Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION JULY 2018

STATUS OF THE GRF

HIGHLIGHTS

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

June GRF tax revenue exceeded the estimate published by the Office of Budget and Management (OBM) in September 2017 by $155 million. For the full fiscal year, GRF tax revenue was nearly $574 million above the OBM estimate, led by the personal income tax which was about $434 million above estimate. GRF spending on Medicaid was $340 million below estimate, and other GRF program expenditure categories were below estimate by a combined $196 million. Both sides of the FY 2018 GRF budget thus contributed to a welcome contrast to the fiscal strains the state experienced during FY 2017.

The GRF ended the fiscal year with a cash balance of $1.22 billion. After meeting the year-end fund balance requirement, encumbrances, and a required $30 million transfer to the Medicaid Local Sales Tax Transition Fund, $657.5 million was transferred to the Budget Stabilization Fund (BSF) on July 11, which brings the BSF's balance to $2.69 billion, close to the target level of $2.76 billion.

Simplified GRF Cash Statement, as of June 30, 2018 ($ in millions)	
Beginning Cash Balance	**$557.1**
Plus Actual Revenues, Transfers In, and Receivables	$32,471.2
Less Actual Expenditures and Transfers Out	$31,807.3
Ending Cash Balance	**$1,221.0**
Year-end Encumbrances	$373.6
Budget Stabilization Fund (BSF) Balance	**$2,034.1**
Combined GRF and BSF Unobligated Ending Balance	**$2,881.5**

VOLUME 41, NUMBER 11

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

Next Issue:
September 2018

Have a great summer!

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of June 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 2, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$128,340	$123,200	$5,140	4.2%
Nonauto Sales and Use	$791,324	$716,400	$74,924	10.5%
Total Sales and Use Taxes	**$919,664**	**$839,600**	**$80,064**	**9.5%**
Personal Income	$828,975	$797,100	$31,875	4.0%
Commercial Activity Tax	$10,885	$9,600	$1,285	13.4%
Cigarette	$143,459	$147,100	-$3,641	-2.5%
Kilowatt-Hour Excise	$22,296	$21,100	$1,196	5.7%
Foreign Insurance	-$15,451	-$6,300	-$9,151	-145.2%
Domestic Insurance	$254,000	$192,800	$61,200	31.7%
Financial Institution	$17,221	$26,000	-$8,779	-33.8%
Public Utility	$110	$900	-$790	-87.8%
Natural Gas Consumption (MCF)	$2	$0	$2	---
Alcoholic Beverage	$5,469	$5,400	$69	1.3%
Liquor Gallonage	$4,314	$4,000	$314	7.8%
Petroleum Activity Tax	$2,402	$1,200	$1,202	100.2%
Corporate Franchise	$169	$0	$169	---
Business and Property	$0	$0	$0	---
Estate	$67	$0	$67	---
Total Tax Revenue	**$2,193,584**	**$2,038,500**	**$155,084**	**7.6%**
NONTAX REVENUE				
Earnings on Investments	$17,592	$16,000	$1,592	9.9%
Licenses and Fees	$669	$620	$49	7.9%
Other Revenue	$2,870	$3,840	-$970	-25.3%
Total Nontax Revenue	**$21,130**	**$20,460**	**$670**	**3.3%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$55,297	$141,000	-$85,703	-60.8%
Total Transfers In	**$55,297**	**$141,000**	**-$85,703**	**-60.8%**
TOTAL STATE SOURCES	**$2,270,011**	**$2,199,960**	**$70,051**	**3.2%**
Federal Grants	$783,354	$813,972	-$30,618	-3.8%
TOTAL GRF SOURCES	**$3,053,365**	**$3,013,932**	**$39,433**	**1.3%**

*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 June 30, 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 2, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$1,440,526	$1,359,300	$81,226	6.0%	$1,393,968	3.3%
Nonauto Sales and Use	$8,707,648	$8,668,600	$39,048	0.5%	$9,220,607	-5.6%
Total Sales and Use Taxes	**$10,148,174**	**$10,027,900**	**$120,274**	**1.2%**	**$10,614,575**	**-4.4%**
Personal Income	$8,411,020	$7,977,200	$433,820	5.4%	$7,606,452	10.6%
Commercial Activity Tax	$1,522,817	$1,494,300	$28,517	1.9%	$1,301,539	17.0%
Cigarette	$939,757	$944,400	-$4,643	-0.5%	$980,506	-4.2%
Kilowatt-Hour Excise	$342,353	$352,700	-$10,347	-2.9%	$347,436	-1.5%
Foreign Insurance	$276,522	$293,000	-$16,478	-5.6%	$301,542	-8.3%
Domestic Insurance	$278,449	$286,000	-$7,551	-2.6%	$268,567	3.7%
Financial Institution	$201,067	$189,000	$12,067	6.4%	$187,309	7.3%
Public Utility	$119,242	$110,000	$9,242	8.4%	$106,902	11.5%
Natural Gas Consumption (MCF)	$69,551	$65,500	$4,051	6.2%	$61,790	12.6%
Alcoholic Beverage	$55,673	$57,000	-$1,327	-2.3%	$57,220	-2.7%
Liquor Gallonage	$48,139	$46,000	$2,139	4.6%	$46,460	3.6%
Petroleum Activity Tax	$7,844	$6,000	$1,844	30.7%	$6,390	22.8%
Corporate Franchise	$2,185	$0	$2,185	---	-$1,211	280.5%
Business and Property	-$374	$0	-$374	---	-$676	44.6%
Estate	$213	$0	$213	---	$756	-71.8%
Total Tax Revenue	**$22,422,632**	**$21,849,000**	**$573,632**	**2.6%**	**$21,885,556**	**2.5%**
NONTAX REVENUE						
Earnings on Investments	$64,463	$60,000	$4,463	7.4%	$48,732	32.3%
Licenses and Fees	$59,133	$57,000	$2,133	3.7%	$59,600	-0.8%
Other Revenue	$266,418	$292,300	-$25,882	-8.9%	$69,230	284.8%
Total Nontax Revenue	**$390,014**	**$409,300**	**-$19,286**	**-4.7%**	**$177,563**	**119.6%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$188,623	$271,129	-$82,506	-30.4%	$355,937	-47.0%
Total Transfers In	**$188,623**	**$271,129**	**-$82,506**	**-30.4%**	**$355,937**	**-47.0%**
TOTAL STATE SOURCES	**$23,001,269**	**$22,529,429**	**$471,840**	**2.1%**	**$22,419,056**	**2.6%**
Federal Grants	$9,469,932	$9,744,042	-$274,110	-2.8%	$11,761,183	-19.5%
TOTAL GRF SOURCES	**$32,471,201**	**$32,273,471**	**$197,728**	**0.6%**	**$34,180,239**	**-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

FY 2018 GRF sources of $32.47 billion through June were $197.7 million (0.6%) above OBM's estimates published in September 2017. GRF tax sources of $22.42 billion were $573.6 million (2.6%) above projections, powered by a positive variance of $433.8 million (5.4%) for the personal income tax (PIT). The positive variance of GRF tax sources was partly offset by shortfalls of $82.5 million for transfers in and $19.3 million for nontax revenue, resulting in a net positive variance of $471.8 million (2.1%) for state sources. The positive variance for tax sources eliminated the need for projected transfers in from the CAT this fiscal year; and, the shortfall for nontax revenue resulted from lower than estimated income from the JobsOhio liquor enterprise. Federal grants, which generally were below estimate throughout FY 2018 finished with a negative variance of $274.1 million (2.8%). Federal grants mainly consist of federal reimbursements for Medicaid expenditures made from state GRF moneys. Tables 1 and 2 show GRF sources for June and for FY 2018 through June, respectively.

GRF sources were $197.7 million above estimate in FY 2018.

Total GRF sources for June of $3.05 billion were $39.4 million (1.3%) above estimates. Tax sources were ahead of anticipated receipts by $155.1 million (7.6%), from positive variances of $80.1 million for the sales and use tax, $61.2 million for the domestic insurance tax, and $31.9 million for the PIT. Those positive variances were partially offset by shortfalls of $9.2 million for the foreign insurance tax, $8.8 million for the financial institutions tax (FIT), and $3.6 million for the cigarette tax. Revenue in June for the domestic insurance tax partially reversed a large timing-related negative variance experienced the previous month; similarly, the negative June variance for the FIT partially offset a positive variance for May. For the remaining GRF categories in June, federal grants and transfers in were short of estimates by $30.6 million and $85.7 million, respectively, but nontax revenue had a positive variance of $0.7 million.

FY 2018 GRF tax sources were $573.6 million above estimate.

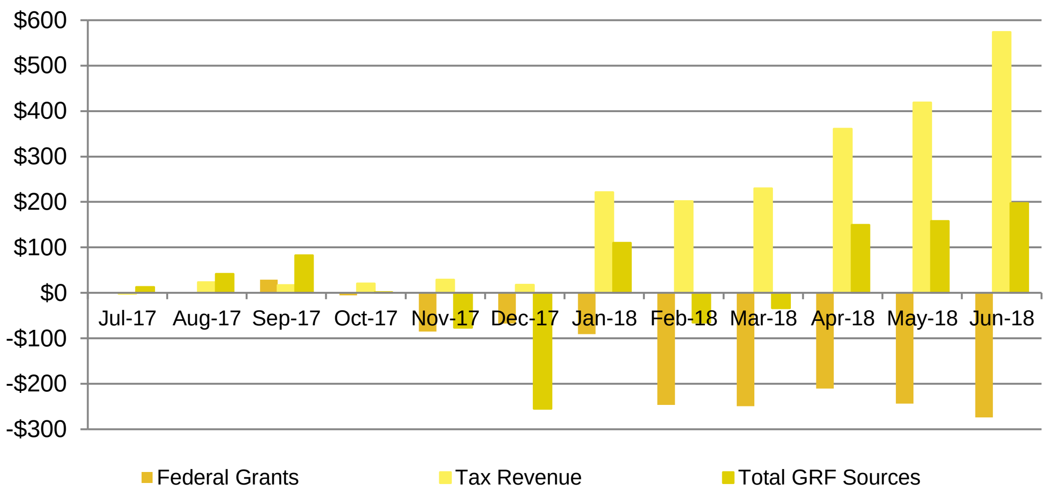
For the fiscal year as a whole as shown in Table 2, in addition to the PIT, taxes with the largest positive variances included the auto sales and

[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.

use tax ($81.2 million), the nonauto sales and use tax ($39.0 million), the commercial activity tax (CAT, $28.5 million), the public utility tax ($9.2 million), the FIT ($12.1 million), the natural gas consumption tax ($4.1 million), the corporate franchise tax (CFT, $2.2 million), and the liquor gallonage tax ($2.1 million). Taxes with the largest negative variances included both insurance taxes, $16.5 million for the foreign tax and $7.6 million for the domestic tax; the kilowatt-hour tax ($10.3 million); and the alcoholic beverage tax ($1.3 million). Chart 1 provides the cumulative variances of GRF sources in FY 2018.

Federal grants to the GRF were $274.1 million less than estimate in FY 2018.

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



FY 2018 GRF sources were $1.71 billion (5.0%) below the level of FY 2017 GRF sources, due to decreases of $2.29 billion (19.5%) in federal grants and $167.3 million (47.0%) for transfers in. Those declines were partially offset by increases of $537.1 million (2.5%) for GRF tax sources and $212.5 million (119.6%) for nontax revenue.

Federal grants to the GRF declined from FY 2017 as an important source of Medicaid funding shifted from the GRF to a dedicated purpose fund. More Medicaid program spending was made from non-GRF funds in FY 2018, so federal reimbursements were deposited into those funds instead of the GRF. Though federal grants decreased substantially, tax sources increased, especially for the PIT ($804.6 million) and the CAT ($221.3 million). Receipts also increased for the auto sales and use tax ($46.6 million), the FIT ($13.8 million), the domestic insurance tax ($9.9 million), the public utility tax ($12.3 million), and the natural gas consumption tax ($7.8 million). However, revenue declined for the nonauto sales and use tax ($513.0 million), the foreign insurance tax ($25.0 million), the cigarette tax ($40.7 million), and the kilowatt-hour tax ($5.1 million).

The revenue increase for the PIT was 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 sales and use tax was above estimate by $120.3 million in FY 2018.

Sales and Use Tax

The sales and use tax finished FY 2018 on a strong footing after months of weak or modest results. Sales and use tax revenue to the GRF totaling $919.7 million in June was above estimate the fourth consecutive month, this time by $80.1 million (9.5%); for the fiscal quarter ending in June, this GRF source was above estimate by a total of $116.4 million, after a combined negative variance of $12.4 million in the previous fiscal quarter. Through June, FY 2018 GRF sales and use tax receipts of $10.15 billion were $120.3 million (1.2%) above estimate but $466.4 million (4.4%) below receipts in the corresponding period last year.

Revenue from the auto sales and use tax generally was more than expected throughout FY 2018, while the nonauto portion of the tax was close to the estimates most months and ended the year with a positive variance. 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]

FY 2018 nonauto sales and use tax receipts were $39.0 million above estimate.

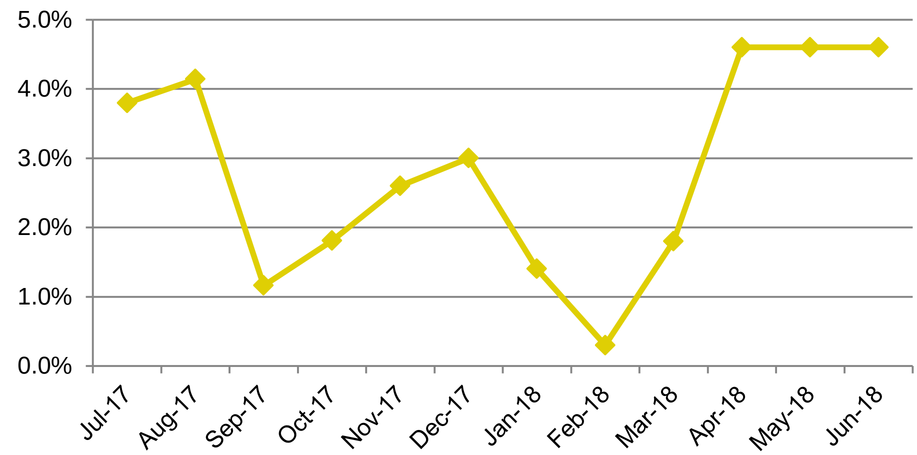
Nonauto Sales and Use Tax

The performance of the nonauto sales and use tax was uneven in FY 2018, with an equal number of positive and negative monthly revenue variances. However, this tax source turned in its strongest performance of the fiscal year in the month of June. Receipts to the GRF of $791.3 million were $74.9 million (10.5%) above estimate, reversing a year-to-date (YTD) negative variance of $35.9 million through May, and this tax finished FY 2018 with a combined positive variance of $39.0 million (0.5%).

[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.

For the fiscal year, GRF receipts from the nonauto sales and use tax totaled $8.71 billion, $513.0 million (5.6%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base. As explained in previous editions of this publication, 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 and use tax revenue overall by FY 2017 that declines in revenue from this tax source had been 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, is 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)



FY 2018 revenue from the auto sales and use tax was $81.2 million above estimate.

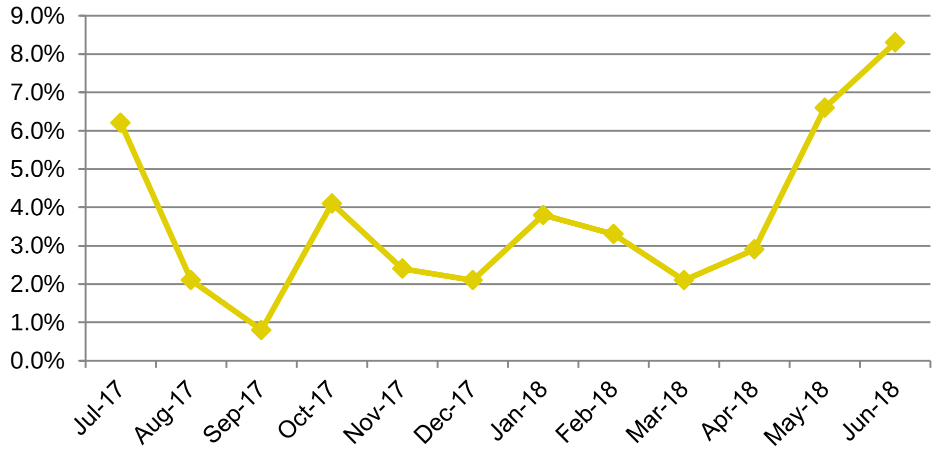
Auto Sales and Use Tax

In June 2018, revenue from the auto portion of the sales and use tax was $128.3 million, an amount $5.1 million (4.2%) above estimate and $0.4 million (0.3%) above revenue in June 2017. The auto sales and use tax performed well in FY 2018. OBM had estimated a yearly revenue decline of 2.5% due to a forecasted decrease in vehicle unit sales. However, through June, FY 2018 GRF revenue from this GRF source totaled $1.44 billion, $81.2 million (6.0%) above estimate and $46.6 million (3.3%)

[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.

above revenue in FY 2017. The tax outperformed estimates most months and was outstanding in the final fiscal quarter, up 10.1% relative to estimates. Chart 3 provides year-over-year growth in auto sales and use tax collections starting in July 2017.

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



PIT GRF revenue was $433.8 million above estimate in FY 2018.

Sales have been more robust that expected despite rising gasoline prices and tightening access to credit and were higher than in FY 2017. Demand for new light trucks remained historically high and surpassed a record two-thirds of total light vehicle sales in the last four months.

Data from the Ohio Bureau of Motor Vehicles show sales of both new and used vehicles grew in FY 2018 and both portions of the auto tax taxable base increased, as shown in the table below. Titles for new and used vehicles provided about 42% and 58%, respectively, of the total taxable base in FY 2018. Overall sales grew only 0.9% from FY 2017, but new titled vehicles were up 2.9%, with an average price of $34,104, lifting revenue higher in FY 2018.

FY 2018	Titles	Purchases ($ in millions)	Average Price
New vehicles	388,519	$13,249.9	$34,104
Used vehicles	1,756,624	$15,171.2	$8,637
TOTAL	**2,145,143**	**$28,421.1**	**$13,249**
Growth from FY 2017			
New vehicles	2.9%	4.9%	1.6%
Used vehicles	0.5%	3.1%	2.6%
TOTAL	**0.9%**	**3.8%**	**2.8%**

Personal Income Tax

FY 2018 PIT GRF revenue of $8.41 billion was $433.8 million (5.4%) above estimate. Outsized tax receipts in April and in May had nearly guaranteed a positive yearly variance for this tax source.

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; FY 2018 performance was driven even more strongly by quarterly estimated payments.

For the month of June, receipts of $829.0 million were $31.9 million (4.0%) above projected revenue and $39.9 million (5.1%) above revenue in June 2017. Quarterly estimated payments and trust payments exceeded estimates by $40.9 million (31.4%) and $9.3 million (620.2%), respectively. Those positive variances were partly offset by negative variances of $4.1 million (0.6%) for employer withholding, $4.3 million (33.7%) for taxes due with annual returns, and $1.2 million (11.7%) for miscellaneous payments. Overall, gross collections were above estimate by $40.6 million (4.7%), but refunds were $7.5 million (23.0%) higher than their anticipated level and LGF distributions were $1.2 million (3.5%) above estimate.

FY 2018 revenues through June from each component of the PIT relative to estimates and to revenue received in FY 2017 are detailed in the table below. Most components of gross collections exceeded projections, including withholding ($138.0 million), quarterly estimated payments ($247.5 million), and annual return payments ($55.2 million). However, both refunds and LGF distributions were higher than anticipated.

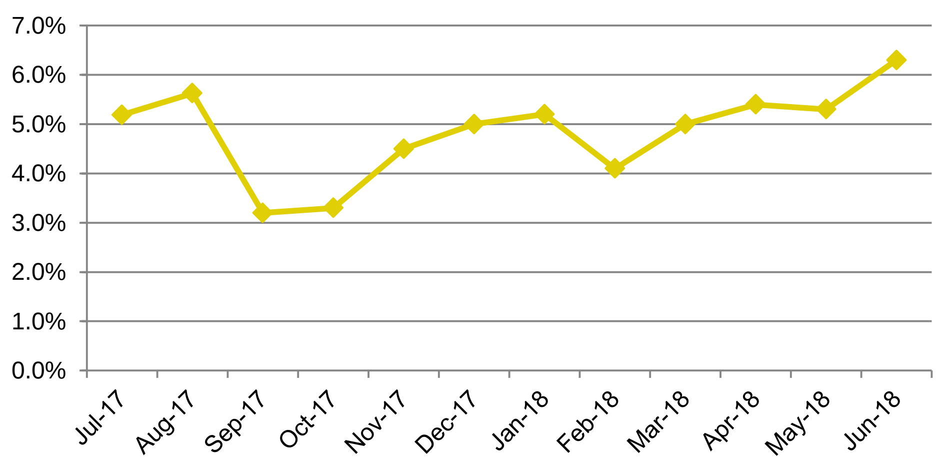
[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

FY 2018 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	$138.0	1.6%	$381.7	4.5%
Quarterly Estimated Payments	$247.5	32.6%	$270.1	36.7%
Trust Payments	$20.4	36.5%	$21.7	39.8%
Annual Return Payments	$55.2	7.9%	$89.5	13.4%
Miscellaneous Payments	-$3.7	-3.7%	-$1.1	-1.1%
Gross Collections	$457.4	4.5%	$761.9	7.7%
Less Refunds	$13.8	0.7%	-$53.2	-2.7%
Less LGF Distribution	$9.8	2.6%	$10.5	2.8%
GRF PIT Revenue	$433.8	5.4%	$804.6	10.6%

As shown in the table above, FY 2018 receipts were $804.6 million (10.6%) above receipts in FY 2017. Receipts from most components of gross collections were higher in FY 2018, though miscellaneous payments were lower by a small amount. LGF distributions were also higher than in FY 2017, but refunds were lower. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. Payroll growth has accelerated in 2018. In the first half of FY 2018, year-ago payroll growth was about 4.1%. In the second half, on average, it increased to about 5.6%.

Payroll growth has accelerated in 2018.

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



Commercial Activity Tax and Petroleum Activity Tax

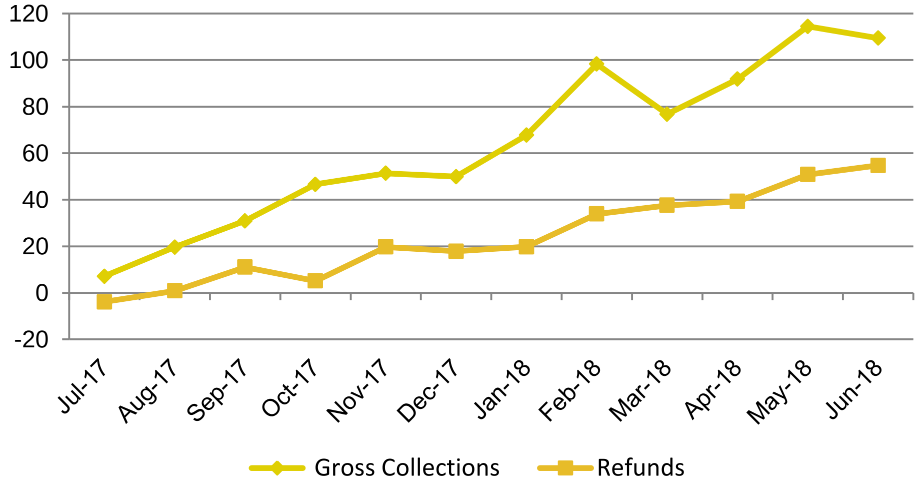
GRF receipts from the CAT in June were $10.9 million, $1.3 million (13.4%) above estimate. The performance of the CAT improved late in the fiscal year, and for the quarter ending in June, this tax source was up 9.6% above projections, after posting a negative variance of 3.8% in the third fiscal quarter. For FY 2018 as a whole, GRF receipts of $1.52 billion were $28.5 million (1.9%) above estimate and $221.3 million (17.0%) above receipts in FY 2017.

As explained in previous editions of this publication, 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 losses of tangible personal property tax revenues. This change in allocation increased GRF receipts by roughly $179.2 million this year relative to the previous allocation of CAT revenue. Distributions to Fund 7047 and Fund 7081 decreased $125.4 million and $53.8 million, respectively. While the allocation change increased the amount of CAT receipts directly credited to the GRF, it reduced "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.

Through June in FY 2018, CAT receipts were $28.5 million above estimate.

Gross collections (i.e., all-funds revenue) were relatively robust. Through June 2018, they increased $109.5 million (5.9%) relative to collections in FY 2017. On the other hand, refunds also increased, by $54.7 million (52.4%), most of which came in the third fiscal quarter. Chart 5 below provides the cumulative growth in CAT gross collections and refunds this fiscal year relative to corresponding months in FY 2017.

Chart 5: Cumulative Growth in Collections and Refunds in FY 2018
(Relative to FY 2017, $ in millions)



The petroleum activity tax (PAT) is applied to receipts from the sale or exchange of motor fuel at a rate of 0.65% on a motor fuel supplier's adjusted gross receipts, with revenue from the tax shared between the GRF and the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0). All-funds revenue from the PAT was $73.8 million in FY 2018, with $66.0 million of that total deposited in the highway fund.

OBM estimated GRF revenue of $6.0 million for the PAT in FY 2018 and receipts were $7.8 million, a positive variance of $1.8 million (30.7%) for the fiscal year. GRF revenue was also $1.5 million (22.8%) above revenue in FY 2017. The PAT is a relatively new tax, with a tax base that depends on prices of motor fuel; both these features make it particularly difficult to forecast revenue from this tax.

FY 2018 cigarette tax receipts were $4.6 million below target.

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco products tax revenue of $143.5 million in June was $3.6 million (2.5%) below estimate and $14.4 million (9.1%) below revenue in June 2017. This result increased the YTD negative variance of this source to $4.6 million (0.5%), up from $1.0 million at the end of May 2018. FY 2018 receipts of $939.8 million, including $869.8 million from sales of cigarettes and $69.9 million from sales of other tobacco products, were $40.7 million (4.2%) below revenue in FY 2017.

Compared to last year, FY 2018 receipts from cigarette sales decreased $44.6 million (4.9%). Tax revenue from cigarette sales usually trend downward. On the other hand, receipts from sales of other tobacco products generally increase each year, and those receipts grew $3.9 million (5.8%) in FY 2018.

Utility-Related Taxes

Utility-related taxes include the public utility tax, the natural gas distribution or MCF tax, and the kilowatt-hour tax. Receipts from these taxes are credited to the GRF. However, half the share of GRF total tax revenue transferred to the Public Library Fund (PLF) is debited against the kilowatt-hour tax for accounting purposes (the other half is debited against the nonauto sales and use tax). Changes in consumption and prices are generally the main determinants of revenue from utility-related taxes.

Utility-related taxes finished FY 2018 with a net positive variance of $2.9 million.

The public utility tax is levied on gross receipts of those utilities subject to the tax. Tax revenues from this tax totaled $119.2 million in FY 2018, $9.2 million (8.4%) more than the estimate and $12.3 million (11.5%) above FY 2017 revenue. Taxes paid by natural gas companies account for most tax receipts from the public utility tax, and were 98% of the total in FY 2018. Other classes of utilities that pay this tax include pipelines, waterworks, water transportation, and heating. Companies that pay the public utility tax do not pay the CAT.

The MCF tax is levied based on the quantity of natural gas distributed to end users in Ohio. Receipts from this tax were $69.6 million in FY 2018, $4.1 million (6.2%) above the estimate and $7.8 million (12.6%) above receipts the previous year.

In FY 2018, GRF received $342.4 million from the kilowatt-hour tax. This amount was $10.3 million (2.9%) below estimate and $5.1 million (1.5%) lower than FY 2017 receipts. The negative GRF revenue variance was due, in part to higher than estimated GRF total tax receipts which increased the estimated allocation to the PLF. However, total kilowatt-hour tax receipts (all-fund collections) of $537.2 million were $2.0 million (0.4%) below FY 2017 total receipts, due to slightly lower electricity consumption this fiscal year.

Foreign and Domestic Insurance Taxes

Both insurance taxes finished FY 2018 with negative variances.

The GRF yield from the two insurance taxes was below estimate in FY 2018. The domestic insurance tax is paid by insurance companies whose headquarters are located in Ohio, while the foreign insurance tax is paid by insurance companies whose headquarters are located in other states.

The domestic insurance tax raised $278.4 million in FY 2018, an amount $7.6 million (2.6%) below estimate, but $9.9 million (3.7%) above the FY 2017 amount. On the other hand, the foreign insurance tax provided $276.5 million for the GRF in FY 2018, which was $16.5 million (5.6%) less than estimate and $25.0 million (8.3%) less than FY 2017 receipts. Higher than expected tax credits decreased revenue from the foreign insurance tax in FY 2018.

Financial Institutions and Corporate Franchise Taxes

GRF receipts from the FIT totaled $201.0 million in FY 2018, $12.1 million (6.4%) above estimate and $13.8 million (7.3%) higher than the FY 2017 receipts. The FIT's performance was helped in FY 2018 by a growing economy and muted tax credit growth relative to both estimates and the level of tax credits in FY 2017.

Regarding the CFT, though GRF receipts were not anticipated from this tax because H.B. 510 of the 129th General Assembly eliminated the tax at the end of 2013, adjustments to tax filings in previous years continue to affect this tax source. These adjustments provided net revenue of $2.2 million, an amount that was $3.4 million above receipts from the CFT in FY 2017.

Alcoholic Beverage and Liquor Gallonage Taxes

Combined GRF revenue from the alcoholic beverage and liquor gallonage taxes was $103.8 million in FY 2018, $0.8 million (0.8%) more than was projected and an increase of $0.1 million (0.1%) from FY 2017. However, alcoholic beverage tax receipts of $55.7 million fell short of estimate by $1.3 million (2.3%). Receipts were $1.5 million (2.7%) below those received during FY 2017 from declines in tax receipts from beer and wine sales (2.5% and 3.5%, respectively). On the other hand, liquor gallonage revenue of $48.1 million was $2.1 million (4.6%) above estimate for the fiscal year and $1.7 million (3.6%) above revenue in FY 2017.

Combined alcoholic beverage taxes were $0.8 million above estimates in FY 2018.

Recent years have seen a sustained shift in consumer demand for alcoholic beverages, favoring liquor over beer. Over the last decade, the share of combined revenue coming from the liquor gallonage tax rose from 38% in FY 2007 to 46% in FY 2018. The share of revenue coming from wine and mixed beverages increased more modestly during that time, while the share from beer and malt beverages decreased.

Earnings on Investments

In FY 2018, revenue from earnings on investments was $64.5 million, which was $4.5 million (7.4%) above estimate and $15.7 million (32.3%) above FY 2017 revenue. The increase was due to higher state revenue collections (i.e., more revenue to invest) and higher than anticipated average yields.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of June 2018
($ in thousands)
(Actual based on OAKS reports run July 2, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$594,665	$675,850	-$81,185	-12.0%
Higher Education	$179,680	$179,651	$29	0.0%
Other Education	$3,811	$3,171	$640	20.2%
Total Education	**$778,156**	**$858,672**	**-$80,516**	**-9.4%**
Medicaid	$1,138,779	$1,214,020	-$75,241	-6.2%
Health and Human Services	$53,804	$45,517	$8,288	18.2%
Total Welfare and Human Services	**$1,192,583**	**$1,259,536**	**-$66,953**	**-5.3%**
Justice and Public Protection	$144,448	$153,577	-$9,129	-5.9%
General Government	$21,240	$24,619	-$3,380	-13.7%
Total Government Operations	**$165,688**	**$178,197**	**-$12,509**	**-7.0%**
Property Tax Reimbursements	$14,013	$45,483	-$31,470	-69.2%
Debt Service	$9	$47,318	-$47,309	-100.0%
Total Other Expenditures	**$14,022**	**$92,801**	**-$78,779**	**-84.9%**
Total Program Expenditures	**$2,150,449**	**$2,389,206**	**-$238,757**	**-10.0%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$10,547	$500	$10,047	2009.5%
Total Transfers Out	**$10,547**	**$500**	**$10,047**	**2009.5%**
TOTAL GRF USES	**$2,160,996**	**$2,389,706**	**-$228,710**	**-9.6%**

*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 June 30, 2018
($ in thousands)
(Actual based on OAKS reports run July 2, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$7,993,783	$8,027,083	-$33,300	-0.4%	$7,873,632	1.5%
Higher Education	$2,304,821	$2,312,261	-$7,440	-0.3%	$2,294,785	0.4%
Other Education	$69,789	$70,555	-$766	-1.1%	$72,235	-3.4%
Total Education	**$10,368,393**	**$10,409,900**	**-$41,506**	**-0.4%**	**$10,240,652**	**1.2%**
Medicaid	$14,482,515	$14,823,011	-$340,496	-2.3%	$17,437,354	-16.9%
Health and Human Services	$1,251,797	$1,310,619	-$58,822	-4.5%	$1,289,584	-2.9%
Total Welfare and Human Services	**$15,734,312**	**$16,133,630**	**-$399,318**	**-2.5%**	**$18,726,938**	**-16.0%**
Justice and Public Protection	$2,130,377	$2,163,294	-$32,917	-1.5%	$2,052,750	3.8%
General Government	$347,880	$375,561	-$27,681	-7.4%	$370,266	-6.0%
Total Government Operations	**$2,478,257**	**$2,538,855**	**-$60,598**	**-2.4%**	**$2,423,016**	**2.3%**
Property Tax Reimbursements	$1,802,419	$1,806,573	-$4,155	-0.2%	$1,790,260	0.7%
Debt Service	$1,343,903	$1,375,240	-$31,337	-2.3%	$1,322,657	1.6%
Total Other Expenditures	**$3,146,322**	**$3,181,814**	**-$35,492**	**-1.1%**	**$3,112,917**	**1.1%**
Total Program Expenditures	**$31,727,284**	**$32,264,198**	**-$536,914**	**-1.7%**	**$34,503,523**	**-8.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$80,034	$66,014	$14,020	21.2%	$281,290	-71.5%
Total Transfers Out	**$80,034**	**$66,014**	**$14,020**	**21.2%**	**$310,772**	**-74.2%**
TOTAL GRF USES	**$31,807,318**	**$32,330,212**	**-$522,894**	**-1.6%**	**$34,814,295**	**-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 July 9, 2018)

	Month of June 2018				Year to Date Through June 2018			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,799,080**	**$1,884,959**	**-$85,879**	**-4.6%**	**$23,396,146**	**$23,929,731**	**-$533,585**	**-2.2%**
GRF	$1,100,046	$1,164,402	-$64,356	-5.5%	$13,806,565	$14,142,180	-$335,615	-2.4%
Non-GRF	$699,033	$720,557	-$21,523	-3.0%	$9,589,581	$9,787,551	-$197,970	-2.0%
Developmental Disabilities	**$198,676**	**$236,883**	**-$38,206**	**-16.1%**	**$2,068,997**	**$2,773,624**	**-$121,352**	**-4.4%**
GRF	$33,804	$38,698	-$4,894	-12.6%	$583,209	$583,276	-$67	0.0%
Non-GRF	$164,872	$198,185	-$33,312	-16.8%	$2,068,966	$2,190,348	-$121,382	-5.5%
Job and Family Services	**$19,751**	**$24,694**	**-$4,942**	**-20.0%**	**$255,371**	**$273,509**	**-$18,138**	**-6.6%**
GRF	$4,178	$10,361	-$6,183	-59.7%	$83,684	$89,210	-$5,526	-6.2%
Non-GRF	$15,573	$14,332	$1,241	8.7%	$171,687	$184,299	-$12,613	-6.8%
Health	**$1,702**	**$2,489**	**-$787**	**-31.6%**	**$26,800**	**$28,201**	**-$1,401**	**-5.0%**
GRF	$541	$305	$236	77.3%	$4,243	$3,554	$690	19.4%
Non-GRF	$1,161	$2,184	-$1,023	-46.8%	$22,557	$24,647	-$2,091	-8.5%
Mental Health and Addiction	**$737**	**$1,358**	**-$621**	**-45.7%**	**$4,258**	**$6,827**	**-$2,568**	**-37.6%**
GRF	$0	$0	$0	--	$1,250	$1,250	$0	0.0%
Non-GRF	$737	$1,358	-$621	-45.7%	$3,008	$5,576	-$2,568	-46.1%
Aging	**$500**	**$550**	**-$49**	**-9.0%**	**$5,893**	**$7,132**	**-$1,239**	**-17.4%**
GRF	$200	$246	-$46	-18.8%	$3,296	$3,296	$0	0.0%
Non-GRF	$301	$304	-$3	-1.1%	$2,597	$3,837	-$1,239	-32.3%
Pharmacy Board	**$35**	**$36**	**$0**	**-1.2%**	**$1,710**	**$1,776**	**-$67**	**-3.8%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$35	$36	$0	-1.2%	$1,710	$1,776	-$67	-3.8%
Education	**$10**	**$17**	**-$7**	**-39.6%**	**$276**	**$488**	**-$211**	**-3.8%**
GRF	$10	$8	$2	20.8%	$268	$246	$21	8.6%
Non-GRF	$0	$8	-$8	-100.0%	$9	$241	-$233	-96.4%
Total GRF	**$1,138,779**	**$1,214,020**	**-$75,241**	**-6.2%**	**$14,482,515**	**$14,823,011**	**-$340,496**	**-2.3%**
Total Non-GRF	**$881,713**	**$936,964**	**-$55,251**	**-5.9%**	**$11,860,144**	**$12,198,277**	**-$338,133**	**-2.8%**
Total All Funds	**$2,020,492**	**$2,150,984**	**-$130,492**	**-6.1%**	**$26,342,659**	**$27,021,289**	**-$678,629**	**-2.5%**

*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 July 9, 2018)

	Month of June 2018				Year to Date Through June 2018			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$909,048	$927,907	-$18,859	-2.0%	$11,160,370	$11,181,926	-$21,556	-0.2%
ACA - Managed Care	$328,921	$345,999	-$17,078	-4.9%	$4,074,788	$4,151,168	-$76,380	-1.8%
DDD Services	$193,055	$224,569	-$31,514	-14.0%	$2,567,200	$2,681,662	-$114,462	-4.3%
Hospitals	$40,584	$60,793	-$20,209	-33.2%	$1,925,444	$2,007,447	-$82,002	-4.1%
Nursing Facilities	$111,771	$122,432	-$10,661	-8.7%	$1,503,539	$1,451,741	$51,798	3.6%
Physicians/All Other	$131,948	$97,672	$34,276	35.1%	$1,157,913	$1,228,250	-$70,337	-5.7%
Behavioral Health	$73,128	$94,783	-$21,655	-22.8%	$1,142,840	$1,199,925	-$57,084	-4.8%
Administration	$78,931	$108,899	-$29,969	-27.5%	$925,753	$1,090,806	-$165,053	-15.1%
Medicare Buy-In	$58,056	$55,740	$2,317	4.2%	$612,109	$634,526	-$22,417	-3.5%
Medicare Part D	$37,745	$38,081	-$335	-0.9%	$461,884	$478,244	-$16,359	-3.4%
Prescription Drugs	$21,553	$29,147	-$7,594	-26.1%	$304,705	$359,430	-$54,725	-15.2%
Aging Waivers	$26,768	$34,006	-$7,239	-21.3%	$385,624	$418,213	-$32,589	-7.8%
Home Care Waivers	$8,984	$10,956	-$1,973	-18.0%	$120,489	$137,952	-$17,463	-12.7%
Total All Funds	**$2,020,492**	**$2,150,984**	**-$130,492**	**-6.1%**	**$26,342,659**	**$27,021,289**	**-$678,629**	**-2.5%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[5]

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Overview

GRF program expenditures totaled $31.73 billion in FY 2018, $536.9 million below the estimate released by OBM in September 2017. Although all program categories were below the OBM estimates for the fiscal year, Medicaid's negative variance of $340.5 million was by far the most significant, representing 63.4% of the total variance in program expenditures.

GRF program expenditures were $536.9 million less in FY 2018 than estimated at the beginning of the fiscal year.

Program expenditures constitute the majority of GRF uses, but GRF uses also include transfers out. FY 2018 GRF transfers out were $80.0 million, $14.0 million above estimate. Most of this positive variance was due to an August transfer of $10.0 million into the Unemployment Compensation Interest Contingency Fund (Fund 5HC0) from the GRF. Including both program expenditures and transfers out, FY 2018 GRF uses totaled $31.81 billion, $522.9 million (1.6%) below OBM's September 2017 estimate. Tables 3 and 4 show GRF uses for the month of June and for FY 2018, respectively.

Other than Medicaid, five program categories registered negative variances in excess of $25 million: Health and Human Services ($58.8 million), Primary and Secondary Education ($33.3 million), Justice and Public Protection ($32.9 million), Debt Service ($31.3 million), and General Government ($27.7 million). These negative variances will be briefly discussed below.

In addition, state agencies encumbered $373.6 million in GRF appropriations for expenditure in FY 2019. The "**Encumbrances**" section of this report provides additional information on FY 2018 year-end encumbrances.

Through June, FY 2018 GRF and non-GRF Medicaid expenditures were $340.5 million and $338.1 million below estimate, respectively.

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

[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.

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

GRF Medicaid expenditures were $340.5 million (2.3%) below the estimate for FY 2018. Non-GRF Medicaid expenditures were also below estimate by $338.1 million (2.8%). All-funds Medicaid expenditures were $678.6 million (2.5%) 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 ($533.6 million) and ODODD ($121.4 million). ODM's GRF and non-GRF Medicaid expenditures were $335.6 million (2.4%) and $198.0 million (2.0%), respectively, below the YTD estimates. ODODD's GRF and non-GRF Medicaid expenditures were $67,000 (0.0%) and $121.4 million (5.5%), respectively, below the YTD estimates.

Expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were below estimates by $21.6 million and $76.4 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 $21.6 million (0.2%) and $76.4 million (1.8%), 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.

According to ODM, in the month of June, the Ohio Medicaid Information Technology System (MITS), a claims processing system, incorrectly categorized payments for fee-for-service provider claims. This is strictly a categorization error. According to ODM, all providers in the

[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.

impacted service categories were paid accurately. The error, however, makes it difficult to characterize the monthly variances for the fee-for-service categories. The discussion below details the primary causes of the YTD variances beyond the MITS error.

The administration category had the largest negative YTD variance at $165.1 million (15.1%). The 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. Services provided by ODODD (labeled "DDD Services" in the table) had the second largest negative YTD variance at $114.5 million (4.3%). Of this variance, $27.0 million was due to lower than expected expenditures for targeted case management services. Of the remaining $87.5 million variance, approximately $50.0 million was due to a county board cost settlement payment that was not processed as expected during FY 2018. Cost settlement involves reconciling the amount that county boards received to administer services versus how much the boards actually spent. This payment will be processed in early FY 2019.

Other payment categories with significant negative YTD variances were Hospitals, Physicians/All Other, and Prescription Drugs. Hospital services had a negative YTD variance of $82.0 million (4.1%). This variance was largely caused by a $50.0 million payment for the Care Innovation and Community Improvement Program that was anticipated to occur in May but was not disbursed during FY 2018. The Physicians/All Other category had a negative YTD variance of $70.3 million (5.7%), due in part to lower than estimated caseloads for home health services. Lastly, YTD expenditures for Prescription Drugs were $54.7 million (15.2%) 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 was the only category with a positive YTD variance. Both caseload and per-member per-month cost for Nursing Facilities have been higher than projected. As a result, this payment category's YTD expenditures were above estimate by $51.8 million (3.6%).

Health and Human Services

Spending in the Health and Human Services category totaled $1.25 billion in FY 2018, $58.8 million below the estimates made in September 2017. Over half of this variance ($30.4 million) was incurred by the Ohio Department of Job and Family Services (ODJFS). Spending from most of ODJFS's GRF appropriation items was below estimate. The largest variances were in items 600416, Information Technology Projects

($14.3 million); 600523, Family and Children Services ($2.8 million); 600321, Program Support ($2.5 million); 600423, Families and Children Programs ($2.4 million); and 600511, Disability Financial Assistance ($2.3 million). ODJFS encumbered funds for expenditure in FY 2019 in all of these items except 600511. Two other agencies with smaller but significant negative variances were the Department of Health and the Department of Mental Health and Addiction Services, with FY 2018 variances of $13.8 million and $13.2 million, respectively.

Debt Service

The Debt Service program category had a FY 2018 negative variance of $31.3 million due to a portion of bond premiums being used to offset debt service payments and savings from refunding certain prior debt. The negative variances were widespread among pertinent agencies. The largest negative variance was in item 150907, Infrastructure Improvement General Obligation Bond Debt Service, in the Public Works Commission (PWC). Expenditures from this item were $11.5 million below estimate. This line item is used to cover the debt service on the general obligation bonds issued to support PWC's State Capital Improvement Program. Ohio Facilities Construction Commission (OFCC) appropriation item 230908, Common Schools General Obligation Debt Service, was $6.1 million below estimate. This item pays service on general obligation debt issued to fund projects overseen by the School Facilities Commission. One other agency with a significant negative FY 2018 variance in this category was the Department of Higher Education (DHE), which ended the year $4.3 million below OBM's September 2017 estimate.

Justice and Public Protection

The Justice and Public Protection program category ended the year below estimate by $32.9 million. About 78.8% of this variance ($25.9 million) was from appropriation items in the Department of Rehabilitation and Correction's (DRC's) budget. The largest such variance was for item 501321, Institutional Operations ($13.8 million). This item funds the operations of the state's prisons. Two other agencies with significant negative variances were the Judiciary/Supreme Court (JSC) and the Department of Youth Services (DYS) with negative variances of $4.7 million and $3.2 million, respectively. For FY 2018, JSC item 005321, Operating Expenses, and DYS item 470401, Reclaim Ohio, were below OBM estimates by $4.6 million and $2.3 million, respectively. Item 005321 is used to pay the operating expenses of the Ohio Supreme Court and the state's courts of appeal as well as the state's share of salaries in county courts. Item 470401 pays for a variety of community services as well as DYS's central office operations.

Primary and Secondary Education

Although the Primary and Secondary Education program category was above estimate for much of the fiscal year, it had negative variances for the last three months, including an $81.2 million negative variance in June, so it ended the year $33.3 million below the OBM estimate. Three line items accounted for nearly 75.0% of this variance. Item 200550, Foundation Funding, which provides the state's primary financial support to public schools, was below estimate by $15.1 million. Also, items 200572, Adult Education Programs, and 200437, Student Assessment, were below estimate by $5.8 million and $4.1 million, respectively.

General Government

Finally, the General Government category was below estimate for the year by $27.7 million. Two executive agencies comprise the majority of this negative variance, the Development Services Agency (DSA, $10.3 million) and the Ohio Department of Transportation (ODOT, $5.4 million). DSA item 195453, Technology Programs and Grants, was $6.3 million below the OBM estimate, while ODOT item 777471, Airport Improvements-State, was $4.3 million below estimate.

Encumbrances

Outstanding GRF encumbrances totaled $373.6 million at the end of FY 2018.

As of June 30, 2018, state agencies encumbered a total of $373.6 million in GRF appropriations for expenditure in FY 2019. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they will lapse. An agency may encumber funds for purposes other than operating expenses beyond the five-month period if approval is obtained from the Director of Budget and Management. Encumbrances for some grant and aid payments are encumbered for several months or sometimes years.

The table below summarizes the encumbrances by the fiscal year of the original appropriation. As seen from the table, the majority of the encumbrances were originally appropriated in FY 2018. However, small encumbrances remain from as early as FY 2007.

FY 2018 Year-End Encumbrances by Fiscal Year for Which Appropriations Were Originally Made

Fiscal Year	Amount ($ in thousands)	Percentage of Total
2007-2015	$2,794	0.7%
2016	$3,937	1.1%
2017	$22,668	6.1%
2018	$344,246	92.1%
TOTAL	**$373,644**	**100.0%**

The encumbrance amounts vary greatly from agency to agency. As shown in the following table, the Ohio Department of Education (ODE) has the largest encumbrance amount at $102.7 million, 27.5% of the total. The next five agencies with the largest encumbrances are ODJFS at $64.0 million (17.1% of the total), DRC at $48.1 million (12.9%), ODM at $37.2 million (10.0%), DHE at $32.8 million (8.8%), and DSA at $22.1 million (5.9%). Thirty-eight other agencies encumbered the remaining $66.6 million (17.8%).

FY 2018 Year-End Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Education	$102,731	27.5%
Job and Family Services	$63,989	17.1%
Rehabilitation and Correction	$48,116	12.9%
Medicaid	$37,219	10.0%
Higher Education	$32,824	8.8%
Development Services	$22,142	5.9%
All Other Agencies	$66,622	17.8%
TOTAL	**$373,644**	**100.0%**

Ohio Department of Education

ODE encumbered $102.7 million for expenditure in FY 2019. Three appropriation items with significant encumbrances are: (1) item 200550, Foundation Funding, at $48.8 million, (2) item 200437, Student Assessment, at $22.2 million, and (3) item 200408, Early Childhood Education, at $14.6 million. These three items' encumbrances account for $85.6 million (83.3%) of the total. The remaining $17.2 million was encumbered in various other items.

Education accounted for 27.5% of the total year-end GRF encumbrances.

Funds encumbered in item 200550 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data.

Funds encumbered in item 200437 will be used to pay contractors for scoring the state's standardized tests and other bills not yet received from vendors. Funds encumbered in item 200408 will mainly be used to pay providers who provide early childhood education services to children from lower-income families.

Ohio Department of Job and Family Services

ODJFS encumbered a total of $64.0 million for expenditure in FY 2019. The encumbrances in five appropriation items account for $47.1 million (73.7%) of the total. These five items are: (1) item 600416, Information Technology Projects ($15.2 million), (2) item 655523, Medicaid Program Support – Local Transportation ($14.1 million), (3) item 655522, Medicaid Program Support - Local ($7.2 million), (4) item 600533, Child, Family, and Community Protective Services ($6.1 million), and (5) item 600321, Program Support ($4.5 million).

Job and Family Services accounted for 17.1% of the total year-end GRF encumbrances.

Funds encumbered in item 600416 will be used mainly for the development, implementation, and maintenance of information technology systems used by ODJFS. Funds encumbered in items 655523 and 655522 will mainly be used for the remaining state share of Medicaid subsidies to county departments of job and family services. Item 655523 pays the state's share of Medicaid costs for local transportation services and item 655522 pays the state's share of Medicaid costs for local administrative services. Funds encumbered in item 600533 will be used primarily to provide funding to county agencies for child protective services. Finally, the encumbrances in item 600321 are mainly for contracts with vendors to provide administrative support for the Food Assistance Program.

Department of Rehabilitation and Correction

DRC encumbered $48.1 million for expenditure in FY 2019, of which $35.8 million occurred in item 501321, Institutional Operations, and another $7.6 million in item 505321, Institution Medical Services. Funds were encumbered in item 501321 for a mix of purchased personal services, supplies, maintenance, repairs, equipment, materials, and other minor expenditures at DRC and institutions. Funds encumbered in item 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Ohio Department of Medicaid

ODM encumbered a total of $37.2 million for expenditure in FY 2019, including $33.0 million in item 651425, Medicaid Program Support – State, and $4.2 million in item 651525, Medicaid/Health Care Services. Funds encumbered in item 651425 will be used mainly to pay ODM's outstanding personal services and contract expenses for administering the Medicaid program in Ohio. Item 651525 is the primary funding source for Ohio Medicaid. Funds encumbered in this item will be used for subsidy payments to Medicaid providers.

Department of Higher Education

DHE encumbered $32.8 million for expenditure in FY 2019. The majority ($26.2 million) of the total was encumbered in item 235438, Choose Ohio First Scholarship, to pay the state's obligations to scholarship recipients. Another $3.7 million was encumbered in item 235563, Ohio College Opportunity Grant; these funds will be used for need-based financial aid.

ISSUE UPDATES

FY 2018 Operating and Capital Expenditures Total $69.68 billion

– Melaney Carter, Assistant Deputy Director, 614-466-6274

In FY 2018, the state of Ohio incurred a total of $69.68 billion in operating and capital expenditures. As seen from Table A, $64.25 billion (92.2%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $3.77 billion (5.4%) and $1.36 billion (1.9%), respectively. The remaining $310.1 million (0.4%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

Table A. FY 2018 Operating and Capital Expenditures by Budget

Budget	Amount	% of Total
Main Operating	$64,250,325,377	92.2%
Transportation	$3,765,446,922	5.4%
Capital	$1,357,100,003	1.9%
Workers' Compensation	$310,060,824	0.4%
TOTAL	**$69,682,933,126**	**100.0%**

Table B shows FY 2018 expenditures by the account category used in the state's accounting system. As seen from Table B, Subsidies and Shared Revenue is the largest spending area. In FY 2018, 86.4% ($27.43 billion) of total GRF expenditures were distributed as subsidies to Medicaid service providers, schools, colleges and universities, local governments, and various other entities.[7] Across all funds, this category's expenditures totaled $47.13 billion (67.6%).

The vast majority of the expenditures incurred under the Capital Item category – $3.59 billion (5.1%) across all funds – supported the construction and maintenance of roads and bridges in the state as well as the construction and renovation of public K-12 schools and colleges and universities. Capital Item expenditures are mainly funded by bond proceeds. FY 2018 debt service payments totaled $340.2 million (1.1%) for the GRF and $1.66 billion (2.4%) across all funds.

For FY 2018, state payroll costs (including both salaries and fringe benefits) amounted to $4.72 billion across all funds, of which $2.07 billion was supported by the

[7] The subsidy share of total GRF expenditures declined from FY 2017 (87.7%) because of the replacement of the sales tax on Medicaid health insuring corporations, the proceeds of which were deposited into the GRF, with a provider assessment, the proceeds of which are deposited into a non-GRF fund.

GRF. In addition to Payroll, what commonly are referred to as the state government's operating expenses also include expenditures incurred under the Purchased Personal Services and Other, Supplies and Maintenance, and Equipment categories. For FY 2018, the state government's operating expenses totaled $8.14 billion across all funds, of which $2.93 billion came from the GRF. In percentage terms, these amounts represent 11.7% and 9.2% of the respective totals.

Table B. FY 2018 Operating and Capital Expenditures by Account Category				
Account Category	**GRF Only**	**% of Total**	**All Funds**	**% of Total**
500 - Payroll	$2,069,715,718	6.5%	$4,717,914,616	6.8%
510 - Purchased Personal Services and Other	$430,259,700	1.4%	$1,574,499,681	2.3%
520 - Supplies and Maintenance	$406,499,149	1.3%	$1,675,318,818	2.4%
530 - Equipment	$23,783,264	0.1%	$171,966,705	0.2%
550 - Subsidies Shared Revenue	$27,425,857,058	86.4%	$47,125,551,046	67.6%
560 - Goods and Services for Resale	$0	0.0%	$97,640,432	0.1%
570 - Capital Items	$69,200	0.0%	$3,587,309,528	5.1%
590 - Judgments, Settlements and Bonds	$3,229,089	0.0%	$38,334,633	0.1%
591 - Debt Service	$340,215,565	1.1%	$1,655,875,609	2.4%
595 - Transfers and Non-Expense	$1,027,655,305	3.2%	$9,038,522,058	13.0%
TOTAL	**$31,727,284,049**	**100.0%**	**$69,682,933,126**	**100.0%**

Behavioral Health Covered Under Medicaid Managed Care on July 1

– Charles Dobson, Economist, 614-644-1523

On July 1, 2018, behavioral health services will be covered by Medicaid managed care plans (MCPs) instead of paid for directly by the Ohio Department of Medicaid (ODM). ODM expects that the integration of these services into managed care will improve the available recovery supports for individuals with mental illnesses or substance use disorders. In preparation for the integration, regional forums and training events were held for impacted service providers and statewide readiness assessments were conducted. Additionally, ODM has included a number of safeguards to assist both service providers and Medicaid recipients with this transition. These safeguards include: a grace period that requires MCPs to allow Medicaid recipients to continue receiving services through out-of-network providers through December 31, 2018; a requirement that MCPs maintain minimum reimbursement rates that are equivalent to fee-for-service rates for behavioral health services through June 30, 2019; and the establishment of a task force devoted to post-implementation concerns. The task force consists of ODM, the Ohio Department of Mental Health and Addiction Services (OhioMHAS), MCPs, and various other involved entities.

This integration represents the last stage of the behavioral health redesign, an ongoing effort between ODM and OhioMHAS to enhance the quality and delivery of care for mental health and substance use disorder treatment. Redesign began six years ago when the financing of Medicaid behavioral health services moved from county administrators to the state. More recent efforts, which were launched on January 1, 2018, included the following: updates to Medicaid behavioral health billing codes to align with national standards, the development of a single fee schedule for mental health and substance use disorder services, and an expansion of services for individuals with the most intensive needs. The changes implemented in January only impacted Medicaid fee-for-service providers.

Board of Pharmacy Announces the Award of 56 Provisional Medical Marijuana Dispensary Licenses

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

On June 4, 2018, the State Board of Pharmacy announced the award of 56 medical marijuana provisional dispensary licenses to 32 businesses in 31 counties (see map below). The provisional licenses were awarded under the Medical Marijuana Control Program (MMCP). The Board received 376 applications, each of which included a nonrefundable $5,000 dispensary application fee for a total of $1.9 million credited to the Medical Marijuana Control Program Fund (Fund 5SY0). The fund is used by the Board and the Department of Commerce to cover the administrative costs of the MMCP.

Provisional Medical Marijuana Dispensary Licenses

Of the 31 counties in which businesses were awarded provisional licenses, 14 will see multiple dispensaries. Cuyahoga and Franklin counties have the most, with five each. Provisional licensees have six months to demonstrate compliance with program rules to be awarded a certificate of operation. The biennial certificate of operation fee for each medical marijuana dispensary is $70,000.

The MMCP, created in H.B. 523 of the 131st General Assembly, allows people with certain medical conditions to purchase and use medical marijuana upon the recommendation of an Ohio-licensed physician who is certified by the State Medical Board to recommend the use of medical marijuana. Under the program, the Pharmacy Board is responsible for the licensure of retail dispensaries, the registration of patients and caregivers, and the operation of the Ohio Medical Marijuana Advisory Committee. The Department of Commerce is required to license medical marijuana cultivators, processors, and laboratories that test medical marijuana. The program's original timeline indicates that it is to be fully operational by September 2018.[8]

Appropriation Increase for the Ryan White HIV/AIDS Program

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

On June 11, 2018, the Controlling Board approved a request from the Ohio Department of Health (ODH) to increase the appropriation for the Ryan White HIV/AIDS Program by $1.95 million in FY 2018. The funding for this increase comes from rebate revenue ODH receives from pharmaceutical companies that manufacture medications purchased and dispensed by the Program. These funds will be used to provide grants to HIV case management agencies to assist in developing or enhancing access to a comprehensive continuum of health care, as well as improving the quality of that care, for low-income individuals with HIV.

The Ryan White HIV/AIDS Program offers a wide range of services to individuals with HIV/AIDS, including: outpatient, ambulatory health, oral health, and mental health services; medications to treat HIV and HIV-related conditions; health insurance premium assistance for participants with existing coverage; and case management services for uninsured or under-insured individuals. Funding to support the Program includes the federal Ryan White Part B grant, as well as state GRF and drug rebate revenues. Individuals are eligible to receive services if they are HIV positive, reside in Ohio, and have an income at or below 300% of the federal poverty level ($49,380 for a household of two). Currently, approximately 7,500 individuals receive services through ODH's Ryan White HIV/AIDS Program.

[8] According to an Advisory Committee fact sheet issued in June, due to a delay in cultivators securing certificates of operation, there will likely not be a sustainable supply of product when the program starts in September.

Ohio EPA Awards Over $673,000 in Local Government Mosquito Control Grants

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

On May 24, 2018, the Ohio Environmental Protection Agency (Ohio EPA) announced the award of 39 local government mosquito control grants totaling $673,630 for the 2018 grant cycle to be disbursed in FY 2019. The recipients, spread across 35 counties, include 32 local health departments, 5 villages, and 2 cities. The purpose of these competitively awarded grants is to support a larger statewide effort by ODH to lessen the likelihood of an outbreak of mosquito-borne viruses such as Zika, West Nile, and La Cross Encephalitis.

The grants will be used to implement one or more of the following activities: (1) mosquito surveillance, (2) larval control, (3) adult mosquito control, e.g., spraying, (4) community outreach, and (5) breeding source reduction, e.g., trash and tire removal. Grant awards range from $3,600 to the village of Plain City in Madison County to $30,000 to the Ashland County Health Department. The average grant amount is $17,273.

The grants draw on money appropriated from two funds used by the Ohio EPA: (1) the Scrap Tire Management Fund (Fund 4R50), primarily consisting of a $0.50 per tire fee on the sales of tires, and (2) the Environmental Protection Remediation Fund (Fund 5410), historically supported by money collected from enforcement settlement actions.

Bureau of Workers' Compensation Announces New Premium Rebate Program for Private and Public Employers

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

In early June, the Bureau of Workers' Compensation (BWC) launched the Policy Activity Rebate (PAR) Program for private and public employers who obtain workers' compensation coverage through the State Insurance Fund. The program gives employers who sign up for a selection of 33 BWC-sponsored safety, claims, and policy management offerings the possibility of a 50% premium rebate, up to a maximum of $2,000. Employers earn credits for each activity. Eleven credits must be earned during the policy year to qualify for the rebate. Policy rebates will either be in the form of a credit to an employer's premium payment or as a payment from the State Insurance Fund. Employers must have had at least $250 in billed premiums for the applicable policy period. Employers must also have an experience modifier greater than or equal to 1.0, indicating that losses from injury claims are at or exceed the average for employers in that industry. Employers participating in BWC's group or retrospective rating premium plans are not eligible to participate in the PAR Program.

Department of Agriculture Announces Local Agricultural Easement Purchase Program Approvals in 22 Counties

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

On June 8, 2018, the Ohio Department of Agriculture (ODA) announced approval for local sponsors to purchase agricultural easements on 51 farms, encompassing more than 6,100 acres in 22 counties through the Local Agricultural Easement Purchase Program (LAEPP). Approximately $7.6 million in state funding will be provided in 2018 to support the purchase of the approved easements. These awards are made from ODA's allocation of the Clean Ohio Conservation Fund, which was approved by voters in 2008. Additional funding to support the purchase of agricultural easements is provided by the U.S. Department of Agriculture's Agricultural Conservation Easement Program (ACEP) or through local matching funds. The table below summarizes the approved easement purchases by county.

State and Federal Funding for Agricultural Easements

County	Number of Farms	Total Acres	Clean Ohio Fund	Federal ACEP and Local Match Funding	Total
Adams	1	130	$184,508	$0	$184,508
Allen	1	333	$500,000	$0	$500,000
Ashtabula	1	127	$131,452	$0	$131,452
Champaign	1	187	$195,378	$0	$195,378
Champaign and Logan	1	81	$118,327	$0	$118,327
Clark	7	1,333	$504,377	$1,127,235	$1,631,612
Delaware	4	327	$653,674	$0	$653,674
Fairfield	3	249	$470,815	$0	$470,815
Fayette	1	51	$53,572	$0	$53,572
Fayette and Clinton	1	112	$224,858	$0	$224,858
Fulton	3	244	$467,366	$0	$467,366
Geauga	1	73	$112,312	$0	$112,312
Greene	1	109	$33,480	$133,917	$167,397
Knox	1	81	$161,724	$0	$161,724
Licking	4	247	$461,619	$0	$461,619
Logan	1	335	$361,044	$0	$361,044
Madison	4	882	$1,139,461	$503,315	$1,642,776
Miami	3	361	$546,216	$0	$546,216
Montgomery	4	234	$359,370	$0	$359,370
Portage	1	45	$37,890	$0	$37,890
Preble	4	266	$528,733	$0	$528,733
Stark	1	148	$149,476	$0	$149,476
Warren	2	152	$237,608	$65,840	$303,448
TOTAL	**51**	**6,107**	**$7,633,260**	**$1,830,307**	**$9,463,567**

The LAEPP allows landowners to voluntarily sell easements on their farms to the state, ensuring that the qualifying land remains in agricultural production permanently. The process is overseen by local sponsor organizations that score applications and forward their recommendations for funding to ODA. Sponsor organizations can be counties, cities, townships, soil and water conservation districts, or land trusts. Eligible farms must be at least 40 acres, in active use, enrolled in the Current Agricultural Use Valuation Program, and removed from development. In addition, farm owners must show proper stewardship of the land and have support from local government for their farmland to qualify. Payments from the Clean Ohio Fund are capped at $2,000 per acre with a maximum of $500,000 per farm. Statewide, as of December 31, 2017, LAEPP easements had been purchased on 340 farms totaling 69,514 acres.

ODE Awards Over $33 million in Federal Striving Readers Grants to Local Education Providers

– Jason Glover, Budget Analyst, 614-466-8742

On May 23, 2018, the Ohio Department of Education (ODE) awarded over $33 million in competitive grants to local education providers under the federal Striving Readers Comprehensive Literacy Program. The grants will be used to advance literacy skills for children from birth through 12th grade. More specifically, the funds will support services and activities shown to be effective in improving literacy instruction, including screening and assessment, targeted interventions for students reading below grade level, and other research-based methods of improving classroom instruction and practice. Priority was given to providers serving large numbers of economically disadvantaged students, students with disabilities, limited English proficient students, and students identified as having difficulty reading.

In accordance with the federal grant requirements, ODE distributed 95% of the $35 million federal award to local education providers and allocated certain portions of those funds to programs supporting children in specified grade bands. The table below summarizes the grant allocations according to the grade bands that grant recipients will serve (most awardees received funding for more than one grade band). As seen from the table, the largest share of the funds has been allocated to programs supporting children in grades kindergarten through five. The awards ranged from almost $22,000 to $1.2 million with an average of about $725,000. There were 46 recipients including 24 individual school districts, 21 consortia, and 1 early childhood provider. The full list of recipients is available online at www.education.ohio.gov.

Striving Readers Competitive Grant Awards by Grade Band Programming ($ in millions)		
Grade Band	**Amount Awarded**	**% of Total**
Birth through age 5	$5.0	15.0%
Grades Kindergarten to 5	$15.0	45.0%
Grades 6 to 8	$8.2	24.8%
Grades 9 to 12	$5.1	15.2%
TOTAL	**$33.3**	**100.0%**

TRACKING THE ECONOMY

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

Overview

Economic reports show an expanding economy accompanied by somewhat higher inflation, in the nation and Ohio. Employment in this year's first half rose at the strongest pace since 2015. Industrial production slipped in May, attributed mostly to temporary factors, but nevertheless was up strongly in the first two months of the second quarter from the first quarter average. Inflation-adjusted gross domestic product (real GDP) rose at a revised 2.0% annual rate in this year's first quarter. The nation's central bank, the Federal Reserve, tightened monetary policy slightly in June, as widely expected, raising its short-term interest rate target to a range of 1.75% to 2%.

Concerns remain over trade policy and its potential effects on the economy. In its monthly survey of manufacturing purchasing managers, the Institute for Supply Management says respondents report "continued expanding business strength" but "are overwhelmingly concerned about how tariff related activity is and will continue to affect their business." Minutes of the Federal Reserve's June Open Market Committee meeting say meeting participants from some districts reported that their contacts told them capital spending plans had been cut or delayed due to trade policy worries.

The National Economy

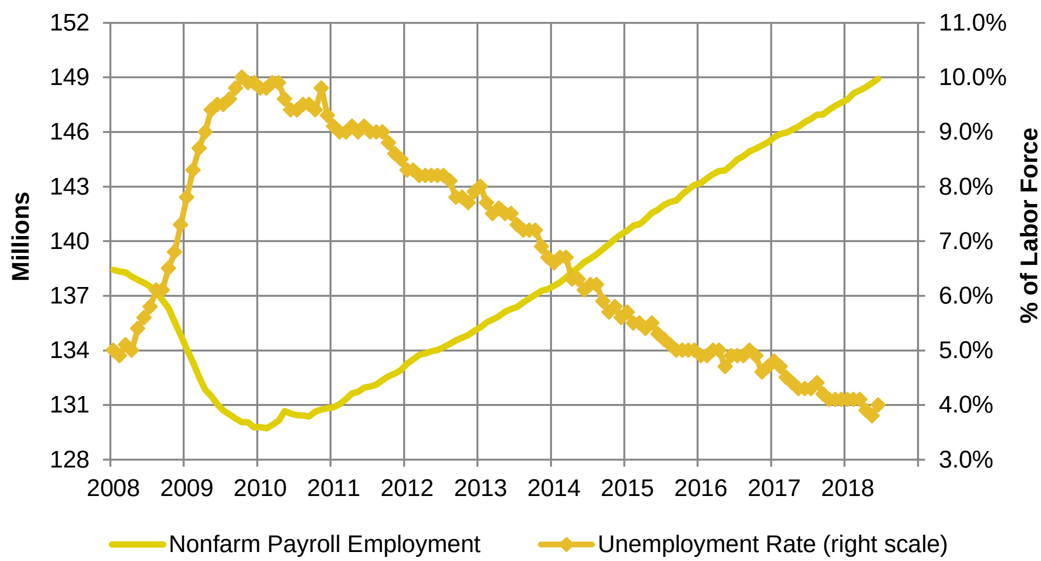
Total nonfarm payroll employment nationwide rose 213,000 in June.

Total nonfarm payroll employment rose 213,000 in June. Unemployment as a share of the labor force increased from 3.8% to 4.0%. Nonfarm payroll jobs and the unemployment rate nationwide are shown in Chart 6.

The rise in nonfarm payrolls in June about matched the upward-revised pace of increase earlier in the year, 215,000 per month. This year's employment growth pace is the strongest since 2015. Increases in June were widespread among industries, including professional and business services, manufacturing, health care, construction, and mining. Employment fell in the retail sector, with general merchandise stores accounting for most of the decline.

The number of unemployed persons rose 499,000 to 6.6 million in June. The labor force, persons employed or actively seeking work, rose 601,000.[9] Of the unemployed persons, 1.9 million were not in the labor force the month before. The source agency for these statistics, the U.S. Bureau of Labor Statistics, also reported that the number of persons unemployed in June for more than six months rose to 1.5 million, 289,000 more than in May and the highest number this year.

Chart 6: U.S. Employment and Unemployment



Real GDP in this year's first quarter rose at a 2.0% annual rate, downward-revised from 2.2%, after increases averaging a 3.0% annual rate in the last three quarters of 2017. Consumer spending growth slowed, more than accounting for the slower growth in real GDP, and residential fixed investment fell, while nonresidential fixed investment grew at more than a 10.0% annual rate. In the second quarter, real GDP growth is estimated to have accelerated. The New York Federal Reserve Bank estimates second quarter real GDP growth at 2.8% and the Atlanta Federal Reserve Bank estimates a 3.8% rate of growth (both as of July 6).

Real GDP in this year's first quarter rose at a 2.0% annual rate.

The nation's industrial production fell 0.1% from April to May as manufacturing output fell 0.7%, attributed by the source agency, the Federal Reserve, mostly to a major fire at a parts supplier to plants that assemble trucks. Mining output rose 1.8% mostly on higher oil and gas extraction. Utility output was 1.1% higher as electricity production

[9] Total employment rose 102,000. This broader measure of employment includes farm workers and the self-employed, as well as persons on nonfarm payrolls. The two employment measures are estimated in separate surveys.

increased. Even with the decline in the total index in May, output in the first two months of the second quarter was up from the first quarter at a 6.7% annual rate, after increasing at a 2.4% rate in the first quarter.

The consumer price index (CPI) rose 0.2% in May, chiefly on higher prices for shelter, gasoline, and medical care commodities. Compared with a year earlier, the CPI for all items was 2.8% higher, its largest increase since 2012, also reflecting higher prices for shelter and gasoline. The CPI for prices of consumer goods other than food and energy was 2.2% higher in May than a year earlier, its largest increase since January 2017. A related inflation measure, the price index for personal consumption expenditures excluding food and energy, was 2.0% higher in May than a year earlier, the most rapid increase since 2012.

The Ohio Economy

In May, Ohio's economy added more jobs and its unemployment rate remained at April's rate of 4.3%. Ohio's unemployment rate was 5.1% in May of last year. The U.S. unemployment rate was 3.8% in May and 4.3% in May of last year. The number of unemployed Ohioans increased to 250,000 in May from 249,000 in April. Compared to a year earlier, the number of unemployed Ohioans decreased by 42,000. Chart X below shows trends in the state's payroll employment and unemployment rate over the last ten years.

In May, Ohio's economy added more jobs and its unemployment rate remained at April's rate of 4.3%.

The state's total nonfarm payroll employment, seasonally adjusted, increased by 22,600, or 0.4% in May from the revised total in April. Employment gains occurred in all three major employment sectors: private service-providing industries (+13,400), goods-producing industries (+6,700), and government (+2,500). Gains occurred mostly in construction; trade, transportation, and utilities; local government; financial activities; leisure and hospitality; and professional and business services. Compared to a year ago, total nonfarm payroll employment increased by 76,200, or 1.4%. The largest gains were in trade, transportation, and utilities; durable goods manufacturing; educational and health services; leisure and hospitality; financial activities; and construction.

In May, the number of housing units sold in Ohio was 1.6% lower than a year earlier, based on a report by the Ohio Association of Realtors. The average sales price was about $187,274, or 5.9% higher than in May of last year. Unit sales through the first five months of 2018 were 0.5% lower than a year ago, at an average sales price of about $175,385, or 5.5% above the average price during the same period a year ago.

Ohio's personal income rose 4.7%, at an annual rate, in the first quarter of 2018, following 1.8% growth in the fourth quarter of 2017, according to estimates of the U.S. Bureau of Economic Analysis. Nationwide, average state personal income rose 4.3% in the first quarter of 2018, decreased from 4.7% in the fourth quarter of 2017. Personal income growth in Ohio and most other states was led by higher net earnings. The leading contributor to Ohio's personal income growth in the first quarter was increased earnings in the durable goods manufacturing industry, the healthcare and social assistance industry, and the finance and insurance industry.

Ohio's personal income rose 4.7%, at an annual rate, in the first quarter of 2018.

Chart 7: Ohio Employment and Unemployment