Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION DECEMBER 2017

STATUS OF THE GRF

HIGHLIGHTS

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

Payroll employment in Ohio grew by 59,400 jobs from October 2016 to October 2017. Ohio's unemployment rate decreased to 5.1% in October still higher than the national rate of 4.1% that month, but fairly low by historical standards. Other recent economic data indicate that economic growth continues, both nationally and in Ohio.

November and year-to-date GRF tax revenue slightly exceeded the estimate released by the Office of Budget and Management (OBM) in September, continuing a trend in recent months, and GRF spending was below estimate through November.

Through November 2017, GRF sources totaled $13.30 billion:

- Revenue from the personal income tax was $28.1 million above estimate;
- Sales and use tax receipts were $24.6 million above estimate.

Through November 2017, GRF uses totaled $14.27 billion:

- Program expenditures were $220.2 million below estimate during the first five months of FY 2018;
- All program expenditure categories were below estimate except primary and secondary education and property tax reimbursements which were above estimates by $19.5 million and $10.1 million, respectively, primarily due to timing.

VOLUME 41, NUMBER 4

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of November 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$102,674	$100,100	$2,574	2.6%
Nonauto Sales and Use	$710,799	$696,200	$14,599	2.1%
Total Sales and Use Taxes	**$813,473**	**$796,300**	**$17,173**	**2.2%**
Personal Income	$652,410	$640,700	$11,710	1.8%
Commercial Activity Tax	$302,794	$314,200	-$11,406	-3.6%
Cigarette	$82,663	$75,900	$6,763	8.9%
Kilowatt-Hour Excise	$26,661	$25,500	$1,161	4.6%
Foreign Insurance	-$6,277	$100	-$6,377	-6377.2%
Domestic Insurance	$0	$0	$0	---
Financial Institution	-$12,741	$1,100	-$13,841	-1258.3%
Public Utility	$23,377	$20,800	$2,577	12.4%
Natural Gas Consumption (MCF)	$4,818	$4,500	$318	7.1%
Alcoholic Beverage	$5,619	$5,000	$619	12.4%
Liquor Gallonage	$3,880	$3,900	-$20	-0.5%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$52	$0	$52	---
Business and Property	$0	$0	$0	---
Estate	$16	$0	$16	---
Total Tax Revenue	**$1,896,745**	**$1,888,000**	**$8,745**	**0.5%**
NONTAX REVENUE				
Earnings on Investments	$21	$0	$21	---
Licenses and Fees	$463	$620	-$157	-25.4%
Other Revenue	$2,145	$2,020	$125	6.2%
Total Nontax Revenue	**$2,629**	**$2,640**	**-$11**	**-0.4%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$297	$7,200	-$6,903	-95.9%
Total Transfers In	**$297**	**$7,200**	**-$6,903**	**-95.9%**
TOTAL STATE SOURCES	**$1,899,670**	**$1,897,840**	**$1,830**	**0.1%**
Federal Grants	$571,290	$651,192	-$79,902	-12.3%
TOTAL GRF SOURCES	**$2,470,960**	**$2,549,032**	**-$78,072**	**-3.1%**

*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 November 30, 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$593,892	$569,800	$24,092	4.2%	$582,302	2.0%
Nonauto Sales and Use	$3,595,514	$3,595,000	$514	0.0%	$3,777,244	-4.8%
Total Sales and Use Taxes	**$4,189,406**	**$4,164,800**	**$24,606**	**0.6%**	**$4,359,546**	**-3.9%**
Personal Income	$3,360,191	$3,332,100	$28,091	0.8%	$3,207,096	4.8%
Commercial Activity Tax	$719,606	$709,500	$10,106	1.4%	$610,656	17.8%
Cigarette	$350,155	$349,000	$1,155	0.3%	$359,411	-2.6%
Kilowatt-Hour Excise	$145,686	$156,400	-$10,714	-6.9%	$160,438	-9.2%
Foreign Insurance	$144,843	$155,400	-$10,557	-6.8%	$160,973	-10.0%
Domestic Insurance	$63	$3,000	-$2,937	-97.9%	$53	17.5%
Financial Institution	-$23,075	-$9,600	-$13,475	-140.4%	-$9,902	-133.0%
Public Utility	$53,719	$53,400	$319	0.6%	$47,387	13.4%
Natural Gas Consumption (MCF)	$16,708	$17,400	-$692	-4.0%	$16,439	1.6%
Alcoholic Beverage	$25,178	$25,400	-$222	-0.9%	$25,542	-1.4%
Liquor Gallonage	$20,088	$19,300	$788	4.1%	$19,400	3.5%
Petroleum Activity Tax	$1,570	$1,300	$270	20.8%	$1,542	1.8%
Corporate Franchise	$2,892	$0	$2,892	---	-$736	493.0%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$100	$0	$100	---	$334	-70.1%
Total Tax Revenue	**$9,006,755**	**$8,977,400**	**$29,355**	**0.3%**	**$8,957,502**	**0.5%**
NONTAX REVENUE						
Earnings on Investments	$15,818	$15,000	$818	5.5%	$14,194	11.4%
Licenses and Fees	$8,617	$10,185	-$1,568	-15.4%	$11,343	-24.0%
Other Revenue	$29,968	$57,890	-$27,922	-48.2%	$51,047	-41.3%
Total Nontax Revenue	**$54,404**	**$83,075**	**-$28,671**	**-34.5%**	**$76,583**	**-29.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$111,644	$103,429	$8,215	7.9%	$15,309	629.3%
Total Transfers In	**$111,644**	**$103,429**	**$8,215**	**7.9%**	**$15,309**	**629.3%**
TOTAL STATE SOURCES	**$9,172,802**	**$9,163,904**	**$8,898**	**0.1%**	**$9,049,393**	**1.4%**
Federal Grants	$4,131,744	$4,216,996	-$85,252	-2.0%	$4,952,292	-16.6%
TOTAL GRF SOURCES	**$13,304,546**	**$13,380,900**	**-$76,354**	**-0.6%**	**$14,001,685**	**-5.0%**

*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

Through October 2017, GRF sources were nearly on target, $1.7 million above estimate. However, year-to-date GRF sources through November were below projections, the first time in FY 2018 that has been the case. GRF sources totaling $13.30 billion were $76.4 million (0.6%) below OBM's estimates published in September 2017. Positive variances of $29.4 million for GRF tax sources and $8.2 million for transfers into the GRF partially offset negative variances of $85.3 million for federal grants and $28.7 million in nontax revenue. 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.

Through November in FY 2018, GRF sources were $76.4 million below estimate.

Tables 1 and 2 show GRF sources for November and for FY 2018 through November, respectively. For the fiscal year to date, receipts from most major tax sources – personal income tax (PIT), commercial activity tax (CAT), auto sales tax, and cigarette tax – were above estimates; the nonauto sales and use tax, following a good performance in November, erased its cumulative negative variance of the first four months of FY 2018.

In November, total GRF sources of $2.47 billion were $78.1 million below estimate, from shortfalls of $79.9 million in federal grants and $6.9 million in transfers in. Those negative variances were partially offset by a positive variance of $8.7 million for tax sources. The sales and use tax, the PIT, and the cigarette tax exceeded estimates by $17.2 million, $11.7 million, and $6.8 million, respectively. Also, the public utility tax and the kilowatt-hour tax were above estimates by $2.6 million and $1.2 million. On the other hand, the second payment for calendar quarter CAT taxpayers, which was due in November, fell short of estimates by $11.4 million. The financial institutions tax (FIT) was another source with a negative revenue variance: net refunds from the FIT totaled $12.7 million when net revenue of $1.1 million was expected, thus creating a deficit of

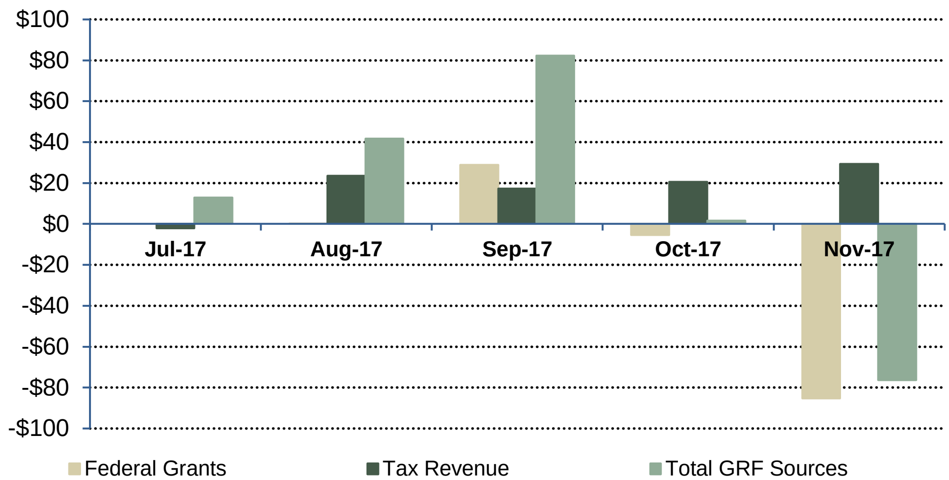
Through November, GRF tax sources remained in positive territory.

[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.

$13.8 million for this tax source.[2] In addition, the foreign insurance tax had a monthly shortfall of $6.4 million.

For the fiscal year to date, the following taxes were above estimates: the PIT ($28.1 million), the sales and use tax ($24.6 million), the CAT ($10.1 million), the corporate franchise tax ($2.9 million), and the cigarette tax ($1.2 million). These positive variances were partially offset by a negative variance of $13.5 million for the FIT and shortfalls of $10.7 million for the kilowatt-hour tax, $10.6 million for the foreign insurance tax, and $2.9 million for the domestic insurance tax. The remaining taxes had smaller variances. The chart below illustrates the cumulative performance of total GRF sources in the fiscal year.

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



Through November, federal grants to the GRF were $820.5 million less than in FY 2017.

Year-to-date GRF sources were $697.1 million (5.0%) below GRF sources through November in FY 2017. Decreases of $820.5 million (16.6%) in federal grants and $22.2 million (29.0%) in nontax revenue were partially offset by increases in transfers in ($96.3 million, 629.3%) and tax receipts ($49.3 million, 0.5%).

Regarding federal grants in the GRF, they will decline from FY 2017 as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. For tax sources, revenue grew for the PIT ($153.1 million, 4.8%) and the CAT ($109.0 million, 17.8%). On the other

[2] The GRF typically pays out refunds under the FIT during the first half of a fiscal year as taxpayers make adjustments to previous tax filings. Receipts of the FIT are typically expected at the end of January, March, and May.

hand, revenue declined for the sales and use tax ($170.1 million, 3.9%), the foreign insurance tax ($16.1 million, 10.0%), the kilowatt-hour tax ($14.8 million, 9.2%), the FIT ($13.2 million, 133.0%), and the cigarette tax ($9.3 million, 2.6%). 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. The decrease in FIT receipts is due to increased refunds this fiscal year relative to FY 2017.

Through November in FY 2018, the sales and use tax was above estimates by $24.6 million.

Sales and Use Tax

Through November in FY 2018, total GRF sales and use tax receipts of $4.19 billion were $24.6 million (0.6%) above estimate, but $170.1 million (3.9%) below receipts in the corresponding period last year. Revenue from the auto sales tax generally has been more than expected throughout the fiscal year. The nonauto portion of the tax, which had been generally weaker than expected, improved last month. For November, sales and use tax revenue totaled $813.5 million, $17.2 million (2.2%) above estimates, with both the auto and nonauto sales taxes surpassing expected revenues.

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.[3]

Through November in FY 2018, the nonauto sales and use tax was on target relative to estimate.

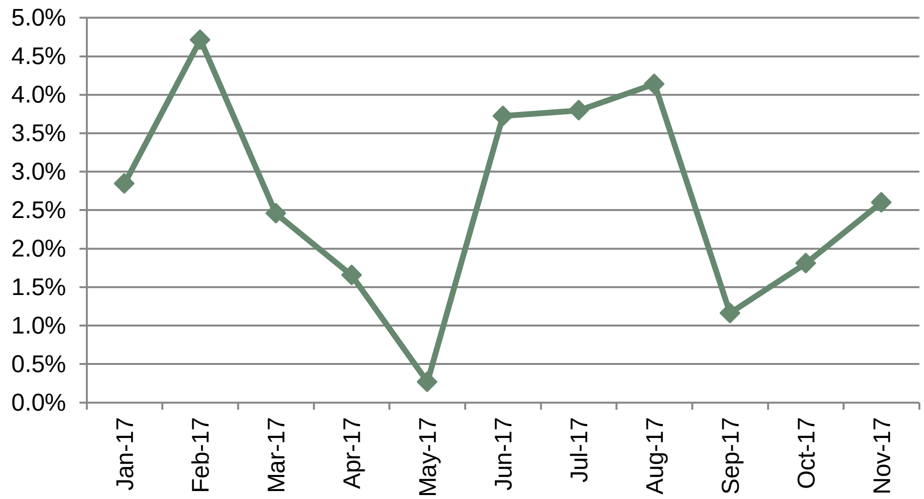
Nonauto Sales and Use Tax

The performance of the nonauto sales and use tax continues to be uneven in FY 2018. A large shortfall in July was followed by consecutive positive variances in August and September. In October, the tax was short of anticipated revenues. GRF revenue of $710.8 million in November was $14.6 million (2.1%) above estimate, more than enough to erase a fiscal year shortfall of $14.1 million through October. Compared to revenue in

[3] 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.

November 2016, nonauto sales and use tax revenue decreased $30.9 million (4.2%). For the fiscal year through November, GRF receipts from this tax totaling $3.60 billion were on target relative to estimate, but $181.7 million (4.8%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base. Starting 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 tax revenue overall by FY 2017, that negative growth in revenue from this tax source is generally expected this year when compared to the corresponding month in FY 2017. Monthly revenue growth on a year-ago basis, after adjusting for the decrease in the tax base described above, has improved in the latest months, as shown in Chart 2 below.[4]

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



Through November in FY 2018, the auto sales and use tax was $24.1 million above estimate.

Auto Sales and Use Tax

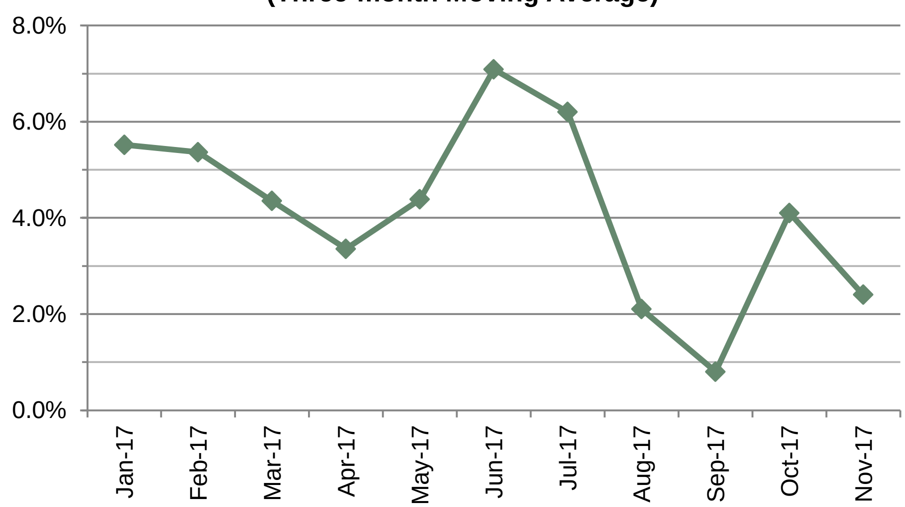
Excluding a negative variance in July 2017, the auto portion of the sales and use tax has been above expectations in subsequent months. In November, GRF revenue from the auto sales tax of $102.7 million was above estimate by $2.6 million (2.6%). This result increased the year-to-

[4] 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.

date positive variance for this source to $24.1 million (4.2%), up from $21.5 million through October. Cumulative revenue of $593.9 million over the five months was $11.6 million (2.0%) above revenue in the corresponding period in FY 2017. Chart 3 provides year-over-year growth in auto sales tax collections in 2017.

At a seasonally adjusted annualized rate of 17.4 million units, November U.S. light vehicle sales slowed from the pace set in the prior two months, when high sales numbers from post-hurricanes Irma and Harvey replacement vehicle demand provided a temporary boost to sales. Monthly sales were below sales in November 2016, resuming a persistent trend from earlier in the year. Incentive spending remained high in November and light-truck models continue to sell well as they comprised more than 62% of the month's total sales for the seventh consecutive month. The average price of light trucks is higher than the average price of automobiles, so the high share of light-truck models in unit sales supports tax revenue.

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



PIT GRF revenue was $28.1 million above estimate in FY 2018 through November.

Personal Income Tax

November GRF PIT revenue of $652.4 million was above estimate by $11.7 million (1.8%), raising the year-to-date positive variance for this tax source to $28.1 million (0.8%), up from $16.4 million through October 2017. For the year to date, total PIT GRF revenue of $3.36 billion was $153.1 million (4.8%) above revenue in FY 2017 through November.

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,[5] 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. For November 2017, employer withholding, miscellaneous payments, and quarterly estimated payments were above projections by $33.5 million, $5.0 million, and $0.7 million, respectively. However, for the second consecutive month, refunds exceeded estimates, this time by $27.3 million. (In October refunds were higher than expected by $24.9 million.)

Revenue growth from monthly employer withholding appears to be on the upswing.

PIT trends in the earlier months of FY 2018 continued: all components of gross collections exceeded estimates through November with the exception of annual return payments. Also, year-to-date refunds were larger than anticipated in the first five months of the fiscal year. FY 2018 revenues from each component of the PIT relative to estimates and to revenue received in FY 2017 are detailed in the table below.

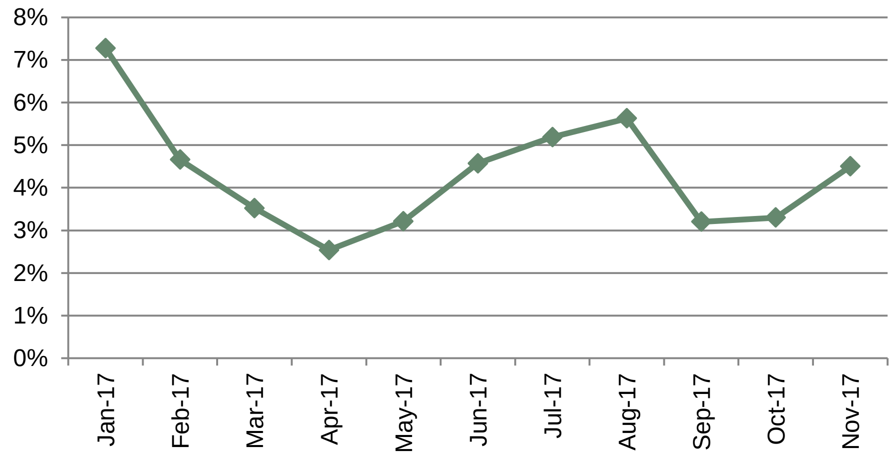
FY 2018 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$59.1	1.7%	$169.2	5.1%
Quarterly Estimated Payments	$7.2	3.5%	$13.3	6.6%
Trust Payments	$2.2	21.9%	$1.8	17.0%
Annual Return Payments	-$11.4	-14.6%	-$11.4	-14.6%
Miscellaneous Payments	$15.1	70.2%	$15.7	75.4%
Gross Collections	$72.2	1.9%	$188.6	5.2%
Less Refunds	$43.0	16.5%	$33.6	12.5%
Less LGF Distribution	$1.1	0.7%	$1.9	1.2%
GRF PIT Revenue	$28.1	0.8%	$153.1	4.8%

[5] 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.

Compared to corresponding receipts in FY 2017 through November, receipts from employer withholding, quarterly estimated payments, and miscellaneous payments were higher in FY 2018, but payments with annual returns were below such payments last year. Refunds were also higher than in the corresponding period in FY 2017. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows revenue growth from employer withholding, which was negative for the month of September, rose in the latest months.

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



Commercial Activity Tax

Despite subpar results this month, the CAT was still above estimate for the fiscal year at the end of November 2017. The second payment for calendar quarter taxpayers was due in November, and it provided $302.8 million in GRF revenue, an amount $11.4 million (3.6%) below estimate. This performance reduced the year-to-date positive variance of this tax to $10.1 million (1.4%) in the first five months, down from $21.5 million through October.

FY 2018 CAT GRF tax receipts through November were $10.1 million above estimate.

FY 2018 CAT receipts to the GRF of $719.6 million were $109.0 million (17.8%) above receipts in FY 2017 through November 2016. Excluding the change in allocation in H.B. 49, growth in GRF CAT revenue would have been about 4.0%. The increase in CAT gross collections in the first five months, relative to the corresponding period in FY 2017, was nearly 6.0%. However, increases in CAT refunds reduced that growth rate by about two percentage points.

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. 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 7081 and Fund 7047 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.

Cigarette and Other Tobacco Products Tax

Through November in FY 2018, GRF cigarette and other tobacco products tax revenue of $350.2 million was $1.2 million (0.3%) above estimate. November GRF revenue of $82.7 million from this tax was $6.8 million (8.9%) above estimate. This performance only partially reversed a negative variance of $7.4 million in the month of October, but returned collections from this tax to positive territory for the fiscal year through November. Monthly revenue was also $2.5 million (3.2%) above revenue in November 2016. The year-to-date revenue of $350.2 million included $320.6 million and $29.6 million, respectively, from sales of cigarettes and sales of other tobacco products. FY 2018 revenue was $9.3 million (2.6%) below collections in the corresponding period in FY 2017. Receipts from cigarette sales fell $12.6 million while those from other tobacco products grew $3.3 million. Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

FY 2018 cigarette tax receipts were $1.2 million above estimate through November.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of November 2017
($ in thousands)
(Actual based on OAKS reports run December 1, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$679,915	$636,683	$43,232	6.8%
Higher Education	$210,418	$203,611	$6,806	3.3%
Other Education	$3,754	$3,289	$465	14.1%
Total Education	**$894,087**	**$843,583**	**$50,503**	**6.0%**
Medicaid	$828,384	$949,851	-$121,467	-12.8%
Health and Human Services	$97,309	$107,586	-$10,277	-9.6%
Total Welfare and Human Services	**$925,692**	**$1,057,437**	**-$131,745**	**-12.5%**
Justice and Public Protection	$151,647	$152,456	-$810	-0.5%
General Government	$30,318	$30,895	-$577	-1.9%
Total Government Operations	**$181,964**	**$183,351**	**-$1,387**	**-0.8%**
Property Tax Reimbursements	$93,841	$111,152	-$17,311	-15.6%
Debt Service	$22,681	$22,681	-$1	0.0%
Total Other Expenditures	**$116,522**	**$133,833**	**-$17,312**	**-12.9%**
Total Program Expenditures	**$2,118,265**	**$2,218,205**	**-$99,940**	**-4.5%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$10,364	$0	$10,364	---
Total Transfers Out	**$10,364**	**$0**	**$10,364**	**---**
TOTAL GRF USES	**$2,128,629**	**$2,218,205**	**-$89,576**	**-4.0%**

*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 November 30, 2017
($ in thousands)
(Actual based on OAKS reports run December 1, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$3,529,533	$3,510,076	$19,457	0.6%	$3,463,940	1.9%
Higher Education	$930,520	$971,480	-$40,960	-4.2%	$960,421	-3.1%
Other Education	$37,479	$37,900	-$421	-1.1%	$38,331	-2.2%
Total Education	**$4,497,532**	**$4,519,456**	**-$21,924**	**-0.5%**	**$4,462,692**	**0.8%**
Medicaid	$6,330,163	$6,459,972	-$129,810	-2.0%	$7,464,106	-15.2%
Health and Human Services	$550,667	$589,281	-$38,614	-6.6%	$568,381	-3.1%
Total Welfare and Human Services	**$6,880,830**	**$7,049,253**	**-$168,423**	**-2.4%**	**$8,032,486**	**-14.3%**
Justice and Public Protection	$916,469	$944,052	-$27,584	-2.9%	$895,149	2.4%
General Government	$158,958	$168,121	-$9,164	-5.5%	$166,538	-4.6%
Total Government Operations	**$1,075,427**	**$1,112,174**	**-$36,747**	**-3.3%**	**$1,061,687**	**1.3%**
Property Tax Reimbursements	$864,722	$854,625	$10,097	1.2%	$898,887	-3.8%
Debt Service	$881,846	$885,050	-$3,204	-0.4%	$890,393	-1.0%
Total Other Expenditures	**$1,746,568**	**$1,739,675**	**$6,893**	**0.4%**	**$1,789,280**	**-2.4%**
Total Program Expenditures	**$14,200,357**	**$14,420,558**	**-$220,202**	**-1.5%**	**$15,346,144**	**-7.5%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$68,772	$65,514	$3,258	5.0%	$238,587	-71.2%
Total Transfers Out	**$68,772**	**$65,514**	**$3,258**	**5.0%**	**$268,070**	**-74.3%**
TOTAL GRF USES	**$14,269,129**	**$14,486,072**	**-$216,944**	**-1.5%**	**$15,614,214**	**-8.6%**

*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 December 6, 2017)

	Month of November 2017				Year to Date Through November 2017			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,863,509**	**$1,824,733**	**$38,776**	**2.1%**	**$10,221,900**	**$10,229,839**	**-$7,939**	**-0.1%**
GRF	$771,966	$890,772	-$118,806	-13.3%	$6,034,328	$6,165,285	-$130,958	-2.1%
Non-GRF	$1,091,542	$933,960	$157,582	16.9%	$4,187,572	$4,064,553	$123,019	3.0%
Developmental Disabilities	**$207,575**	**$204,167**	**$3,409**	**1.7%**	**$1,109,259**	**$1,173,506**	**-$64,246**	**-5.5%**
GRF	$51,130	$49,761	$1,369	2.8%	$252,564	$250,625	$1,940	0.8%
Non-GRF	$156,445	$154,405	$2,040	1.3%	$856,695	$922,881	-$66,186	-7.2%
Job and Family Services	**$27,329**	**$35,010**	**-$7,681**	**-21.9%**	**$109,575**	**$114,329**	**-$4,754**	**-4.2%**
GRF	$4,648	$8,547	-$3,899	-45.6%	$38,985	$39,959	-$975	-2.4%
Non-GRF	$22,681	$26,463	-$3,782	-14.3%	$70,590	$74,369	-$3,779	-5.1%
Health	**$1,357**	**$3,486**	**-$2,129**	**-61.1%**	**$9,638**	**$12,195**	**-$2,558**	**-21.0%**
GRF	$284	$271	$13	4.8%	$1,614	$1,488	$126	8.5%
Non-GRF	$1,074	$3,216	-$2,142	-66.6%	$8,023	$10,707	-$2,684	-25.1%
Mental Health and Addiction	**$310**	**$516**	**-$206**	**-39.8%**	**$1,879**	**$2,093**	**-$214**	**-10.2%**
GRF	$102	$225	-$123	-54.6%	$1,122	$1,129	-$7	-0.6%
Non-GRF	$208	$291	-$83	-28.4%	$757	$964	-$207	-21.5%
Aging	**$432**	**$544**	**-$112**	**-20.6%**	**$2,326**	**$3,068**	**-$742**	**-24.2%**
GRF	$240	$256	-$16	-6.3%	$1,371	$1,407	-$36	-2.6%
Non-GRF	$192	$288	-$96	-33.4%	$955	$1,661	-$706	-42.5%
Pharmacy Board	**$115**	**$36**	**$79**	**220.2%**	**$259**	**$1,507**	**-$1,248**	**-82.8%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$115	$36	$79	220.2%	$259	$1,507	-$1,248	-82.8%
Education	**$14**	**$36**	**-$23**	**-62.0%**	**$186**	**$152**	**$34**	**22.5%**
GRF	$13	$18	-$5	-29.2%	$179	$79	$100	127.3%
Non-GRF	$1	$18	-$17	-94.9%	$8	$74	-$66	-89.5%
Total GRF	**$828,384**	**$949,851**	**-$121,467**	**-12.8%**	**$6,330,163**	**$6,459,972**	**-$129,810**	**-2.0%**
Total Non-GRF	**$1,272,258**	**$1,118,677**	**$153,581**	**13.7%**	**$5,124,860**	**$5,076,716**	**$48,143**	**0.9%**
Total All Funds	**$2,100,641**	**$2,068,528**	**$32,113**	**1.6%**	**$11,455,022**	**$11,536,689**	**-$81,666**	**-0.7%**

*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 December 6, 2017)

	Month of November 2017				Year to Date Through November 2017			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$920,725	$910,805	$9,920	1.1%	$4,644,004	$4,634,690	$9,314	0.2%
ACA - Managed Care	$336,582	$341,733	-$5,151	-1.5%	$1,711,004	$1,714,080	-$3,076	-0.2%
DDD Services	$202,744	$199,144	$3,600	1.8%	$1,078,491	$1,132,444	-$53,953	-4.8%
Hospitals	$102,036	$62,278	$39,758	63.8%	$1,157,877	$1,133,409	$24,468	2.2%
Nursing Facilities	$123,941	$124,444	-$503	-0.4%	$640,047	$612,953	$27,095	4.4%
Physicians/All Other	$78,324	$85,942	-$7,617	-8.9%	$484,081	$512,068	-$27,987	-5.5%
Behavioral Health	$91,480	$89,671	$1,808	2.0%	$523,616	$503,602	$20,014	4.0%
Administration	$84,063	$86,500	-$2,437	-2.8%	$401,244	$445,218	-$43,973	-9.9%
Medicare Buy-In	$55,622	$50,865	$4,758	9.4%	$253,809	$252,375	$1,434	0.6%
Medicare Part D	$40,026	$40,002	$24	0.1%	$199,299	$204,933	-$5,634	-2.7%
Prescription Drugs	$24,758	$27,935	-$3,177	-11.4%	$140,497	$159,536	-$19,039	-11.9%
Aging Waivers	$30,863	$38,936	-$8,073	-20.7%	$167,150	$173,352	-$6,202	-3.6%
Home Care Waivers	$9,471	$10,273	-$802	-7.8%	$53,897	$58,029	-$4,132	-7.1%
Total All Funds	**$2,100,636**	**$2,068,528**	**$32,108**	**1.6%**	**$11,455,017**	**$11,536,688**	**-$81,672**	**-0.7%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[6]

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

– *Nicholas J. Blaine, Budget Analyst, 614-387-5418*

Overview

Tables 3 and 4 show GRF uses for the month of November and for FY 2018 through November, respectively. GRF uses mainly consist of program expenditures but also include transfers out. For the month of November, GRF uses totaled $2.13 billion, which was $89.6 million below estimate. Through November, FY 2018 GRF uses totaled $14.27 billion, which was $216.9 million below estimate. Medicaid is the key culprit for these variances. In November, GRF Medicaid expenditures were $121.5 million (12.8%) below estimate, which increased the category's negative year-to-date variance from $8.3 million (0.2%) at the end of October to $129.8 million (2.0%) at the end of November.

GRF uses were $216.9 million below estimate for FY 2018 up to the end of November.

In addition to Medicaid, several other program categories also posted notable year-to-date variances. Higher Education had the second largest negative year-to-date variance at $41.0 million, followed by Health and Human Services at $38.6 million and Justice and Public Protection at $27.6 million. Primary and Secondary Education and Property Tax Reimbursements, on the other hand, had positive year-to-date variances, due mainly to timing issues. As expected, Primary and Secondary Education posted a positive variance of $43.2 million (6.8%) in November, which changed the category's year-to-date variance from a negative $23.8 million (0.8%) at the end of October to a positive $19.5 million (0.6%) at the end of November. The negative monthly variance of $17.3 million (15.6%) in Property Tax Reimbursements lowered the category's positive year-to-date variance from $27.4 million (3.7%) at the end October to $10.1 million (1.2%) at the end November.

The remainder of this report will first discuss in more detail the negative year-to-date variances in GRF expenditures and then provide a summary of prior year encumbrance activities as of December 1, 2017.

[6] This report compares actual monthly and year-to-date expenditures from the GRF to OBM's estimates. 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.

Medicaid

Medicaid is a joint federal-state program. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. 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.

GRF Medicaid expenditures were below year-to-date estimates by $129.8 million.

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 one percent. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

As shown in Table 5, for the first five months of FY 2018, GRF Medicaid expenditures were $129.8 million (2.0%) below estimate while non-GRF Medicaid expenditures were $48.1 million (0.9%) above estimate. Across all funds, Medicaid expenditures were $81.7 million (0.7%) below estimate. All-funds expenditures from ODM and ODODD were $7.9 million (0.1%) and $64.2 million (5.5%), respectively, below their year-to-date estimates.

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were close to estimates with expenditures being $9.3 million (0.2%) above and $3.1 million (0.2%) below estimates, 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.

Services provided by ODODD (labeled "DDD Services" in the table) had the largest negative year-to-date variance at $54.0 million (4.8%). Approximately $40.0 million of the negative variance is the result of a county board cost settlement payment that has not yet been processed. Cost settlement involves reconciling the amount that county boards received to administer services versus how much the boards actually spent. The settlement payment, which will be disbursed across all counties, will likely be processed within the next few months. The remaining variance is primarily due to lower than expected spending on targeted case management services.

Administration had the second largest year-to-date negative variance at $44.0 million (9.9%). Of this amount, approximately one-half is attributed to ODM and one-half is attributed to the other Medicaid agencies. Of the ODM variance, about $11.0 million is due to prior fiscal year contracts that have not yet been paid. The remaining $11.0 million is attributable to caseload-driven contracts requiring lower payments to vendors than anticipated.

The Physicians/All Other category had the third largest negative year-to-date variance at $28.0 million (5.5%). Some of this variance is due to lower than estimated caseload for home health services. The fourth largest negative variance is the Prescription Drugs category with a variance of $19.0 million (11.9%). The reason for this variance is due to a lower than estimated per-member per-month expense for the Aged, Blind, and Disabled population.

Nursing Facilities had the largest positive year-to-date variance at $27.1 million (4.4%). This variance is due to a higher than estimated caseload and per-member per-month expense.

Lastly, the Hospitals category had the second largest positive variance at $24.5 million (2.2%). This is a timing issue as ODM made a $50 million Hospital Upper Payment Limit (UPL) payment one month earlier than planned. The UPL program allows the state to direct supplemental payments, up to the difference between the Medicare and the Medicaid amounts, to providers.

Higher Education

Although GRF expenditures for Higher Education were above estimate by $6.8 million in November, this was not enough to completely reverse the negative variances from previous months. The year-to-date variance in this category fell to $41.0 million (4.2%) below estimate. The Department of Higher Education (DHE) is the only agency that is included in this program category. The negative variance was largely due to a pair of line items supporting two of the Ohio State University's land-grant university mandates. Item 235535, Ohio Agricultural Research and Development Center, and item 235511, Cooperative Extension Service, were below their FY 2018 estimate by $15.2 million and $10.0 million, respectively.

Expenditures by the Department of Higher Education were below estimate by $41.0 million year-to-date.

Health and Human Services

GRF expenditures for Health and Human Services were $550.7 million through November, $38.6 million (6.6%) below estimate. This negative variance widened from the previous month as November spending was $10.3 million below estimate. The Ohio Department of Job and Family Services (ODJFS) had the largest negative variance for the year to date at $33.9 million, most occurring in months prior to November. For a more detailed description of the ODJFS line items with significant negative variances, please refer to the previous month's issue of *Budget Footnotes*. Year-to-date GRF expenditures for the Department of Health (DOH) were $4.4 million below estimate, and negative variances were widespread across many DOH line items.

Justice and Public Protection

GRF expenditures for Justice and Public Protection were $916.5 million through November, $27.6 million (2.9%) below estimate. The Department of Rehabilitation and Correction (DRC) had the largest negative variance among the 12 agencies in this program category. DRC's $19.3 million year-to-date negative variance was largely due to item 501321, Institutional Operations, which was $16.5 million below estimate through November, despite a positive monthly variance of $6.2 million in November. In addition to DRC, the Judiciary/Supreme Court ($3.6 million), the Ohio Public Defender Commission ($3.0 million), and the Department of Youth Services ($2.6 million) had significant negative year-to-date variances.

Prior Year Encumbrances

As reported in the July issue of *Budget Footnotes*, state agencies carried into FY 2018 $388.5 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2018. 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.

A total of $79.3 million in prior year GRF encumbrances were outstanding on December 1, 2017.

Prior Year GRF Encumbrances by Agency ($ in millions)			
Agency	Prior Year Encumbrances as of July 1, 2017	Outstanding Encumbrances as of December 1, 2017	Share of Outstanding Encumbrances December 1, 2017
Higher Education	$30.1	$20.6	26.0%
Education	$121.9	$19.6	24.7%
Development Services	$23.3	$14.7	18.5%
Transportation	$13.0	$8.9	11.2%
Job and Family Services	$64.3	$8.2	10.3%
Rehabilitation and Correction	$45.0	$4.0	5.0%
All Other Agencies	$90.9	$3.3	4.1%
Total	**$388.5**	**$79.3**	**100.0%**

Detail may not sum to total due to rounding.

As shown in the table above, as of December 1, 2017, $79.3 million (20.4%) of the $388.5 million in total prior year encumbrances was still outstanding, which means the remaining $309.2 million (79.6%) was expended or cancelled so the corresponding funds could subsequently lapse back into the GRF. DHE had the largest share (26.0%) of the total outstanding encumbrances as of December 1, followed by the Ohio Department of Education (ODE) at 24.7%, the Development Services Agency (DSA) at 18.5%, the Department of Transportation (DOT) at 11.2%, ODJFS at 10.3%, and DRC at 5.0%. Together, these six agencies had $76.2 million (95.9%) of the $79.3 million in total outstanding prior year encumbrances. The nature of these outstanding encumbrances is discussed below.

DHE had $20.6 million in outstanding prior year encumbrances as of December 1, of which $19.0 million occurred in item 235438, Choose Ohio First Scholarship. Item 235438 is used to pay the state's obligations to scholarship recipients.

For ODE, items 200408, Early Childhood Education, 200550, Foundation Funding, and 200572, Adult Education Programs, accounted for $6.6 million (33.7%), $4.7 million (24.2%), and $2.9 million (14.6%), respectively, of ODE's total $19.6 million in outstanding prior year encumbrances as of December 1. These encumbrances will be used for making any necessary subsidy payment adjustments for early childhood education service providers, schools, and institutions that assist adults in acquiring their high school diploma and an industry-recognized credential.

DSA had $14.7 million in outstanding prior year encumbrances as of December 1. The vast majority of DSA's outstanding prior year 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 requirements or objectives 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.

As of December 1, DOT had $8.9 million in outstanding encumbrances. The largest such amount ($5.1 million) was for item 777471, Airport Improvements – State, which provides capital improvement grants to small, publicly owned airports that do not receive FAA passenger or air cargo entitlements. Two other notable outstanding encumbrances were for items 776465, Rail Development ($2.5 million), and 775451, Public Transportation – State ($1.3 million). These amounts will fund state grants supporting rail and rail-related infrastructure as well as urban and rural transit systems operating throughout the state.

ODJFS had $8.2 million in outstanding prior year encumbrances as of December 1. Numerous line items had outstanding encumbrances, but the two most significant are item 655523, Medicaid Program Support – Local Transportation ($2.2 million, 27.3%), and item 655522, Medicaid Program Support – Local ($1.5 million, 18.5%). Funds encumbered for these items are used to pay the state's share of Medicaid costs for local administrative services.

Finally, DRC had $4.0 million in outstanding prior year encumbrances as of December 1. These encumbrances are primarily in item 505321, Institution Medical Services ($1.7 million, 43.5%), and item 501321, Institutional Operations ($1.3 million, 32.8%).

ISSUE UPDATES

Regional Opioid Initiative Receives $1 Million Federal Grant

– Robert Meeker, Budget Analyst, 614-466-3839

On September 29, 2017, the Supreme Court announced the award of a $1 million federal grant from the Department of Justice's Bureau of Justice Assistance on behalf of the Regional Judicial Opioid Initiative (RJOI) to improve regional coordination and seek data-driven responses to prescription drug misuse. The Supreme Court of Ohio is acting as the fiscal agent for the grant on behalf of the Initiative, and will use the $1 million to fund various projects including contracts with vendors and partners to establish a website for the Initiative, as well as for the creation of initial reports, infographics, and protocols related to the work of the Initiative.

RJOI is a multistate collaborative the goal of which is to develop a regional action plan and strategies to address the opioid epidemic by state courts, children's services agencies, and criminal justice and treatment systems. Ohio and seven other states are currently involved in the Initiative: Illinois, Indiana, Kentucky, Michigan, North Carolina, Tennessee, and West Virginia. RJOI has also partnered with the National Center for State Courts, a nonprofit based in Williamsburg, Virginia whose mission is to improve judicial administration in the courts, to implement the initiative.

$264 million in Additional State Funding Approved for Medicaid Program

– Ivy Chen, Principal Economist, 614-644-7764

On October 30, 2017, the Controlling Board approved a request to authorize the expenditure of approximately $264 million in FY 2018 from the Health and Human Services Fund (Fund 5SA4) to help pay for the costs of the Medicaid Program. H.B. 49 permits the Controlling Board to authorize such expenditures as long as the U.S. Congress had not amended the federal medical assistance percentage (FMAP) for recipients that became eligible for Medicaid under the Affordable Care Act (ACA). Cash to support these expenditures was transferred from the GRF ($42 million) at the beginning of the fiscal year. Additional transfers of $26 million from the Support and Recoveries Fund (Fund 5DL0) and $196 million from the Health Insuring Corporation (HIC) Class Franchise Fee Fund (Fund 5TN0) may also be made due to the Controlling Board's approval of the additional expenditures. These three transfer amounts total $264 million. These state dollars will draw down approximately $638 million in federal Medicaid reimbursements in FY 2018. The table below shows a summary of these transfers and the corresponding federal matching dollars. Across all funds, the

Controlling Board's action will provide a total of $902 million in additional funding for Ohio Medicaid during FY 2018.

FY 2018 Transfers to Fund 5SA4 ($ in millions)			
Sources of Funds	**Fund 5SA4**	**Federal Match**	**Total**
General Revenue Funds (GRF)	$42	$101	$143
Support and Recoveries Fund (Fund 5DL0)	$26	$63	$89
HIC Class Franchise Fee Fund (Fund 5TN0)	$196	$474	$670
TOTAL	**$264**	**$638**	**$902**

Take Charge Ohio Campaign Launched

– Robert Moore, Budget Analyst, 614-466-4280

On November 2, 2017, the Ohio Department of Health (ODH) launched a new public awareness campaign, Take Charge Ohio, to target the state's opioid epidemic. The campaign's primary focus is on educating healthcare professionals and patients about safe opioid prescribing practices and nonopioid pain management therapies. The campaign website has educational resources for patients and providers, as well as the general public. These resources include information about support groups, treatment providers and facilities in each county, crisis text lines, and instructions about disposing of unused medicines. The website also contains flyers and brochures that healthcare professionals can distribute to patients to educate them about safe medication practices. Additionally, campaign efforts will include the use of billboards and social media advertising to raise awareness about these issues. More information about the campaign can be found on its website, www.takechargeohio.org. ODH developed the campaign with the assistance of several other state agencies and licensing boards including the departments of Mental Health and Addiction Services and Medicaid and the State Board of Pharmacy. The campaign is funded by a $923,000 grant that ODH received from the federal Centers for Disease Control and Prevention.

Over the past several years, the state has sought to reduce the prescription opioid supply through a number of efforts. Some of these include establishing new prescribing guidelines and requiring prescribers to conduct mandatory checks of a patient's medical record from the state's Ohio Automated Rx Reporting System (OARRS) prior to prescribing opioids or benzodiazepine. As a result of these efforts, the State Board of Pharmacy reports that the total number of opioid prescriptions issued to patients decreased by approximately 20% (2.5 million doses) from 2012 to 2016. In addition, the number of patients who see multiple prescribers to obtain controlled substances decreased by 78.2% during this same time period.

Attorney General Awards $971,000 in Grants to Veterans Groups

– Jessica Murphy, Budget Analyst, 614-466-9108

On November 9, 2017, the Office of the Attorney General announced the award of ten grants totaling $971,000 to various veterans groups (see table below). Awards, ranging from $10,000 to $150,000, were granted at the discretion of the Attorney General based on the recommendation of specialized outreach staff. As the table below indicates, the largest grant – $150,000 – was awarded to Operation Legal Help Ohio to support 20 veterans courts in 16 counties. This organization also received an additional award of $100,000 to connect low-income veterans with free legal help.

These grants are funded using a portion of the $3.9 million default judgment in a civil case that the Attorney General brought against the U.S. Navy Veterans Association (USNVA). USNVA was a scam charity that collected millions of dollars from donors nationwide by claiming the collections would support veterans.[7]

U.S. Navy Veterans Association Grant Awards	
Recipient and Project Description	**Grant Award**
Operation Legal Help Ohio	
Veterans Courts	$150,000
Free legal assistance to low-income veterans	$100,000
Honor Flight Hubs	
Veterans' travel to their respective national memorials	$575,000
Flag City Honor Flight (Findlay)	*$115,000*
Honor Flight Cleveland	*$115,000*
Honor Flight Columbus	*$115,000*
Honor Flight Dayton	*$115,000*
Honor Flight Tri-State (Cincinnati)	*$115,000*
Family and Community Services, Inc.	
Repairs and appliances at female veterans' housing facility	$100,000
Ross County Veterans Council	
Healing garden for veterans	$36,000
Heroes in Action	
Military outreach and support	$10,000
TOTAL	**$971,000**

[7] In 2013, the man who ran the scam charity, Bobby Thompson, was convicted and sentenced to 28 years in prison.

State Board of Education Recognizes Public Schools and Districts for High Academic Achievement and Student Growth

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

On November 14, 2017, the State Board of Education acknowledged public schools and districts that demonstrated high academic achievement and student growth on the 2016-2017 local report cards. This is the third year the State Board has recognized schools and districts through the All A Award and Momentum Award programs. The All A Award is given to districts and schools that received A's on each of the district or school's applicable report card measures. For the 2016-2017 school year, one district and three schools qualified. In comparison, one district and five schools met the recognition criteria in the 2015-2016 school year. Beginning with the report cards for the 2017-2018 school year, this award will go to any school or district that earns an A on its overall report card grade.[8]

Districts and schools that earn straight A's on each applicable value-added measure on the report cards qualify for the Momentum Award. For the 2016-2017 school year, 64 districts and 214 schools met the criteria for this award, an increase from the 54 districts and 169 schools that were recognized for the previous school year. The value-added measure is designed to help educators determine the impact schools and teachers have on students' academic growth and progress in reading and math from year to year. The measure is calculated on an overall basis and for three student subgroups: (1) gifted students, (2) students in the lowest 20% in achievement, and (3) students with disabilities. Districts and schools must have a grade for at least two of the three value-added subgroups of students to qualify for the award. A list of the districts and schools qualifying under both recognition programs is available on the Ohio Department of Education's website.[9]

Ohio Facilities Construction Commission Completed Classroom Facilities Projects for 11 School Districts in FY 2017

– Adam Wefler, Budget Analyst, 614-466-0632

During FY 2017, the Ohio Facilities Construction Commission (OFCC) completed projects that fully addressed the facilities' needs for 11 school districts, including ten traditional school districts and one joint vocational school district (JVSD). The total

[8] Due to "safe harbor" provisions in current law, the report cards for the 2017-2018 school year will be the first to include overall letter grades for districts and schools.

[9] http://education.ohio.gov/Topics/District-and-School-Continuous-Improvement/ Awards-and-Recognition.

master facility plan costs for these projects, as assessed by OFCC, amounted to $531.6 million. Of that total, the state share was $329.4 million (62%) and the local share was $202.3 million (38%). The Lorain City School District was the largest school district whose plan was completed in FY 2017, with master facility plan costs of $216.3 million and 14 buildings constructed or renovated. The state contributed $175.2 million (81%) of the district's plan cost, which was originally funded in 2001. On average, the state share for the other ten districts was about 49%.[10]

Through the end of FY 2017, 42% of districts statewide, including 261 school districts and 15 JVSDs, have completed projects that fully addressed their facilities' needs through the Classroom Facilities Assistance Program (CFAP) and another 17% of districts, including 115 regular districts, have buildings in the design or construction phase or had some work performed through another OFCC program. An additional 20% of districts, including 114 school districts and 17 JVSDs, have been offered funding, but have either deferred the offer, allowed it to lapse because they were unable to secure the required local share, or are in the process of seeking the required local share. In contrast, 21% of school districts statewide, including 120 regular districts and 17 JVSDs, have not yet been offered CFAP funding.

Overall, OFCC disbursed $267.9 million on school facilities assistance projects in FY 2017, over 88% of which was spent on CFAP projects. The remainder, $31.7 million, primarily supported OFCC's Exceptional Needs Program ($13.0 million), which addresses the facilities' needs of a specific building rather than the entire facilities' needs of a district, as well as facilities assistance for science, technology, engineering, and mathematics (STEM) schools ($7.8 million) and high-performing community schools ($6.4 million). S.B. 310 of the 131st General Assembly, the current capital appropriations act, appropriates a total of $650 million for classroom facilities assistance projects for the FY 2017-FY 2018 capital biennium, primarily supported through the sale of bonds.

DNR Awards Nearly $11.8 Million Under Outdoor Recreation Facility Grant Programs

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

On November 1, 2017, the Department of Natural Resources (DNR) announced the recipients of nearly $11.8 million in funding under three grant programs. Of this total, nearly $7.3 million will go to 20 communities in 18 counties under Clean Ohio Trails Fund grants for community projects that connect regional trail systems and provide access to outdoor recreation areas from urban areas. Next, almost $2.8 million

[10] For a list of these districts, please refer to page 18 of OFCC's annual report for FY 2017, available online at: http://ofcc.ohio.gov/Resources/Publications.aspx.

under the NatureWorks Grant Program is being awarded to 92 recipients in 74 counties to create and renovate parks and outdoor recreation areas including the acquisition of green space and improvements and construction of playgrounds, restroom facilities, shelters, and ballfields. Finally, the remaining amount of almost $1.7 million will go to 11 communities and organizations in 14 counties under the Recreational Trails Grant Program for local trails projects. A complete list of grant recipients can be found on DNR's website: ohiodnr.gov.

Funding for Clean Ohio Trail Fund and NatureWorks grants is supported by bond proceeds that are deposited into the Clean Ohio Fund (Fund 7061) and the Ohio Parks and Natural Resources Fund (Fund 7031), respectively. Recipients of Clean Ohio Trails Fund grants must provide a 25% local match for their projects. NatureWorks grants provide up to 75% of eligible project costs. Recreational Trails grants provide up to 80% of eligible project costs and are made available through funding from the Federal Highway Administration.

Development Services Agency Awards $4.8 million Under Community Development Block Grant Set-Aside Programs

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

On November 8, 2017, the Development Services Agency announced the award of $4.8 million in community infrastructure grants to 11 local governments (ten counties and one city) for FY 2018. The funding is allocated under two Community Development Block Grant (CDBG) set-aside programs: the Downtown Revitalization Program and the Neighborhood Revitalization Program. Downtown Revitalization Program awards support downtown improvements in communities through remediation of building code violations or investment in streetscapes or other public infrastructure. Neighborhood Revitalization Program awards provide additional capital toward public facilities such as the construction, reconstruction, or rehabilitation of public infrastructure in low- and moderate-income neighborhoods. The award recipients are listed in the following table.

Federal funding for the CDBG program is deposited into Fund 3080. While the vast majority of CDBG money is distributed by formula to communities across Ohio, a small amount is set aside for discretionary awards under the Downtown Revitalization and Neighborhood Revitalization programs. The $4.8 million awarded in this round of funding represents the majority of discretionary grants available in FY 2018.

Community Development Block Grant Set-Aside Awards (FY 2018)		
Program	**Recipient**	**Grant Amount**
Downtown Revitalization	City of Piqua	$300,000
	Crawford County	$300,000
Total Downtown Revitalization Program		**$600,000**
Neighborhood Revitalization	Hardin County	$500,000
	Logan County	$500,000
	Coshocton County	$500,000
	Clinton County	$494,700
	Putnam County	$450,000
	Defiance County	$450,000
	Ashtabula County	$450,000
	Jackson County	$450,000
	Vinton County	$439,100
Total Neighborhood Revitalization Program		**$4,233,800**
TOTAL ALL PROGRAMS		**$4,833,800**

TRACKING THE ECONOMY

– Philip A. Cummins, Senior Economist, 614-728-1687
– Ruhaiza Ridzwan, Senior Economist, 614-387-0476

Overview

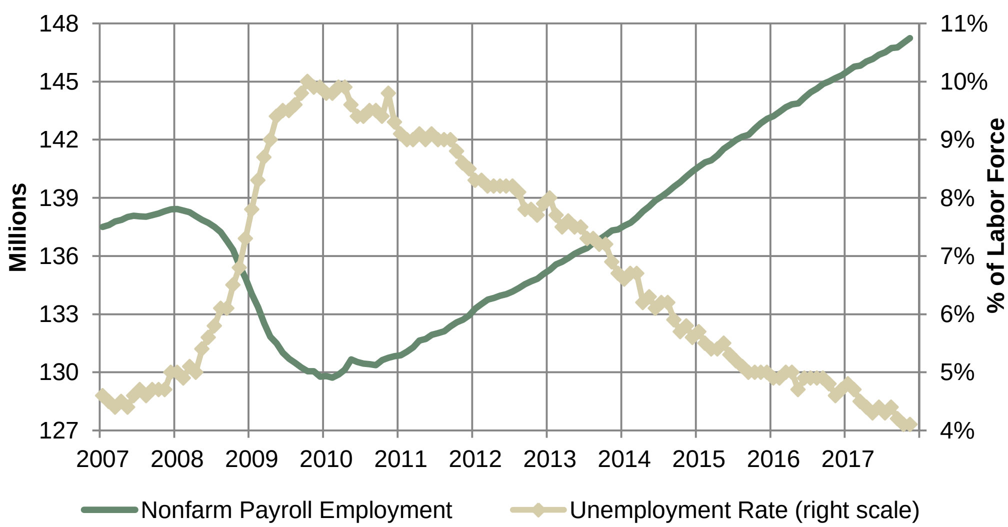
Economic activity in the nation and Ohio continues to advance. U.S. nonfarm payroll employment in November rose 228,000. Industrial output growth nationwide strengthened in October. Inflation-adjusted gross domestic product (real GDP) continued to grow at a more rapid rate than last year, through the third quarter for the U.S., and through the second quarter in the latest figures for Ohio. Inflation remains tame. A slight tightening of monetary policy, with an upward adjustment in short-term interest rates, is widely expected later this week.

U.S. nonfarm payroll employment in November rose 228,000.

The National Economy

Total nonagricultural payroll employment nationwide has risen every month for more than seven years, though the rate of growth has slowed slightly on balance this year through November. Unemployment as a share of the nation's labor force remained at 4.1% in November, lowest in almost 17 years. U.S. total nonfarm employment and the unemployment rate are shown in Chart 5.

Chart 5: U.S. Employment and Unemployment



Real GDP grew at an upward-revised 3.3% annual rate in this year's third quarter, up from 3.1% in the second quarter and 1.2% in the first quarter. Last year, real GDP rose only 1.5%. In the first nine months of 2017, growth of nonresidential fixed investment and exports picked up, and consumer spending continued to expand. Housing investment slowed, however, and real government spending was little changed on balance. Additions to inventories were slow early in 2017 but accelerated in the third quarter.

In October, total industrial production increased 0.9%.

Industrial output nationwide rose briskly in October. The index for total industrial production increased 0.9%. The manufacturing component gained 1.3%. Both activity measures were revised higher in the third quarter. Mining production, however, fell in October, attributed to cuts in oil and gas drilling and extraction caused by Hurricane Nate. Total industrial output in October was 2.9% higher than a year earlier.

The consumer price index (CPI) rose 0.1% in October to 2.0% above a year earlier. Prices of gasoline and most other consumer energy commodities fell in October after increasing the previous two months. Excluding food and energy, the CPI rose 0.2% to 1.8% higher than a year earlier. A related inflation measure, the personal consumption expenditures deflator excluding food and energy, was 1.4% higher in October than a year earlier.

The Federal Open Market Committee, the central bank's decision-making body for monetary policy, meets December 12 and 13, and is expected to raise its target range for the federal funds rate, currently 1% to 1.25%.[11] An increase of one-quarter percentage point is expected, though some market participants appear to be anticipating a one-half percentage point rise in the rate, based on futures trading.[12]

The Ohio Economy

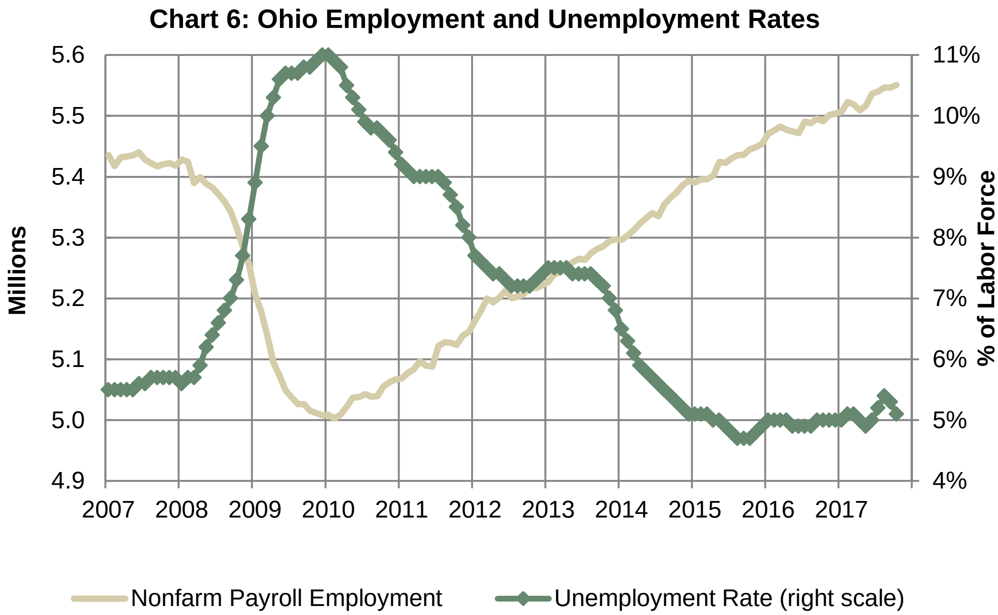
Ohio's unemployment rate edged down to 5.1% in October from 5.3% in September. Ohio's unemployment rate was 5.0% in October 2016. The number of unemployed Ohioans decreased by 9,000 from 305,000 in September to 296,000 in October. The number of unemployed Ohioans

[11] Federal funds are loans, mostly overnight, between depository institutions of dollar reserves held at Federal Reserve banks.

[12] The CME Group calculates probabilities of federal funds target rate changes from exchange trading in federal funds futures. Information is at: http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html/.

grew by 11,000 from October 2016. The U.S. unemployment rate was 4.1% in October 2017. Chart 6 below shows trends in the state's payroll employment and unemployment rate over the last ten years.

Ohio's unemployment rate edged down to 5.1% in October.



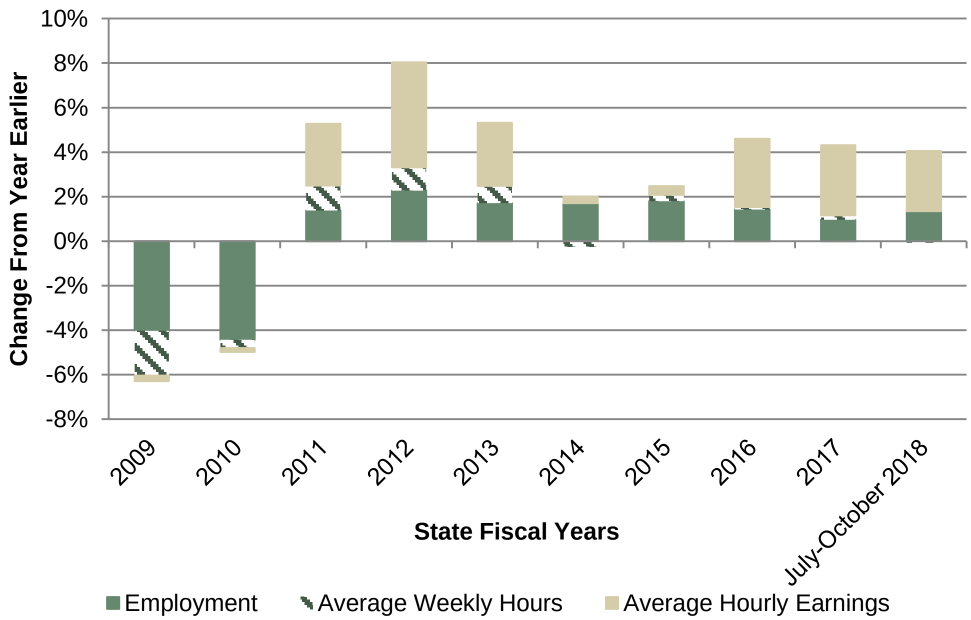
In October, the state's total nonfarm payroll employment, seasonally adjusted, increased for the sixth consecutive month, by 4,300, or 0.1% from the revised total in September. In October, employment gains in goods-producing industries (+3,000) and government employment (+3,300) exceeded job losses in the private service-producing industries (-2,000). Job gains were in manufacturing; other (miscellaneous) services; trade, transportation, and utilities; and local government. Employment fell in construction, mining and logging, both state and federal government, and most private service-providing sectors.

Over the 12 months ending in October, the state's total nonfarm payroll employment increased by 59,400 or 1.1%. Goods-producing industries added 12,400 jobs, mostly in construction. Private service-producing industries added 48,800 jobs, including 17,900 jobs in educational and health services and 17,500 jobs in leisure and hospitality. The growth in the state's total employment in the 12 months ending October 2017 was slightly higher than the year-over-year increase in the previous year, but lower than the year-over-year increases in the five years prior.

As shown in Chart 7, workers' income from private sector payroll jobs grew 4% in the first four months of FY 2018, compared with a year earlier. During that period, the growth of incomes from work reflected continued increases in both the number of jobs and in hourly earnings. The proxy of workers' income from private sector payroll jobs is created using the payroll data from the U.S. Bureau of Labor Statistics (BLS), including private sector average hours paid per week and earnings per hour.

In October, the state's total nonfarm payroll employment increased for the sixth consecutive month, by 4,300.

Chart 7: Ohio Total Private Payrolls



In the second quarter of 2017, Ohio's real gross domestic product (GDP) grew 2.0% at a seasonally adjusted annual rate, following 1.3% growth in the first quarter in 2017. In comparison, the real GDP growth in all 50 states in the second quarter was 2.8%.[13] Ohio's growth was mainly contributed by the real estate sector, durable-goods manufacturing, healthcare and social assistance, retail trade, and mining. Ohio's growth ranked 38th among the 50 states. Ohio's GDP growth rate was slower than in the adjoining states, except for Indiana (1.7%). GDP growth was at a 5.5% rate in Michigan, 4.1% in West Virginia, 3.7% in Kentucky, and 2.5% in Pennsylvania.

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[13] GDP by state for all 50 states differs from U.S. GDP in the national income and product accounts (NIPAs) because the GDP by state for the U.S. excludes federal military and civilian activity located overseas, which cannot be attributed to a particular state.

The U.S. Bureau of Economic Analysis recently released county-level estimates of per capita personal income for 2016. Statewide personal income per capita in Ohio for 2016 was $44,593, having grown by 1.8% from 2015. Among Ohio counties, Delaware County had the highest personal income per capita ($66,532) while Noble County had the lowest ($29,673). In 2016, personal income per capita grew in 79 counties and fell in nine counties in the state. The highest personal income per capita growth was in Hancock County (8.7%) while the lowest was in Coshocton County (-6.3%).

In the second quarter of 2017, Ohio's real gross domestic product (GDP) grew 2.0% at an annual rate.

In October, the number of existing homes sold in Ohio was 3.2% higher than a year earlier, according to the Ohio Association of Realtors. The number of existing homes sold in Ohio during the period of January through October 2017 was 0.9% higher than the same period in 2016. The average statewide sales price of homes sold during the first ten months of 2017 was $172,883 or 5.3% higher than the corresponding months in 2016.

Regional economic activity in the Cleveland Federal Reserve District[14] continued to grow at a moderate pace. Many contacts across industry sectors cited difficulties in attracting and retaining qualified low and high skilled workers. Some brick-and-mortar retailers indicated increased traffic. Auto dealers reported 2% growth in new vehicle unit sales through September, compared with a year earlier, but also noted the start of slowing demand. Manufacturing output continued to expand at a modest pace with the strongest levels of activity noted by suppliers to the aerospace, consumer electronics, motor vehicle, oil and gas, and residential construction industries. Output at the region's auto assembly plants in the first nine months in 2017 was weaker than the corresponding period in 2016. Sales of new and existing single-family homes continued to increase. Business and consumer lending activities increased at a modest pace.

[14] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. Comments summarized above are from the latest edition of the Beige Book, a Federal Reserve publication that summarizes comments from business and industry contacts outside of the Federal Reserve System collected on or before November 17, 2017.