%
Total All Funds	**$2,106,839**	**$2,155,181**	**-$48,342**	**-2.2%**	**$19,999,698**	**$20,327,078**	**-$327,380**	-1.6%

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[5]

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

– *Charles Dobson, Economist, 614-466-1523*

Overview

For the first three quarters of FY 2018, GRF program expenditures totaled $24.07 billion. These expenditures were $430.8 million (1.8%) below the estimate released by OBM in September 2017. GRF transfers out totaled $69.4 million, $3.9 million (6.0%) above estimate. Including both program expenditures and transfers out, GRF uses totaled $24.14 billion, $426.8 million below the year-to-date (YTD) estimate.

Through March, FY 2018 GRF program expenditures were $430.8 million below estimate.

The month of March contributed $89.3 million to the GRF program expenditures' total YTD variance, due primarily to a timing-related negative variance of $101.5 million in property tax reimbursements. The property tax reimbursement payments are made twice per year. The first one is based on the August property tax settlement and disbursed throughout the first half of a given fiscal year. The second one is based on the February property tax settlement and disbursed throughout the second half of the fiscal year. Funds are disbursed when county auditors request the payments. Therefore, it is not unusual to see variances from month to month. The payments based on the August 2017 property tax settlement were completed at the end of December and were on target with the estimate.

In March, GRF Medicaid expenditures were $35.0 million (3.4%) below estimate, which increased the category's negative YTD variance from $256.5 million (2.5%) at the end of February to $291.5 million (2.6%) at the end of March. In the same month, due mainly to timing, Primary and Secondary Education expenditures were $50.6 million (8.6%) above estimate. As a result, the category's positive YTD variance increased from $49.1 million (0.9%) at the end of February to $99.7 million (1.6%) at the end of March. Additional details on the variances in Medicaid and Primary and Secondary Education are provided in sections that follow this overview.

[5] This report compares actual monthly and year-to-date expenditures from the GRF to OBM's estimates of those expenditures. If a program category's actual expenditures were higher than estimate, that program category is deemed to have a positive variance. The program category is deemed to have a negative variance when its actual expenditures were lower than estimate.

Three other program categories also had notable negative YTD variances. The majority of those variances occurred in months prior to March. Expenditures from the Health and Human Services program category were $8.1 million (8.2%) above estimate in March but this category's YTD expenditures were still $58.7 million (5.5%) below estimate. The Justice and Public Protection program category's negative YTD variance grew in March, by $4.7 million, and totaled $24.1 million (1.5%) at the end of March. The Debt Service program category's negative YTD variance also grew in March, by $3.1 million, and totaled $22.4 million (1.8%) at the end of March. Funds provided under the Debt Service program category are used to retire the general obligation bonds issued by the state. These bonds are backed by the full faith and credit of the state. The state is obligated to fully fund any requested debt service payments on those bonds.

For additional details on the negative variances for Health and Human Services, Justice and Public Protection, and Debt Service, please see the prior issues of *Budget Footnotes*.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars.[6] Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. The other six agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1%. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Both GRF and non-GRF Medicaid expenditures continued their recent trend in March; they were below the monthly estimates by $35.0 million (3.4%) and $13.3 million (1.2%), respectively. Through

Through March, FY 2018 GRF and non-GRF Medicaid expenditures were $291.5 million and $35.9 million below estimates, respectively.

[6] Federal reimbursements for Medicaid expenditures made from the state GRF are deposited into the GRF as revenue to help support the GRF appropriations for Medicaid. Federal reimbursements for Medicaid expenditures made from state non-GRF funds are deposited into various non-GRF funds for expenditures. In recent years, the federal government has reimbursed about two-thirds of Ohio's total Medicaid expenditures.

March, GRF and non-GRF Medicaid expenditures were $291.5 million (2.6%) and $35.9 million (0.4%), respectively, below estimates. Across all funds, FY 2018 Medicaid expenditures were $327.4 million (1.6%) below the YTD estimate.

As can be seen from Table 5, the majority of the negative YTD variance in all-funds Medicaid expenditures can be attributed to ODM ($250.5 million, 1.4%) and ODODD ($58.5 million, 2.8%). ODM's GRF Medicaid expenditures were $287.1 million (2.7%) below the YTD estimate while its non-GRF Medicaid expenditures were $36.6 million (0.5%) above the YTD estimate. ODODD's GRF Medicaid expenditures were essentially on target, being $124,000 below the YTD estimate. However, ODODD's non-GRF Medicaid expenditures were below the YTD estimate by $58.3 million (3.6%).

YTD expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were below estimates by $39.5 million and $36.0 million, respectively.

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures for Managed Care and ACA-Managed Care, the two largest payment categories, were largely in line with estimates with negative YTD variances of $39.5 million (0.5%) and $36.0 million (1.2%), respectively. Overall, more than 80% of Ohioans enrolled in Medicaid receive services through managed care. The ACA-Managed Care category tracks managed care expenditures for individuals who became eligible for Medicaid through the federal Affordable Care Act.

The Administration category had the largest negative YTD variance at $95.4 million (12.1%). Of this amount, approximately $72.0 million is attributed to ODM and the remaining $23.4 million is attributed to the other Medicaid agencies. ODM's negative variance was primarily due to the following: timing-related issues, prior fiscal year contracts that have not yet been paid, and caseload-driven contracts requiring lower payments to vendors than anticipated.

The Physicians/All Other category had the second largest negative YTD variance at $69.8 million (7.7%), due primarily to two issues. The first is lower than estimated caseloads for home health services. The second is that cost settlement adjustments have not yet been processed for the Medicaid School Program. Cost settlement involves reconciling the amount that schools received to administer services versus how much the schools actually spent.

Two other payment categories with significant negative YTD variances are services provided by ODODD (labeled "DDD Services" in the table) and Prescription Drugs. YTD expenditures for DDD Services were below estimate by $54.3 million (2.7%). Of this variance, $22.2 million was due to lower than expected expenditures for targeted case management services and the remaining $32.1 million was due to timing-related issues. YTD expenditures for Prescription Drugs were $32.5 million (11.9%) below estimate, due largely to lower than estimated per-member, per-month prescription drug costs for the Aged, Blind, and Disabled (ABD) population.

Nursing Facilities and Behavioral Health were the only two categories with positive YTD variances. Both caseload and per-member, per-month cost for Nursing Facilities have been higher than projected. As a result, this payment category's expenditures had a positive YTD variance of $51.2 million (4.7%). YTD expenditures for Behavioral Health were $6.1 million (0.7%) above estimate.

Primary and Secondary Education

In March, GRF expenditures for Primary and Secondary Education were $641.8 million, $50.6 million (8.6%) above estimate. Through March, this category's expenditures were $6.23 billion, $99.7 million (1.6%) above estimate. The Ohio Department of Education (ODE) is the only agency that is included in this program category. Item 200550, Foundation Funding, which is the main funding source of school foundation payments, is the culprit behind the positive variance in the ODE budget. It is not unusual to see variances in this item as individual school foundation payments are based on a variety of data that may not be finalized until much later in the fiscal year. Due mainly to timing, this item registered a positive variance of $52.8 million in March, which increased the item's positive YTD variance to $107.7 million. These positive variances were somewhat offset by the net negative variances from several other line items in the ODE budget. ODE expects its budget's overall positive variance to narrow in the last quarter of the fiscal year.

ISSUE UPDATES

Department of Agriculture Announces New Ohio Sensitive Crop Registry

– Shannon Pleiman, Budget Analyst, 614-466-1154

On March 1, 2018, the Department of Agriculture's Division of Plant Health announced the creation of a new online Ohio Sensitive Crop Registry (OSCR), an information clearinghouse designed to encourage awareness and communication amongst beekeepers; commercial producers of specialty crops such as tomatoes, fruit trees, grapes, and organic crops; and pesticide applicators. The registry allows beekeepers and commercial producers of specialty crops to register and map their sites online with a mapping tool and provide contact information about their operation. Pesticide applicators can access the site to help determine the scope and location of beehives and specialty crops in their areas before applying pesticide. The registry can be viewed at http://www.fieldwatch.com/fieldwatch-state-registries/.

OSCR will be maintained by FieldWatch, Inc., a nonprofit company that operates similar registries used by 18 other states and 66 private companies across the country. OSCR is free and voluntary for beekeepers, commercial producers, and pesticide applicators to use. The registry is funded by an annual $6,500 maintenance fee paid from the Pesticide, Fertilizer, and Lime Program Fund (Fund 6690). Overall, there were 28,277 pesticide applicators licensed and 8,627 beekeepers registered by the Department of Agriculture in FY 2017. The commercial pesticide applicator license fee is $35 annually while the private pesticide applicator license fee is $30 triennially. Fees are deposited into Fund 6690. Beekeepers pay an annual registration fee of $5 per apiary and the fee is deposited into the Plant Pest Program Fund (Fund 5FC0). According to the most recent U.S. Census of Agriculture, there were nearly 6,200 specialty crop farms in Ohio.

Natural Gas Production from Horizontal Wells Increased Appreciably in CY 2017, but Oil Production Slipped

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

On March 8, 2018, the Department of Natural Resources (DNR) published the calendar year (CY) 2017 production totals for Ohio's horizontal oil and gas wells. In total, horizontal wells produced nearly 16.4 million barrels of oil and nearly 1.73 billion thousand cubic feet (MCF) of natural gas in CY 2017. Overall, horizontal well oil production was down 9.2% compared to the approximately 18.2 million barrels produced in CY 2016. Natural gas production, however, was 24.3% greater than CY 2016 production of 1.39 billion MCF. Horizontal wells produce oil and natural gas in 17 Ohio counties where the Marcellus and Utica shale formations are found. The table below shows total oil and gas production in each of those counties for CY 2016 and CY 2017.

Horizontal Oil and Gas Well Production by County						
County	Barrels Oil			MCF Natural Gas		
	CY 2016	CY 2017	% Change	CY 2016	CY 2017	% Change
Belmont	224,336	66,753	-70.2%	493,386,063	779,407,697	58.0%
Carroll	4,238,499	3,599,533	-15.1%	196,351,735	141,216,736	-28.1%
Columbiana	88,903	58,479	-34.2%	35,386,749	30,711,371	-13.2%
Coshocton	1,125	514	-54.3%	43,983	32,167	-26.9%
Guernsey	4,813,133	5,190,840	7.8%	51,197,245	55,552,919	8.5%
Harrison	6,683,558	5,983,286	-10.5%	187,876,456	154,491,766	-17.8%
Jefferson	593	255	-57.0%	46,012,135	144,368,353	213.8%
Mahoning	11,916	10,788	-9.5%	2,766,813	2,101,569	-24.0%
Monroe	239,189	105,752	-55.8%	259,949,927	304,684,192	17.2%
Morgan	21,239	13,171	-38.0%	287,891	213,846	-25.7%
Muskingum	2,032	1,218	-40.1%	49,157	48,189	-2.0%
Noble	1,553,652	1,244,607	-19.9%	111,363,703	109,668,947	-1.5%
Portage	14	363	2492.9%	7,318	32,084	338.4%
Stark	4,703	3,729	-20.7%	139,604	132,167	-5.3%
Trumbull	5,560	4,138	-25.6%	351,206	486,788	38.6%
Tuscarawas	66,687	35,292	-47.1%	491,016	353,841	-27.9%
Washington	60,207	31,322	-48.0%	2,995,312	1,993,245	-33.5%
TOTAL	**18,015,346**	**16,350,040**	**-9.2%**	**1,388,656,313**	**1,725,495,877**	**24.3%**

Under current law, severance taxes are levied on the volume of oil and gas produced. For oil, the rate is 10¢ per barrel of oil. For gas, the rate is 2.5¢ per MCF. These taxes are collected quarterly and deposited to the credit of the Oil and Gas Well Fund (Fund 5180) and the Geological Mapping Fund (Fund 5110). Fund 5180 receives 90% of the severance taxes, with Fund 5110 receiving the remaining 10%. These funds are the primary operating funds used by DNR's Division of Oil and Gas Resources and Division of Geological Survey. For FY 2017, severance taxes from all oil and gas wells in Ohio accounted for nearly $40.2 million in revenue, with Fund 5180 receiving approximately $36.2 million and Fund 5110 receiving approximately $4.0 million.

Emergency Department Visits Increase for Opioid Overdoses in Ohio

– Jacquelyn Schroeder, Budget Analyst, 614-466-3279

The number of emergency department (ED) visits in Ohio for suspected opioid overdoses increased by 28% from July 2016 through September 2017 compared with the national increase of 30% during the same period, according to a report from the Centers for Disease Control and Prevention (CDC) released on March 6, 2018. Opioid overdoses increased for both men and women and for all age groups. The report was based on information collected from the CDC's National Syndromic Surveillance Program, which includes data from 52 jurisdictions in 45 states, and the Enhanced State Opioid Overdose Surveillance Program, which includes data from 16 states. The CDC previously analyzed data from death certificates to quantify opioid usage and overdose statistics. However, data from ED visits is available much sooner, which can lead to timelier and more coordinated response efforts.

While all U.S. regions experienced an increase in ED visits for suspected opioid overdose, some regions were impacted more than others. The Midwest had the largest increase by far with a rise of approximately 70%. The West had the second largest increase of 40%, followed by the Northeast at 21%, the Southwest at 20%, and the Southeast at 14%. The state with the highest increase was Wisconsin, which experienced an increase of 109% in opioid overdoses.

Ohio has undertaken many initiatives to combat the opioid epidemic. These include helping communities purchase naloxone, linking drug offenders with treatment, providing stable housing for recovering Ohioans, increasing funding for addiction and behavioral health treatment, and enforcing laws to prevent the illegal distribution of synthetic opioids. The state is also providing resources to communities that are hardest hit by the opioid epidemic and implementing healthcare system changes for safer prescribing practices. More information on Ohio's efforts is available online at: https://www.odh.ohio.gov/health/vipp/drug/dpoison.aspx.

Ohio Department of Medicaid Expands Acupuncture Coverage

– Charles Dobson, Economist, 614-644-1523

On January 1, 2018, the Ohio Department of Medicaid (ODM) expanded acupuncture coverage by allowing licensed acupuncturists, including chiropractors and other health care providers, to provide treatment. Medicaid now also covers acupuncture with electrical stimulation. ODM began covering certain acupuncture treatments in 2017, but coverage was limited to treatments provided by a licensed physician. Medicaid recipients may receive up to 30 acupuncture treatments each year before prior authorization is required. In order to be eligible for treatment, a recipient must be diagnosed with lower back pain or migraines and the treatment must be medically necessary. Approximately 108,000 Medicaid recipients meet these criteria. However, as of March 2018, only 920 Medicaid recipients have received acupuncture treatment. This number may increase as the number of Medicaid acupuncture providers increases. Currently, 87 Medicaid providers are providing acupuncture treatment, but another 72 providers are in the process of becoming Medicaid-certified. The table below shows the acupuncture procedures covered by Ohio Medicaid as well as the effective date of coverage and the reimbursement rate for each procedure.

Medicaid Reimbursements by Procedure		
Procedure	**Effective Date**	**Reimbursement (Per 15 Minutes)**
Acupuncture without electrical stimulation, and with one or more needles	January 1, 2017	$25.00
Acupuncture without electrical stimulation, with one or more needles, and reinsertion	January 1, 2017	$17.50
Acupuncture with electrical stimulation and one or more needles	January 1, 2018	$31.15
Acupuncture with electrical stimulation, one or more needles, and reinsertion	January 1, 2018	$23.65

In 2017, Ohio became the first Midwestern state to cover acupuncture under its Medicaid program. ODM began covering acupuncture due in part to recommendations from the Governor's Cabinet Opiate Action Team (GCOAT). GCOAT recommended the use of alternative pain therapies, such as acupuncture, for acute pain management as a way to decrease the number of unnecessary opioid prescriptions.

DHE Receives $2.1 Million Grant to Increase Course Completions Among First Year, Historically Underserved Students

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

In February, the Department of Higher Education (DHE) was awarded a three-year, $2.1 million grant award through the Education Commission of the States' Strong Start to Finish (SSTF) initiative. The grant funds will be distributed to 12 universities and 18 community colleges across the state to assist the institutions in significantly increasing the percentage of historically underserved student populations completing "gateway" college-level mathematics and English courses and entering a program of study in their first year of college. According to DHE, 33% of first-time students enrolled at participating institutions of higher education complete first-year, college-level courses in both mathematics and English. Universities and community colleges have committed to increase that percentage to 50% by 2021. Participating institutions will use their SSTF awards to assemble a campus leadership team, outline initiatives related to SSTF goals, develop their own goals toward increasing course completions among first-year students, and reduce equity gaps for underserved student populations.

In mid-March, the Controlling Board approved additional funding of $114,550 for FY 2018 and $902,150 for FY 2019 for Fund 5FR0 line item 235650, State and Non-Federal Grants and Award, to allow DHE to spend part of the SSTF grant proceeds in the current biennium. Generally, line item 235650 funds nonfederal grant programs supported by private foundations, such as the Helmsley Charitable Trust and the Lumina Foundation.

DHE Adopts College Credit Plus Rules on Underperforming Students and Courses Eligible for Funding

– Alexandra Vitale, Budget Analyst, 614-466-6582

On January 29, 2018, the Joint Committee on Agency Rule Review approved two sets of rules that H.B. 49 required DHE to adopt specifying when underperforming students may continue to participate in the College Credit Plus (CCP) program and which courses are eligible for CCP funding. The new rules, developed in consultation with the Ohio Department of Education, define an underperforming student as one who has a cumulative grade point average (GPA) in CCP classes lower than 2.0 or withdraws from two or more CCP courses in the same semester. The rules require an underperforming student to be placed on probation and limit that student to one CCP class per semester. An underperforming student must be dismissed from CCP if the student does not raise their GPA to 2.0 or higher while on probation. In addition, the new rules generally require CCP participants to take at least 15 credit hours of certain fundamental courses that are easily transferable or are part of a specified certificate or degree pathway before taking a course that does not meet those requirements. Further, certain courses, such as private instruction, study abroad programs, physical education classes, and remedial courses, are not eligible for CCP funding under any circumstance. Both sets of rules begin to apply in the summer term of the 2018-2019 academic year.

The CCP program allows qualified public, nonpublic, and home-instructed students in grades 7-12 to take college courses for both college and high school credit. Under CCP, funding for public students is deducted from the state aid allocated to the educating district or school. Funding for nonpublic and home-instructed students is paid directly by the state through certain GRF and non-GRF appropriations. In FY 2017, a total of approximately 64,400 students participated in CCP.

Department of Youth Services Releases Annual Profile of Youth Transferred to Adult Court

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

In February 2018, the Department of Youth Services issued its annual profile on the number of youth transferred to an adult court.[7] In FY 2017, 199 youth in 30 counties were transferred from a juvenile court to be tried as an adult. This is an increase of 31, or 18%, from 168 youth transferred in FY 2016. From FY 2013 to FY 2017, the number of youth transferred averaged 169 per year. Under current law, any child who is 14 years of age or older, and is charged with committing a felony level offense, may be transferred to adult court and subsequently tried as an adult.

Number of Youth Transferred to Adult Court, FY 2017

[7] http://www.dys.ohio.gov/Portals/0/PDFs/Home/NewsAndFacts/Statistics/Ytac_FY2017.pdf.

As seen from the map, Cuyahoga and Hamilton counties had the highest number of transfers in FY 2017. Together, these two counties accounted for one-half, or 99, of all youth transferred to adult court. The youth ranged in age from 15 to 20, with 17- and 18-year-olds accounting for 76%, or 151, of all transfers; African Americans accounted for 81%, or 161. All but three of the transferred youth were males. Of the youth transferred, 77%, or 153, were charged with aggravated murder or murder (21) or a first degree felony (132).

Ohio Attorney General Completes Sexual Assault Kit Testing Initiative

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

On February 23, 2018, the Ohio Attorney General announced completion of the sexual assault kit testing initiative that began in 2011. The initiative resulted in 13,931 kits being submitted for analysis by the state's Bureau of Criminal Investigation (BCI). The kits were collected by law enforcement agencies across the state as forensic evidence in rape and other sexual assault cases occurring between 1971 and 2014.

As a result of the initiative, 8,648 DNA profiles were uploaded to the Combined DNA Index System (CODIS), which resulted in 5,024 matches and hundreds of offenders being charged. CODIS enables federal, state, and local forensic laboratories to exchange and compare DNA profiles electronically, thereby linking violent crimes to each other and to known offenders. For example, in Cuyahoga County, 656 defendants with connections to more than 700 cases have been indicted.

The following table lists the ten law enforcement agencies submitting the largest number of kits and the subsequent number of CODIS matches as of February 23, 2018. These ten agencies account for 69% of the kits tested and 79% of the CODIS matches.

Top Ten Law Enforcement Agencies Submitting Sexual Assault Kits for Testing

Law Enforcement Agency	# Kits Submitted	# CODIS Matches
Cleveland Police	4,418	2,043
Toledo Police	1,802	638
Akron Police	1,432	596
Columbus Police	482	140
Springfield Police	367	135
Cincinnati Police	338	134
Warren Police	251	87
Hamilton Police	192	70
Newark Police	189	47
East Cleveland Police	175	93
Top Ten Total	**9,646**	**3,983**
OVERALL TOTAL	**13,931**	**5,024**

At the outset of the initiative, the Ohio Attorney General requested law enforcement agencies voluntarily submit unanalyzed kits for state forensic testing free of charge. Between 2011 and 2016, 291 law enforcement agencies submitted kits, including 189 city and village police departments, 60 county sheriff and prosecutor offices, 20 township police departments, and 17 public and private college and university police departments. The initiative's total cost is estimated at $9.6 million: $6.1 million in kit supplies and $3.5 million in payroll-related expenses for ten additional forensic scientists hired to ensure timely analysis. The entire cost is paid from non-GRF funds in the Ohio Attorney General's budget.

TRACKING THE ECONOMY

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Overview

Economic growth is continuing in the nation and Ohio. U.S. total nonfarm payroll employment rose in March but more slowly than earlier in the year. Nationwide unemployment remained low. Industrial production nationwide rose 0.9% in February. Inflation-adjusted gross domestic product (real GDP) increased at about a 3% annual rate in the 2017 fourth quarter and in the previous two quarters, up from slower growth earlier. In Ohio, employment rose in January and February, and the statewide unemployment rate fell to 4.5%, lowest since 2001. Home sales slowed in the state in this year's first two months. Personal income in Ohio grew 1.2% in the 2017 fourth quarter.

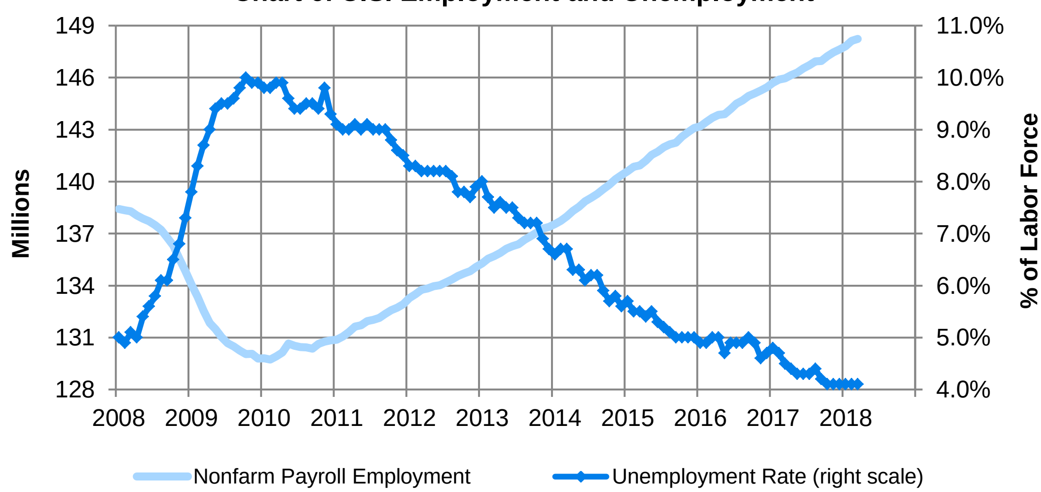
Total nonfarm payroll employment in the U.S. rose 103,000 in March.

The Federal Reserve, the nation's central bank, raised its short-term interest rate target by one-quarter percentage point at its meeting in March. This is the sixth such monetary policy firming, starting in 2015. Two or three more short-term interest rate increases are expected by Federal Reserve decision-makers in 2018.

The National Economy

Total nonfarm payroll employment in the U.S. rose 103,000 in March and unemployment was 4.1% of the labor force. Trends in employment and the unemployment rate are shown in Chart 6.

Chart 6: U.S. Employment and Unemployment



Payroll employment gains averaged 202,000 in this year's first three months, seasonally adjusted, somewhat more than the monthly averages in all of 2016 and 2017. Increases in employment in March were reported in durable goods manufacturing, health care, and mining including oil and gas extraction. Adverse weather last month appears to have reduced hours worked.

The nation's unemployment rate remained at 4.1% in March for the sixth consecutive month. The number of people counted as unemployed was little changed at 6.6 million. This included 1.3 million out of work for more than six months.

Real GDP grew at an upward-revised 2.9% annual rate in the 2017 fourth quarter, following increases at rates of 3.1% and 3.2%, respectively, in last year's second and third quarters. Growth of domestic production in the latest three quarters was the strongest since early 2015. The upturn in growth reflects strengthening in most final demand sectors, including nonresidential fixed investment, consumer spending, and exports.

Industrial production grew 0.9% in February, revised data show, after falling 0.2% in January. Mining output jumped 3.5% in February, mostly on strong increases in extraction of oil and gas. Manufacturing output rose 1.3% in February, with increases widespread among industries. The industrial production indexes underwent an annual revision to incorporate data from various sources. On balance, the revisions generally lowered the level of output measures in 2015 to 2017. The level of the index for total industrial production in 2017 was revised 1.2% lower.

The consumer price index (CPI) for all items rose more slowly in February, increasing 0.2% after 0.5% in January. Compared with a year earlier, the all-items index was 2.2% higher. Year-over-year increases in this index have been in a range between 1.6% and 2.2% since April 2017. Excluding the more volatile sub-indexes for food and energy, the CPI was 1.8% higher in February than a year earlier, within the narrow range in which it has fluctuated since May 2017. A related measure, the personal consumption expenditures price index excluding food and energy rose 1.6% in the year to February, up slightly from 1.5% in the year to each of the previous four months.

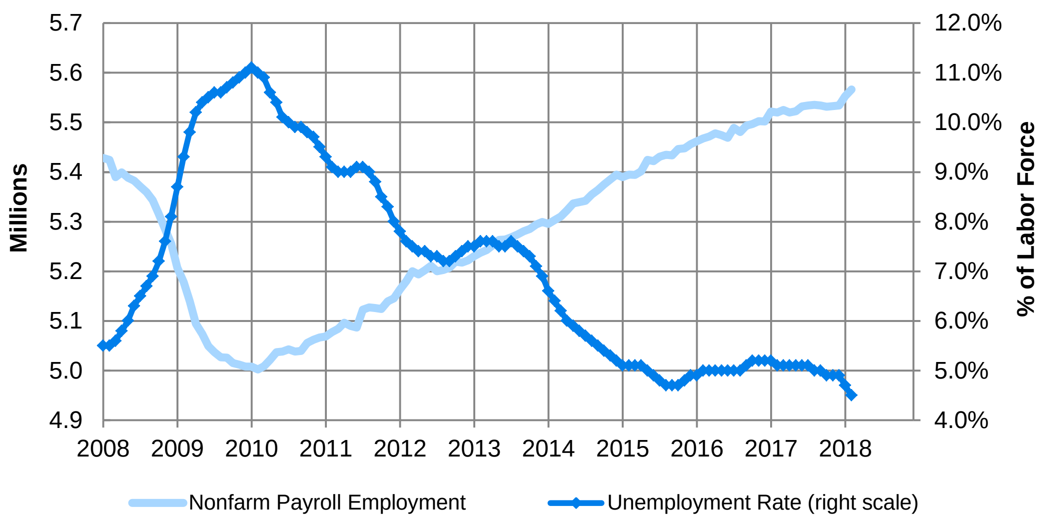
The consumer price index (CPI) for all items rose more slowly in February, increasing 0.2%.

The Ohio Economy

In February, Ohio's economy continued to add more jobs. The state unemployment rate dropped to 4.5% in February from 4.7% in January, the lowest level since August 2001. Ohio's unemployment rate was 5.1% in February of last year. In comparison, the U.S. unemployment rate was 4.1% this February. The number of unemployed Ohioans was 262,000 in

February, a decrease of 9,000 from January. The number of unemployed Ohioans dropped by 32,000 compared to February 2017. Chart 7 below shows trends in the state's payroll employment and unemployment rate over the last ten years.

Chart 7: Ohio Employment and Unemployment Rates



In February, unemployment rates for the 88 counties statewide ranged between 2.9% and 10.4%. Unemployment rates were at or below 4.4% in 33 counties and above 7.6% in seven counties. Mercer County, in western Ohio, had the lowest unemployment rate (2.9%) while Monroe County, in eastern Ohio, had the highest rate (10.4%). County unemployment rates are not seasonally adjusted.

Ohio's total nonfarm payroll employment, seasonally adjusted, rose by 13,400 or 0.2% in February from the revised total in January, following an increase of 18,700 jobs in January. Employment in private-service industries increased by 15,500 in February with gains largely in trade, transportation, and utilities; educational and health services; professional and business services; and leisure and hospitality. Goods-producing industries added 4,100 jobs with the most increases in durable goods manufacturing. Government employment decreased by 6,200 with decreases occurring in all levels of government.

Compared to a year ago, total nonfarm payroll employment increased by 46,500 (0.8%). The largest gains occurred in educational and health services (+10,600), durable goods manufacturing (+10,000), leisure and hospitality (+7,600), financial activities (+7,100), and construction (+6,100). The largest decreases occurred in professional and business services (-4,000), local government (-2,900), and information (-1,100).

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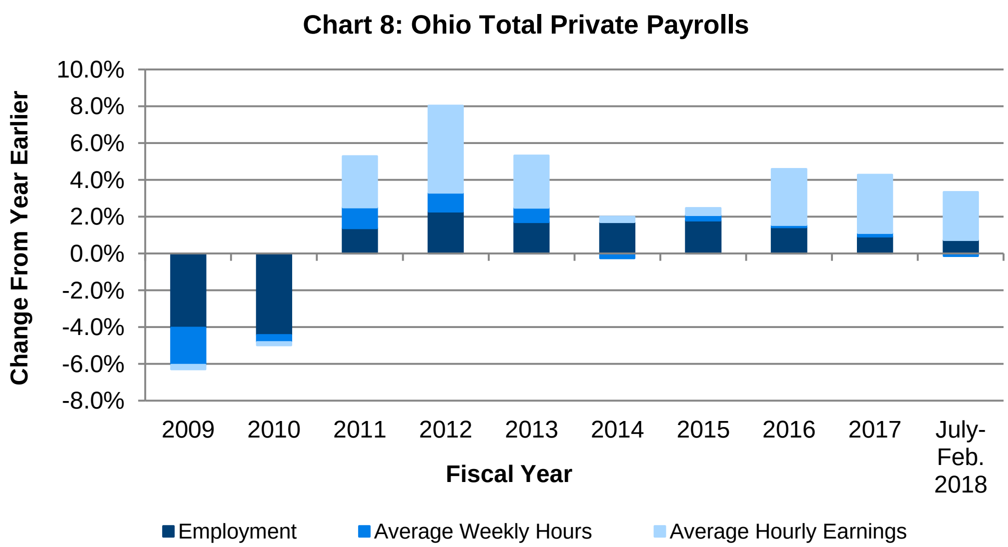
As shown in Chart 8, an estimate of workers' aggregate income from private sector payroll jobs increased at a slower rate of 3.2% in the first eight months of FY 2018, compared with a year earlier, as the number of jobs and average hourly earnings continued to increase. Workers' payroll earnings rose by more than 4% each in the past two fiscal years. The growth of the number of jobs slowed to 0.7% in the first eight months of FY 2018, compared with a year earlier. Over the past two fiscal years, the number of jobs grew by 1.4% in FY 2016 and 0.9% in FY 2017. In the first eight months of FY 2018, average hourly earnings increased by 2.6% compared with a year earlier. Average hourly earnings grew by more than 3% in each of the past two fiscal years. During that period, average weekly hours remained little changed. Payroll data, including private sector average hours paid per week and earnings per hour from the U.S. Bureau of Labor Statistics were used as a proxy to provide insight regarding workers' income from private payroll jobs. Other types of workers' income such as earnings from self-employment, the value of benefits paid to employees, and irregular bonuses are not included.



Ohio's personal income grew by 1.2% in the fourth quarter of 2017.

Ohio's personal income grew by 1.2% in the fourth quarter of 2017, according to estimates of the U.S. Bureau of Economic Analysis. For the entire year in 2017, Ohio's personal income grew 2.7%, below the national average of 3.1%. In 2017, personal income grew in all 50 states and the District of Columbia, except in North Dakota. Personal income growth in Ohio and most other states was driven by higher net earnings. The leading contributor to Ohio's personal income growth in 2017 was increased earnings in the construction, healthcare and social assistance, and finance and insurance industries.

Ohio unit existing homes sales in February were down by 2.9% compared to February 2017, according to the Ohio Association of Realtors. In the first two months of 2018, the number of existing homes sold declined by 1.9% compared to the corresponding months in 2017. The statewide sales price of homes sold in the first two months in 2018 averaged $163,936, or 6.8% higher than in the corresponding months a year ago.

According to the Ohio Association of Realtors, in the first two months of 2018, the number of existing homes sold declined by 1.9% compared to the corresponding months in 2017.

Between July 1, 2016, and July 1, 2017, the Cincinnati metropolitan area, which includes parts of northern Kentucky and southeastern Indiana, remained the most populous metropolitan area located partly or wholly in Ohio, with a population of about 2.18 million people. The Cincinnati metropolitan area is the 29th largest metropolitan area in the U.S., according to the U.S. Census Bureau population estimates released on March 22, 2018. The Columbus metropolitan area continued to be the fastest growing metropolitan area in Ohio. It gained about 32,000 (1.6%) people between July 1, 2016, and July 1, 2017, while the Cleveland-Elyria metropolitan area lost about 1,200 (0.1%) people. The Census estimates revealed that the Columbus metropolitan area is the state's second largest with a population of about 2.08 million people, followed by the Cleveland-Elyria metropolitan area, which was Ohio's second largest metropolitan area in the previous year, with a total population of about 2.06 million people.

The nation's most populous metropolitan area remained the New York-Newark-Jersey City metropolitan area, in New York, New Jersey, and Pennsylvania with a total population about 20.32 million. The St. George metropolitan area in Utah was the nation's fastest growing metropolitan area over the period from July 1, 2016, to July 1, 2017, in terms of percentage population change with an increase of 4.0%.