Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION — JUNE 2018

STATUS OF THE GRF

HIGHLIGHTS

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

With just one month remaining in FY 2018, the GRF budget situation looks very good. May GRF tax revenue was $57.9 million above the estimate published by the Office of Budget and Management (OBM) in September 2017. Through 11 months, GRF tax revenue was $418.5 million above estimate, while expenditures were below estimate.

Ohio's unemployment rate edged down to 4.3% in April. Wages have begun rising more strongly: income tax revenue from monthly payroll withholding during the months of March through May increased by 5.2% compared to the corresponding months of 2017.

Through May 2018, GRF sources totaled $29.42 billion:

- Revenue from the personal income tax was $401.9 million above estimate;
- Sales and use tax receipts were $40.2 million above estimate.

Through May 2018, GRF uses totaled $29.65 billion:

- Program expenditures were $298.2 million below estimate during the first 11 months of FY 2018;
- Medicaid and Health and Human Services were below estimates by $265.3 million and $67.1 million, respectively, but Primary and Secondary Education was $47.9 million above estimate, due primarily to timing.

VOLUME 41, NUMBER 10

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$136,956	$121,500	$15,456	12.7%
Nonauto Sales and Use	$724,834	$733,200	-$8,366	-1.1%
Total Sales and Use Taxes	**$861,790**	**$854,700**	**$7,090**	**0.8%**
Personal Income	$682,754	$590,200	$92,554	15.7%
Commercial Activity Tax	$326,673	$309,100	$17,573	5.7%
Cigarette	$80,706	$81,600	-$894	-1.1%
Kilowatt-Hour Excise	$24,779	$23,100	$1,679	7.3%
Foreign Insurance	-$24,989	-$14,000	-$10,989	-78.5%
Domestic Insurance	$22,926	$89,800	-$66,874	-74.5%
Financial Institution	$38,275	$27,200	$11,075	40.7%
Public Utility	$35,358	$30,700	$4,658	15.2%
Natural Gas Consumption (MCF)	$31,187	$28,700	$2,487	8.7%
Alcoholic Beverage	$4,052	$4,600	-$548	-11.9%
Liquor Gallonage	$3,749	$3,700	$49	1.3%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$45	$0	$45	---
Business and Property	$0	$0	$0	---
Estate	$14	$0	$14	---
Total Tax Revenue	**$2,087,318**	**$2,029,400**	**$57,918**	**2.9%**
NONTAX REVENUE				
Earnings on Investments	$27	$0	$27	---
Licenses and Fees	-$2,411	$630	-$3,041	-482.7%
Other Revenue	$563	$12,480	-$11,917	-95.5%
Total Nontax Revenue	**-$1,821**	**$13,110**	**-$14,931**	**-113.9%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$1,200	-$1,200	-100.0%
Total Transfers In	**$0**	**$1,200**	**-$1,200**	**-100.0%**
TOTAL STATE SOURCES	**$2,085,498**	**$2,043,710**	**$41,788**	**2.0%**
Federal Grants	$628,870	$661,969	-$33,099	-5.0%
TOTAL GRF SOURCES	**$2,714,368**	**$2,705,679**	**$8,689**	**0.3%**

*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 May 31, 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 1, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$1,312,186	$1,236,100	$76,086	6.2%	$1,265,997	3.6%
Nonauto Sales and Use	$7,916,323	$7,952,200	-$35,877	-0.5%	$8,413,287	-5.9%
Total Sales and Use Taxes	**$9,228,510**	**$9,188,300**	**$40,210**	**0.4%**	**$9,679,284**	**-4.7%**
Personal Income	$7,582,045	$7,180,100	$401,945	5.6%	$6,817,379	11.2%
Commercial Activity Tax	$1,511,932	$1,484,700	$27,232	1.8%	$1,285,340	17.6%
Cigarette	$796,298	$797,300	-$1,002	-0.1%	$822,695	-3.2%
Kilowatt-Hour Excise	$320,057	$331,600	-$11,543	-3.5%	$326,249	-1.9%
Foreign Insurance	$291,972	$299,300	-$7,328	-2.4%	$325,080	-10.2%
Domestic Insurance	$24,449	$93,200	-$68,751	-73.8%	$6,735	263.0%
Financial Institution	$183,846	$163,000	$20,846	12.8%	$160,520	14.5%
Public Utility	$119,132	$109,100	$10,032	9.2%	$106,469	11.9%
Natural Gas Consumption (MCF)	$69,549	$65,500	$4,049	6.2%	$61,786	12.6%
Alcoholic Beverage	$50,203	$51,600	-$1,397	-2.7%	$51,944	-3.4%
Liquor Gallonage	$43,825	$42,000	$1,825	4.3%	$42,391	3.4%
Petroleum Activity Tax	$5,442	$4,800	$642	13.4%	$5,014	8.5%
Corporate Franchise	$2,016	$0	$2,016	---	$3,650	-44.8%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$146	$0	$146	---	$668	-78.2%
Total Tax Revenue	**$20,229,048**	**$19,810,500**	**$418,548**	**2.1%**	**$19,694,525**	**2.7%**
NONTAX REVENUE						
Earnings on Investments	$46,871	$44,000	$2,871	6.5%	$37,369	25.4%
Licenses and Fees	$58,465	$56,380	$2,085	3.7%	$58,845	-0.6%
Other Revenue	$263,547	$288,460	-$24,913	-8.6%	$67,412	291.0%
Total Nontax Revenue	**$368,884**	**$388,840**	**-$19,956**	**-5.1%**	**$163,626**	**125.4%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$133,327	$130,129	$3,198	2.5%	$108,019	23.4%
Total Transfers In	**$133,327**	**$130,129**	**$3,198**	**2.5%**	**$108,019**	**23.4%**
TOTAL STATE SOURCES	**$20,731,258**	**$20,329,469**	**$401,789**	**2.0%**	**$19,966,170**	**3.8%**
Federal Grants	$8,686,578	$8,930,071	-$243,493	-2.7%	$10,750,516	-19.2%
TOTAL GRF SOURCES	**$29,417,836**	**$29,259,540**	**$158,295**	**0.5%**	**$30,716,686**	**-4.2%**

*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 May 2018, year-to-date (YTD) GRF sources of \$29.42 billion were \$158.3 million (0.5%) above OBM's estimates published in September 2017, probably ensuring that the GRF budget would finish FY 2018 with a surplus. Tax sources and transfers in had positive variances of \$418.5 million (2.1%) and \$3.2 million (2.5%), respectively. These positive variances were partly offset by shortfalls of \$243.5 million (2.7%) and \$20.0 million (5.1%) for federal grants and for nontax revenue, respectively. GRF taxes and federal grants are expected to make up about 68% and 30%, respectively, of anticipated GRF sources for FY 2018. The latter mainly consists of federal reimbursements for Medicaid expenditures made from state GRF moneys. Tables 1 and 2 show GRF sources for May and for FY 2018 through May, respectively.

Through May FY 2018, GRF sources were \$158.3 million above estimate.

Total GRF sources for May of \$2.71 billion were \$8.7 million (0.3%) above estimates. Recent revenue trends for GRF categories continued in May. Tax sources were ahead of anticipated receipts by \$57.9 million (2.9%). That positive variance was partially offset by shortfalls of \$33.1 million (5.0%) for federal grants, \$14.9 million (113.9%) for nontax revenues, and \$1.2 million (100.0%) for transfers in. Except for the cigarette tax that was short of estimates by \$0.9 million, the largest tax sources performed well. With a positive variance of \$92.6 million, the personal income tax (PIT) had another strong month. The commercial activity tax (CAT) and the sales and use tax were \$17.6 million and \$7.1 million, respectively, above estimates. In addition, the third annual payment for the financial institutions tax (FIT) was \$11.1 million above estimated receipts,[2] and the public utility tax posted \$4.7 million more than expected for the month. On the other hand, the foreign insurance tax and the domestic insurance tax had negative variances of \$11.0 million and \$66.9 million, respectively. The shortfall for the domestic tax was due

FY 2018 GRF tax sources were \$418.5 million above estimate through May.

[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.

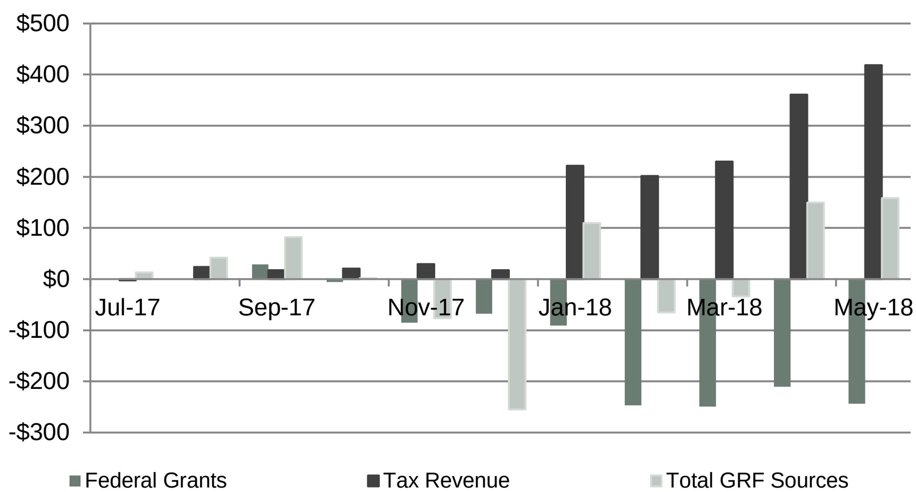
[2] Receipts of this tax are typically expected at the end of January, March, and May. The GRF typically pays out refunds under this source during the first half of a fiscal year as taxpayers make adjustments to previous tax filings.

in large part to timing; nearly all the revenue from the tax is received in the final two months of the fiscal year, but it is difficult to predict which of the two months will yield the most.

For the fiscal year to date, taxes with the largest positive variances included the PIT ($401.9 million), the auto sales and use tax ($76.1 million), the CAT ($27.2 million), the public utility tax ($10.0 million), the FIT ($20.8 million), the natural gas consumption tax ($4.0 million), and the corporate franchise tax ($2.0 million); and taxes with the largest negative variances included the domestic insurance tax ($68.8 million), the nonauto sales and use tax ($35.9 million), the kilowatt-hour tax ($11.5 million), and the foreign insurance tax ($7.3 million). Table 2 above provides the revenue variances for the remaining taxes.

Through May, federal grants to the GRF were $243.5 million less than estimate.

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



Compared to receipts in the corresponding period in FY 2017, YTD GRF sources of $29.42 billion were $1.30 billion (4.2%) lower due to a decline of $2.06 billion (19.2%) in federal grants. That decline was partially offset by increases of $534.5 million (2.7%) for GRF tax sources, $205.3 million (125.4%) for nontax revenue, and $25.3 million (23.4%) for transfers in.

As explained in previous editions of this publication, federal grants to the GRF have declined from FY 2017 as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. More spending for the Medicaid program is being made from non-GRF funds this fiscal year, so federal reimbursements are deposited into those funds instead of the GRF. Though federal grants have decreased substantially, tax sources increased, especially for the PIT ($764.7 million, 11.2%) and the CAT ($226.6 million, 17.6%). Receipts also increased for the auto sales and use tax ($46.2 million, 3.6%), the FIT ($23.3 million, 14.5%), the domestic insurance tax ($17.7 million, 263.0%), and the public utility tax ($12.7 million, 11.9%). However, revenue declined for the nonauto sales and use tax ($497.0 million, 5.9%), the foreign insurance tax ($33.1 million, 10.2%), the cigarette tax ($26.4 million, 3.2%), and the kilowatt-hour tax ($6.2 million, 1.9%). The revenue increase for the PIT is due, in large part, to continued growth in payroll employment and wages. The increase in CAT receipts was due in part to an increase in the share of CAT revenue allocated to the GRF enacted in H.B. 49, the budget act for the current biennium, while the decline in sales tax revenue resulted from a policy change that decreased the nonauto sales and use tax base, as explained in the following section.

Sales and Use Tax

Through May in FY 2018, the sales and use tax was above estimate by $40.2 million.

Through May 2018, YTD GRF sales and use tax receipts of $9.23 billion were $40.2 million (0.4%) above estimate, but $450.8 million (4.7%) below receipts in the corresponding period last year. This tax source has experienced some resurgence in the latest three months. Sales and use tax revenue to the GRF totaling $861.8 million in May was above estimate the third consecutive month, this time by $7.1 million (0.8%). In the prior two months, the tax was above estimates by $29.2 million in April and $28.9 million in March. In the December to February period, the combined negative variance for the sales and use tax totaled $49.6 million.

For the fiscal year, revenue from the auto sales and use tax generally has been more than expected, while the nonauto portion of the tax has failed to match expectations during most months and remains below estimate year to date. 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]

[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.

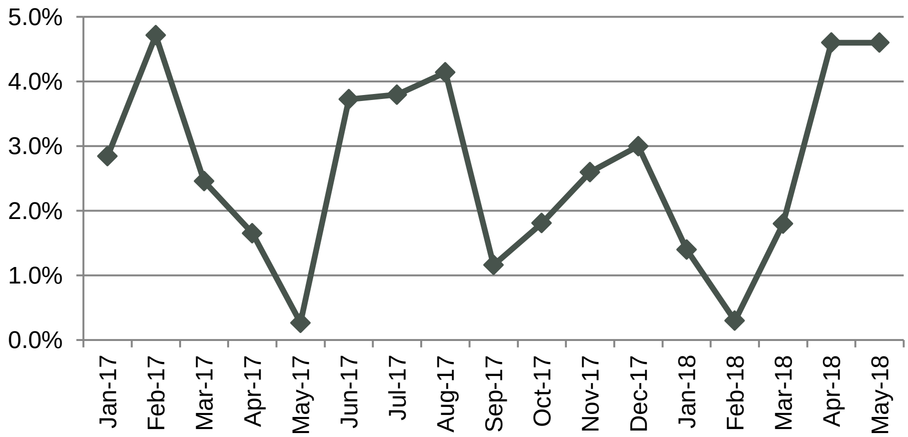
Nonauto Sales and Use Tax

After two good months, the nonauto sales and use tax reversed course in May. Receipts to the GRF of $724.8 million from this source were $8.4 million (1.1%) below projections, which increased the cumulative YTD negative variance of this tax source to $35.9 million (0.5%), up from $27.5 million through April. May 2018 revenue from this source was also $62.4 million (7.9%) below receipts in the same month last year, for reasons described below.

YTD nonauto sales and use tax receipts were $35.9 million below estimate.

For the fiscal year through May, GRF receipts from the nonauto sales and use tax totaled $7.92 billion, $497.0 million (5.9%) 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.[4]

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



[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.

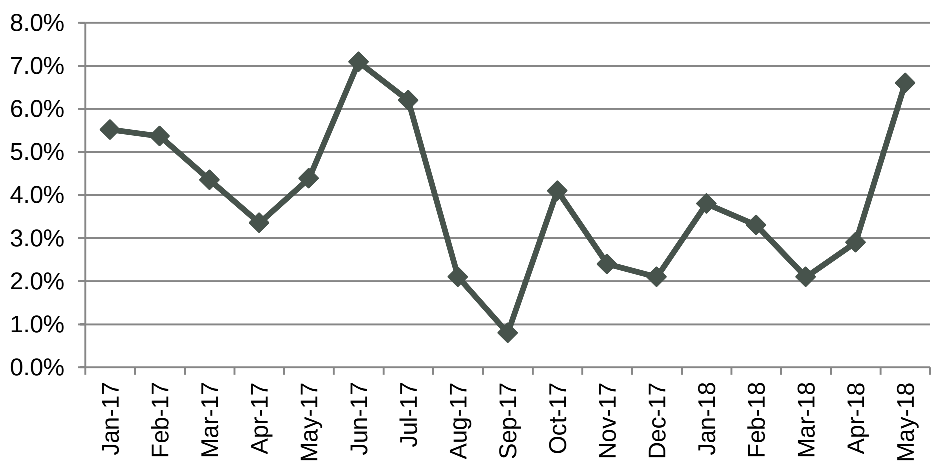
Auto Sales and Use Tax

Through May, GRF revenue from the auto sales and use tax totaling $1.31 billion was $76.1 million (6.2%) above estimate, and $46.2 million (3.6%) above its level during the corresponding period in FY 2017. This tax source is likely to finish above projected revenue at the end of June, as it has been noticeably below estimates only twice in the first 11 months in FY 2018. Revenue in May of $137.0 million was $15.5 million (12.7%) above estimate, and also $7.9 million (6.1%) above receipts in May 2017. Chart 3 provides year-over-year growth in auto sales and use tax collections starting in 2017.

Through May in FY 2018, the auto sales and use tax was $76.1 million above estimate.

U.S. sales of new light vehicles (autos and light trucks) in May totaled 16.8 million units (at a seasonally adjusted annualized rate), with auto sales of 5.2 million units and light truck sales of 11.6 million units. Rising gasoline prices and tightening access to credit have not hurt sales so far. Gasoline prices jumped nearly 24% in 2018 compared to the average regular gallon price in 2017, and auto loans have hit the highest rates since 2009.

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



The average financing rate on a new vehicle was about 5.7% in May 2018, compared with 5% in May 2017; and financing rates are likely to continue to rise as the Federal Reserve plans future interest rate hikes. Despite these headwinds, through May in 2018, new light vehicle sales are nearly identical to sales in the corresponding period in 2017.

Personal Income Tax

Through May 2018, PIT GRF revenue of $7.58 billion was $401.9 million (5.6%) above anticipated receipts. May receipts of $682.8 million were $92.6 million (15.7%) above projected revenue and $126.2 million (22.7%) above such revenue in May 2017. This latest performance likely ensures that this GRF source will also end FY 2018 above estimates.

PIT GRF revenue was $401.9 million above estimate in FY 2018 through May.

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.

In May, PIT gross collections were $81.4 million (10.9%) above estimates. Excluding miscellaneous payments which were $3.9 million (34.1%) below anticipated revenues, the remaining components performed well. Most noticeably, taxes due with annual returns, employer withholding, and trust payments, had positive variances of $46.0 million (186.4%), $20.4 million (2.9%), and $15.1 million (377.6%), respectively. Boosting the gain from gross collections, refunds were $13.6 million (11.2%) below their anticipated level.

FY 2018 revenues through May 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 ($142.2 million), quarterly estimated payments ($206.6 million), and annual return payments ($59.5 million). However, both refunds and LGF distributions were higher than anticipated.

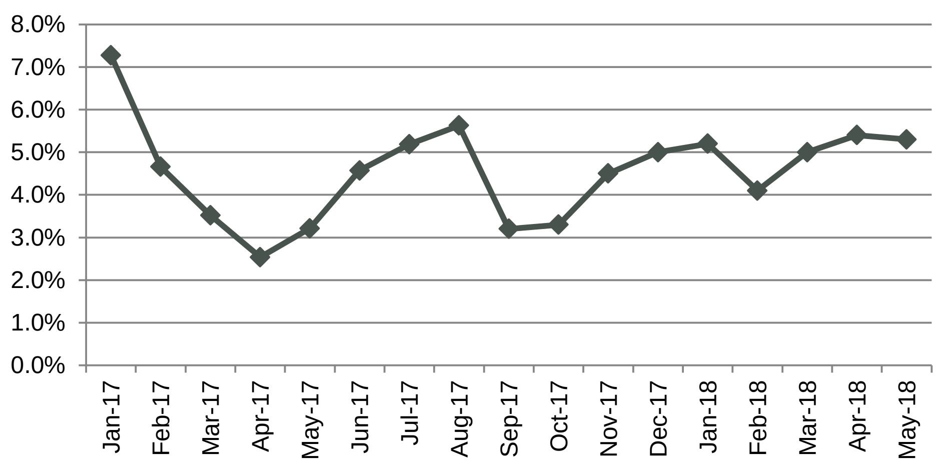
[5] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

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	$142.2	1.8%	$382.1	5.0%
Quarterly Estimated Payments	$206.6	32.9%	$224.2	36.7%
Trust Payments	$11.1	20.4%	$16.0	32.4%
Annual Return Payments	$59.5	8.6%	$93.2	14.2%
Miscellaneous Payments	-$2.5	-2.8%	-$0.2	-0.2%
Gross Collections	$416.9	4.4%	$715.4	7.9%
Less Refunds	$6.4	0.3%	-$57.4	-3.0%
Less LGF Distribution	$8.5	2.5%	$8.1	2.4%
GRF PIT Revenue	$401.9	5.6%	$764.7	11.2%

As shown in the table, YTD receipts were $764.7 million (11.2%) above receipts in FY 2017 through May. Receipts from all components of gross collections but miscellaneous payments were higher in FY 2018 than in FY 2017. LGF distributions were also higher than in the corresponding period in FY 2017, though refunds were lower. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. Payroll growth has accelerated in 2018. In the first half of FY 2018, year-ago payroll growth was about 4.1%. This calendar year, payroll growth has been roughly 5.0%, on average.

Payroll growth has accelerated in 2018.

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



Commercial Activity Tax

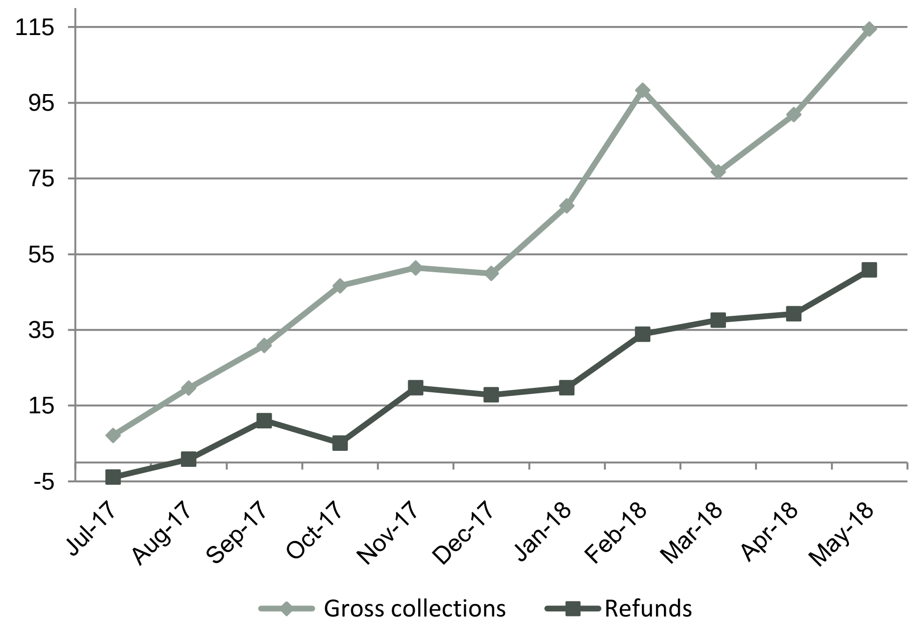
The CAT is another tax source that is all but certain to finish the fiscal year with a positive variance. The last quarterly calendar taxpayer payments due in May for the fiscal year provided $326.7 million to the GRF, an amount that was $17.6 million (5.7%) above estimates. This performance increased the YTD overage for this GRF source to $27.2 million (1.8%), up from $9.7 million at the end of April. OBM estimated June receipts to be $9.6 million.

Through May in FY 2018, CAT receipts were $27.2 million above estimate.

YTD FY 2018 GRF receipts of $1.51 billion were $226.6 million (17.6%) above receipts in FY 2017 through May. 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 $139 million this year relative to the previous allocation of CAT revenue. While the allocation change increases the amount of CAT receipts directly credited to the GRF, it reduces "excess" CAT receipts that are transferred back to the GRF. Under continuing law, CAT receipts deposited into Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase-out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF. In other words, the CAT allocation change has no net effect on its total contribution to the GRF.

Despite a setback in the third fiscal quarter, gross collections (i.e., all-funds revenue) have been relatively robust. Through May 2018, they have increased by $114.5 million (6.3%) relative to collections in the corresponding period in FY 2017. On the other hand, refunds also increased by $50.8 million (56.1%), 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 2018.

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



Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco products tax revenue of $80.7 million this month was $0.9 million (1.1%) below estimate, and $1.9 million (2.4%) below revenue in May 2017. For the fiscal year through May, total revenue of $796.3 million was $1.0 million (0.1%) below estimate, and $26.4 million (3.2%) below revenue in the corresponding period in FY 2017. Total revenue included $731.2 million from sales of cigarettes and sales of other tobacco products contributed $65.1 million. Compared to last year, YTD receipts from cigarette sales decreased $34.1 million (4.5%). Tax revenue from cigarette sales usually trend downward. On the other hand, receipts from sales of other tobacco products generally increase each year, and so far, they have grown $7.7 million (13.4%). The performance of this tax will be determined by revenue collected in June 2018. OBM estimates those receipts would provide over 15% of annual collections, as dealers are required to pay any debt owed through the year for purchases of stamps on credit.

FY 2018 cigarette tax receipts were $1.0 million below target through May.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2018
($ in thousands)
(Actual based on OAKS reports run June 6, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$553,010	$586,225	-$33,214	-5.7%
Higher Education	$201,050	$196,688	$4,362	2.2%
Other Education	$3,090	$3,479	-$389	-11.2%
Total Education	**$757,150**	**$786,392**	**-$29,241**	**-3.7%**
Medicaid	$938,180	$982,977	-$44,797	-4.6%
Health and Human Services	$69,359	$75,646	-$6,286	-8.3%
Total Welfare and Human Services	**$1,007,539**	**$1,058,622**	**-$51,084**	**-4.8%**
Justice and Public Protection	$142,938	$153,697	-$10,760	-7.0%
General Government	$25,249	$28,350	-$3,100	-10.9%
Total Government Operations	**$168,187**	**$182,047**	**-$13,860**	**-7.6%**
Property Tax Reimbursements	$402,186	$410,424	-$8,238	-2.0%
Debt Service	$63,205	$20,580	$42,625	207.1%
Total Other Expenditures	**$465,391**	**$431,004**	**$34,387**	**8.0%**
Total Program Expenditures	**$2,398,267**	**$2,458,065**	**-$59,798**	**-2.4%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$0	$0	$0	---
Total Transfers Out	**$0**	**$0**	**$0**	**---**
TOTAL GRF USES	**$2,398,267**	**$2,458,065**	**-$59,798**	**-2.4%**

*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 May 31, 2018
($ in thousands)
(Actual based on OAKS reports run June 6, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$7,399,118	$7,351,233	$47,885	0.7%	$7,514,697	-1.5%
Higher Education	$2,125,141	$2,132,610	-$7,469	-0.4%	$2,114,160	0.5%
Other Education	$65,978	$67,384	-$1,406	-2.1%	$69,266	-4.7%
Total Education	**$9,590,237**	**$9,551,227**	**$39,010**	**0.4%**	**$9,698,123**	**-1.1%**
Medicaid	$13,343,736	$13,608,991	-$265,255	-1.9%	$16,107,091	-17.2%
Health and Human Services	$1,197,992	$1,265,102	-$67,110	-5.3%	$1,252,229	-4.3%
Total Welfare and Human Services	**$14,541,729**	**$14,874,093**	**-$332,365**	**-2.2%**	**$17,359,320**	**-16.2%**
Justice and Public Protection	$1,985,929	$2,009,717	-$23,788	-1.2%	$1,905,164	4.2%
General Government	$326,640	$350,942	-$24,301	-6.9%	$343,482	-4.9%
Total Government Operations	**$2,312,569**	**$2,360,658**	**-$48,089**	**-2.0%**	**$2,248,646**	**2.8%**
Property Tax Reimbursements	$1,788,406	$1,761,090	$27,315	1.6%	$1,750,318	2.2%
Debt Service	$1,343,895	$1,327,923	$15,972	1.2%	$1,291,746	4.0%
Total Other Expenditures	**$3,132,300**	**$3,089,013**	**$43,287**	**1.4%**	**$3,042,064**	**3.0%**
Total Program Expenditures	**$29,576,835**	**$29,874,992**	**-$298,157**	**-1.0%**	**$32,348,153**	**-8.6%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$69,486	$65,514	$3,972	6.1%	$272,892	-74.5%
Total Transfers Out	**$69,486**	**$65,514**	**$3,972**	**6.1%**	**$302,374**	**-77.0%**
TOTAL GRF USES	**$29,646,322**	**$29,940,506**	**-$294,185**	**-1.0%**	**$32,650,527**	**-9.2%**

*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 June 7, 2018)

Department	Month of May 2018 Actual	Estimate*	Variance	Percent	Year to Date Through May 2018 Actual	Estimate*	Variance	Percent
Medicaid	$1,848,076	$1,953,145	-$105,069	-5.4%	**$21,597,066**	**$22,044,772**	**-$447,706**	**-2.0%**
GRF	$872,686	$925,969	-$53,283	-5.8%	$12,706,519	$12,977,778	-$271,259	-2.1%
Non-GRF	$975,390	$1,027,176	-$51,786	-5.0%	$8,890,548	$9,066,995	-$176,447	-1.9%
Developmental Disabilities	**$204,282**	**$234,845**	**-$30,563**	**-13.0%**	**$2,453,499**	**$2,536,742**	**-$83,243**	**-3.3%**
GRF	$51,341	$48,711	$2,630	5.4%	$549,405	$544,578	$4,827	0.9%
Non-GRF	$152,940	$186,133	-$33,193	-17.8%	$1,904,094	$1,992,164	-$88,070	-4.4%
Job and Family Services	**$33,253**	**$33,425**	**-$172**	**-0.5%**	**$235,619**	**$248,815**	**-$13,196**	**-5.3%**
GRF	$13,486	$7,753	$5,733	74.0%	$79,506	$78,848	$658	0.8%
Non-GRF	$19,767	$25,672	-$5,906	-23.0%	$156,113	$169,967	-$13,854	-8.2%
Health	$3,645	$3,536	$109	3.1%	**$25,098**	**$25,712**	**-$614**	**-2.4%**
GRF	$377	$271	$106	39.0%	$3,702	$3,249	$454	14.0%
Non-GRF	$3,269	$3,266	$3	0.1%	$21,396	$22,463	-$1,068	-4.8%
Mental Health and Addiction	**$316**	**$1,264**	**-$948**	**-75.0%**	**$3,521**	**$5,469**	**-$1,948**	**-35.6%**
GRF	$0	$0	$0	--	$1,250	$1,250	$0	0.0%
Non-GRF	$316	$1,264	-$948	-75.0%	$2,271	$4,218	-$1,948	-46.2%
Aging	**$469**	**$550**	**-$81**	**-14.7%**	**$5,393**	**$6,583**	**-$1,190**	**-18.1%**
GRF	$278	$250	$28	11.4%	$3,096	$3,050	$46	1.5%
Non-GRF	$190	$300	-$110	-36.5%	$2,297	$3,533	-$1,236	-35.0%
Pharmacy Board	**$35**	**$36**	**$0**	**-1.2%**	**$1,657**	**$1,740**	**-$84**	**-4.8%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$35	$36	$0	-1.2%	$1,657	$1,740	-$84	-4.8%
Education	**$11**	**$44**	**-$33**	**-74.1%**	**$266**	**$471**	**-$205**	**-43.5%**
GRF	$11	$22	-$11	-50.5%	$258	$238	$20	8.2%
Non-GRF	$0	$22	-$22	-97.6%	$9	$233	-$224	-96.3%
Total GRF	**$938,180**	**$982,977**	**-$44,797**	**-4.6%**	**$13,343,736**	**$13,608,991**	**-$265,255**	**-1.9%**
Total Non-GRF	**$1,151,908**	**$1,243,869**	**-$91,961**	**-7.4%**	**$10,978,383**	**$11,261,313**	**-$282,930**	**-2.5%**
Total All Funds	**$2,090,088**	**$2,226,845**	**-$136,758**	**-6.1%**	**$24,322,119**	**$24,870,304**	**-$548,185**	**-2.2%**

*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 June 7, 2018)

	Month of May 2018				Year to Date Through May 2018			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$961,545	$946,090	$15,456	1.6%	$10,251,322	$10,254,019	-$2,697	0.0%
ACA - Managed Care	$331,283	$346,016	-$14,733	-4.3%	$3,745,868	$3,805,169	-$59,302	-1.6%
DDD Services	$192,699	$229,444	-$36,745	-16.0%	$2,374,114	$2,457,093	-$82,978	-3.4%
Hospitals	$67,308	$110,607	-$43,300	-39.1%	$1,884,860	$1,946,654	-$61,794	-3.2%
Nursing Facilities	$119,949	$117,928	$2,021	1.7%	$1,391,768	$1,329,309	$62,459	4.7%
Physicians/All Other	$86,325	$107,507	-$21,182	-19.7%	$1,025,947	$1,130,578	-$104,631	-9.3%
Behavioral Health	$90,240	$96,097	-$5,857	-6.1%	$1,069,712	$1,105,142	-$35,430	-3.2%
Administration	$91,120	$99,017	-$7,897	-8.0%	$846,823	$981,907	-$135,084	-13.8%
Medicare Buy-In	$49,914	$55,512	-$5,599	-10.1%	$554,052	$578,786	-$24,733	-4.3%
Medicare Part D	$36,781	$38,425	-$1,644	-4.3%	$424,139	$440,163	-$16,024	-3.6%
Prescription Drugs	$22,096	$29,119	-$7,023	-24.1%	$283,152	$330,283	-$47,131	-14.3%
Aging Waivers	$32,033	$40,220	-$8,187	-20.4%	$358,856	$384,206	-$25,350	-6.6%
Home Care Waivers	$8,796	$10,863	-$2,067	-19.0%	$111,506	$126,996	-$15,490	-12.2%
Total All Funds	**$2,090,088**	**$2,226,845**	**-$136,758**	**-6.1%**	**$24,322,119**	**$24,870,304**	**-$548,185**	**-2.2%**

* 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*

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

Overview

GRF uses mainly consist of program expenditures but also include transfers out. Tables 3 and 4 show GRF uses for the month of May and for FY 2018 through May, respectively. For the first 11 months of FY 2018, GRF uses totaled $29.65 billion, which was $294.2 million (1.0%) below the year-to-date (YTD) estimate. This variance is the net result of a negative YTD variance of $298.2 million (1.0%) in program expenditures and a positive YTD variance of $4.0 million in transfers out.

Through May, FY 2018 GRF uses were $294.2 million below estimate.

Medicaid accounted for 89.0% of the total negative YTD variance in GRF program expenditures. In May, GRF Medicaid expenditures were $44.8 million (4.6%) below estimate, which increased the category's negative YTD variance to $265.3 million (1.9%). While Medicaid is mainly funded by the GRF, it is also supported by various non-GRF funds. Further details on both GRF and non-GRF Medicaid expenditures are given in the section following this overview.

In addition to Medicaid, Health and Human Services, Justice and Public Protection, and General Government also had notable negative YTD variances. Expenditures from the Health and Human Services program category were below the YTD estimate by $67.1 million (5.3%), of which $6.3 million occurred in the month of May. This program category consists of non-Medicaid health and human service expenditures from 11 agencies. Three of them accounted for the majority of the category's negative variance total: the Department of Job and Family Services ($37.3 million), the Department of Mental Health and Addiction Services ($16.0 million), and the Department of Health ($12.9 million).

The negative YTD variance in the Justice and Public Protection program category grew by $10.8 million in May and stood at $23.8 million (1.2%) at the end of May. The largest agency within the program category, the Department of Rehabilitation and Correction, accounted for $18.7 million (78.5%) of the category's negative variance total. The

[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.

negative variance in the General Government program category also grew in May, by $3.1 million, to $24.3 million (6.9%) at the end of May. Together, the Department of Development ($8.9 million), the Department of Transportation ($4.7 million), and the Department of Taxation ($3.8 million) accounted for $17.4 million (71.6%) of the category's negative variance total.

Due mainly to timing issues, Primary and Secondary Education, Property Tax Reimbursements, and Debt Service had positive YTD variances totaling $91.2 million, which partially offset the negative YTD variances in other program categories. The positive YTD variance in the Primary and Secondary Education program category was narrowed by $33.2 million in May to $47.9 million (0.7%) at the end of May. As reported in prior issues of *Budget Footnotes*, timing issues in the state's foundation funding program have driven fluctuating expenditure variances in this category.

Timing was also the main factor behind the positive YTD variance of $27.3 million (1.6%) in the Property Tax Reimbursements program category. As expected, May payments for property tax reimbursements were below the estimate for the month, by $8.2 million. June payments are anticipated to be lower than expected as well. This program category should finish FY 2018 relatively close to OBM's full-year estimate.

The Debt Service program category posted a positive variance of $42.6 million (207.1%) in May due to sooner-than-expected payments totaling $44.1 million from GRF appropriation item 230908, Common Schools General Obligation Bond Debt Service, in the Ohio Facilities Construction Commission's budget. The estimate assumed these payments would be made in June. As a result of this timing driven positive monthly variance, the Debt Service program category registered a positive YTD variance of $16.0 million (1.2%) at the end of May. However, this program category should finish the fiscal year somewhat below the OBM estimate.

With only one more month to go, total GRF uses should finish FY 2018 below the OBM estimate for the full fiscal year. However, the amount of the negative variance in GRF uses and the amount of the potential year-end GRF surplus will not necessarily be equal to each other. Agencies will encumber funds at the end of the fiscal year for obligations that have occurred but have not yet been paid in FY 2018. The July issue of *Budget Footnotes* will provide more information on the GRF year-end cash balance and encumbrances.

Medicaid

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

Through May, FY 2018 GRF and non-GRF Medicaid expenditures were $265.3 million and $282.9 million below estimate, respectively.

As indicated earlier, YTD GRF Medicaid expenditures were $265.3 million (1.9%) below estimate at the end of May. Non-GRF Medicaid expenditures were also below the YTD estimate, by $282.9 million (2.5%). Through the end of May, all-funds Medicaid expenditures were $548.2 million (2.2%) below 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 ($447.7 million) and ODODD ($83.2 million). ODM's GRF and non-GRF Medicaid expenditures were $271.3 million (2.1%) and $176.4 million (1.9%), respectively, below the YTD estimates. ODODD's GRF Medicaid expenditures were above the YTD estimate by $4.8 million (0.9%) while its non-GRF Medicaid expenditures were below the YTD estimate by $88.1 million (4.4%).

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures for Managed Care and ACA-Managed Care, the two largest payment categories, continued to be largely in line with estimates with negative YTD variances of $2.7 million (0.0%) and $59.3 million (1.6%), respectively. Overall, more than 80% of Ohioans enrolled in Medicaid receive services through managed care. The ACA-Managed Care category tracks managed care expenditures for individuals who became eligible for Medicaid through the federal Affordable Care Act.

The Administration category had the largest negative YTD variance at $135.1 million (13.8%). Of this total, $117.1 million (86.7%) was attributable to ODM. This negative variance was primarily due to the following: timing-related issues, prior fiscal year contracts that have not yet been paid, and caseload-driven contracts requiring lower payments to vendors than anticipated.

The Physicians/All Other category had the second largest negative YTD variance at $104.6 million (9.3%), due primarily to two factors. The first is lower than estimated caseloads for home health services. The second is that cost settlement adjustments have not yet been processed for the Medicaid School Program. Cost settlement involves reconciling the amount that schools received to administer services versus how much the schools actually spent.

Other payment categories with significant negative YTD variances include services provided by ODODD (labeled "DDD Services" in the table), Hospitals, and Prescription Drugs. YTD expenditures for DDD Services were below estimate by $83.0 million (3.4%). The primary reasons for this are timing-related issues and lower than expected expenditures for targeted case management services. YTD expenditures for Hospitals were below estimate by $61.8 million (3.2%). 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. YTD expenditures for Prescription Drugs were $47.1 million (14.3%) 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 $62.5 million (4.7%).

ISSUE UPDATES

Ohio Attorney General Announces One-Year Extension of Naloxone Rebate Program

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

On April 12, 2018, the Ohio Attorney General announced a one-year extension of a rebate program that has saved 127 non-federal government agencies in Ohio a total of $732,384 on the cost of purchasing naloxone, a drug used to treat opioid overdoses. The renewed agreement with Amphastar Pharmaceuticals will continue to allow non-federal government agencies to receive a $6 rebate for each Amphastar-manufactured naloxone syringe purchased between March 2, 2018 and March 31, 2019. The rebate program began in March 2015 and has been renewed three times. The average cost of naloxone is about $30 to $40 per dose depending on the distributor and volume purchased.

The largest rebate amount, $420,984, which constitutes 57.5% of the total, was received by the Ohio Department of Mental Health and Addiction Services.[7] To enhance statewide access, the Department purchases naloxone and then distributes it to county health departments to dispense to local law enforcement, emergency personnel, and first responders who are not able to bill or to be reimbursed for the use of the drug in the field. The rebate money received by the Department has primarily been used to purchase additional naloxone with the balance distributed directly to local police and fire departments; county alcohol, drug, and mental health boards; county health departments; and Project DAWN community programs.[8]

The rebate money is not appropriated as part of the Attorney General's biennial operating budget. Eligible agencies submit their receipts for naloxone purchases to the Attorney General, who then submits one consolidated and certified request to Amphastar for each quarter of the calendar year. Amphastar issues a single rebate payment to the Attorney General within 90 days of receiving the certified request. The Attorney General in turn disburses the payments to those agencies.

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[7] http://www.ohioattorneygeneral.gov/Files/Briefing-Room/News-Releases/Heroin-Unit/Requesting-Agency-Naloxone-Rebate-Totals-from-2015.aspx.

[8] Project DAWN is a community-based overdose education and naloxone distribution program. Participants receive training to recognize overdoses, perform rescue breathing, and administer intranasal naloxone.

BWC Approves $1.5 Billion in Rebates to Private and Public Employers Covered by the State Insurance Fund

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

On May 24, 2018, the Bureau of Workers' Compensation (BWC) approved a rebate of approximately $1.5 billion to all private and public employers that receive coverage for workers' compensation through the State Insurance Fund. Of the total amount to be rebated, approximately $1.3 billion will go to private employers and approximately $159.0 million will go to public employers. The rebate represents approximately 85% of the employer's premium for the policy year ending June 30, 2017 (or calendar year 2016 for public employers). In order to be eligible for the rebate, private employers and public employers must pay into the State Insurance Fund, must have been billed a premium for the most recent policy year, and be current in meeting their policy requirements. The rebate is possible mostly because of strong investment returns, and, to a lesser degree, declining claims costs in recent years. The current net position of the State Insurance Fund is slightly more than $11 billion.

Controlling Board Approves Funding for Cribs for Kids

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

On May 21, 2018, the Controlling Board approved a $500,000 request from the Ohio Department of Health (ODH) to contract with Cribs for Kids, Inc. for the purchase of safe sleep survival kits. Through this contract, a total of 6,250 survival kits will be provided, at no cost, to eligible families residing in 22 counties with high infant mortality rates. In order to be eligible, a family must have an income below 185% of the federal poverty guidelines for 2018 ($38,443 for a family of three). Each survival kit includes a portable crib, a fitted sheet, a sleep sack, a Sleep Baby Safe and Snug board book, and educational materials from ODH. The Cribs for Kids survival kits encourage parents to follow safe sleep recommendations, otherwise known as the "ABCs of Safe Sleep" – Alone, on their Backs, and in a Crib. Sleep-related deaths are among the most preventable causes of infant mortality.

This is the second time during fiscal year 2018 that ODH has contracted with Cribs for Kids, Inc. The first contract, approved by the Controlling Board in September 2017, was for $250,000. It provided 3,125 survival kits to families in 27 counties. This second contract will allow ODH to meet an increase in demand for these survival kits. ODH began offering survival kits in 2015 as a result of the enactment of S.B. 276 of the 130th General Assembly. S.B. 276 established an infant safe sleep screening procedure for hospitals and birthing centers to use to determine if an infant has a safe crib in which to sleep at the infant's residence. If the hospital or birthing center determines that a safe crib is not available, the facility must make a good faith effort to arrange for the acquisition of one at no cost to the family. According to

ODH, as a result of these and other efforts, the number of sleep-related deaths has decreased. In 2016, there were 117 sleep-related deaths, 33 fewer than in 2015.

Controlling Board Approves $5.0 Million Contract for ODOT to Plan for Autonomous and Connected Vehicles

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

On May 21, 2018, the Controlling Board approved a request by the Ohio Department of Transportation (ODOT) to contract with a consultant to prepare a plan for future autonomous vehicles and connected vehicles (AV/CV). ODOT will pay $5.0 million to AECOM Technical Services, Inc. of Akron, Ohio, to prepare ODOT for the next generations of AV/CV technology. ODOT outlined six deliverables that AECOM must produce under the contract, including: (1) recommendations for AV/CV data storage, management, and security; (2) a business plan to prioritize future AV/CV deployments; (3) a master plan for AV/CV data communication infrastructure in Ohio; (4) the identification of public-private partnership (P3) opportunities to support AV/CV in Ohio; (5) the statewide framework to guide current and future AV/CV application deployments complying with federal requirements; and (6) the creation of software requirements for an Ohio Integrated Data Exchange. The Highway Operating Fund (Fund 7002) will be used to pay for these consulting services. Of the $5.0 million contract, $4.0 million (80%) of the funding is derived from federal highway revenue received by the state. The remaining $1.0 million (20%) is matching funding derived from state motor fuel tax revenue.

The groundwork for the use of AV/CV technology will be overseen by DriveOhio, an office within ODOT that was created by Executive Order of the Governor in January 2018. DriveOhio will act as a one-stop shop for researchers, developers, and manufacturers to collaborate on AV/CV technology in Ohio. A subsequent Executive Order, signed by the Governor on May 9, 2018, established guidelines for the testing of autonomous vehicles in the state. Testing of AV/CV technology is underway at the Transportation Research Center in East Liberty. Projects involving vehicle connectivity are underway along the Route 33 Smart Corridor in central Ohio as well as a portion of I-90 in northeastern Ohio.

Ohio Department of Medicaid Submits Work Requirement Proposal

– Charles Dobson, Economist, 614-466-1523

On April 30, the Ohio Department of Medicaid (ODM) submitted a Group VIII Work Requirement and Community Engagement proposal[9] to the Centers for Medicare

[9] The complete proposal is available online at: www.Medicaid.ohio.gov under the Resources/Public Notices heading.

and Medicaid Services (CMS). ODM submitted this proposal in response to a requirement in H.B. 49. If approved, the proposal will generally require Group VIII Medicaid recipients to work or participate in a community engagement activity for a minimum of 20 hours per week. Qualified community engagement activities include education, training, job search, and job readiness programs. The proposal anticipates a start date of July 1, 2018.

Approximately 5% (36,000) of 700,000 Group VIII Medicaid recipients will be required to comply with the proposed work requirement or lose their Medicaid coverage. The remaining 95% of Group VIII Medicaid recipients will be exempt from or are already in compliance with the proposed work requirement. Individuals exempted from the proposed work requirement include the following: pregnant women; students enrolled at least half-time; those participating in a drug or alcohol treatment program; those physically or mentally unfit for employment; and those 50 years of age or older. In order to reduce administrative costs and to comply with CMS rules, individuals compliant with or exempt from an existing Temporary Assistance to Needy Families (TANF) or Supplemental Nutritional Assistance Program (SNAP) work requirement will automatically be deemed in compliance with the Group VIII work requirement.

Ohio is not the first state to seek this federal approval. In fact, multiple states have filed proposals to mandate Medicaid work requirements. So far, applications from Kentucky, Indiana, and Arkansas have been approved.

ODE Announces 11 New STEM and STEAM Schools for the 2018-2019 School Year

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

On April 30, 2018, the Department of Education (ODE) announced the designation of 11 new STEM and STEAM schools for the 2018-2019 school year (see table below). STEM and STEAM school designations may be given to a public school governed by a traditional school board or by an independent governing board.[10] Public community or chartered nonpublic schools may be designated as a STEM or STEAM school equivalent. To receive the STEM school designation, a school must present evidence of a working partnership with both public and private entities, including colleges and universities and business organizations, and evidence the school will offer a rigorous and diverse curriculum that emphasizes science, technology, engineering, and mathematics and includes arts and humanities. STEAM schools must follow those requirements as well as present evidence that the curriculum will integrate arts and design into STEM subjects. H.B. 49 of the 132nd General Assembly established the

[10] The Metro Early College High School in Columbus is an example of a STEM school governed by an independent board.

STEAM school designation beginning with the 2018-2019 school year. Three schools will operate under that designation when school begins this fall.

Including the 11 newly designated schools, there will be a total of 53 STEM and STEAM schools across the state. Of this total, 34 are governed by traditional school boards, seven are governed by independent boards, and 12 are STEM or STEAM school equivalents. The complete list of STEM and STEAM schools is available on ODE's website at http://education.ohio.gov/Topics/Career-Tech/STEM.

Newly Designated STEM and STEAM Schools, 2018-2019 School Year

County	School Name	Type	Governing Board
Champaign	Graham Elementary School	STEM	Traditional school board
Champaign	Graham Middle School	STEM	Traditional school board
Cuyahoga	Boulevard Elementary School	STEM	Traditional school board
Cuyahoga	Gesu School	STEM	STEM/STEAM school equivalent
Cuyahoga	Lander Elementary School	STEM	Traditional school board
Cuyahoga	Orchard Elementary STEM	STEM	Traditional school board
Lorain	St. Joseph Parish School	STEM	STEM/STEAM school equivalent
Medina	St. Ambrose School*	STEAM	STEM/STEAM school equivalent
Montgomery	Southdale Elementary School	STEAM	Traditional school board
Ross	Bishop Flaget School	STEM	STEM/STEAM school equivalent
Stark	STEAMM Academy @ Hartford Middle School	STEAM	Traditional school board
Summit	I Promise School	STEM	Traditional school board

*St. Ambrose School was previously designated as a STEM school.

OHC Awards Ohio History Grant Funds

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

On March 1, 2018, Ohio's Statehood Day, the Ohio History Connection (OHC) awarded $76,000 to nine Ohio History Fund grant recipients. The 2018 recipients, project descriptions, and award amounts are described in the table below. The History Fund Grant Program, which receives support primarily through a state income tax check-off, provides competitive grants to local history organizations, nonprofits, and local governments for projects designed to support historic preservation and education. Grant amounts depend on the type of projects seeking funding and may range from a $1,000 minimum for an organizational development project to a $20,000 maximum for brick-and-mortar or programs and collections projects. The grants require a local match of between 20% and 40%, depending on the project.

2018 Ohio History Fund Grant Recipients			
County	**Organization**	**Project Description**	**Award Amount**
Columbiana	Museum of Ceramics Foundation	Preservation of 65 volumes of East Liverpool newspapers on microfilm (East Liverpool was well-known for its ceramics manufacturing industry)	$14,950
Stark	Alliance Historical Society	Roof repair of Mabel Hartzell Historical Home	$13,240
Cuyahoga	Cleveland Museum of Natural History	Archaeological excavation in Columbiana County, jointly conducted with Kent State University, to learn more about Ice Age mastodon hunters	$10,000
Cuyahoga	Rock and Roll Hall of Fame and Museum	Preservation and sharing of amateur film and video recordings documenting northeast Ohio's musical heritage	$9,100
Athens	Southeast Ohio History Center	Preservation and archival of images taken by Pulitzer Prize-winning photographer Jon Webb	$7,000
Wood	Bowling Green State University, Center for Archival Collections	Digitization, preservation, and sharing of a collection of nearly 100 oral histories of World War II	$6,700
Jefferson	Historical Society of Mount Pleasant	Installation of HVAC system and window restoration in Mount Pleasant's Historical Center	$6,000
Trumbull	Trumbull County Historical Society	Inventory and storage of over 580 textile and accessory items of historical significance	$5,000
Wood	Wood County Historical Society	Improved capacity and quality of storage of the Society's collection of artifacts	$4,010
		TOTAL	**$76,000**

Ohio EPA Awards $3.9 Million in Recycling and Litter Prevention Grants

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

In April 2018, the Ohio Environmental Protection Agency announced the award of 60 competitive grants totaling $3.9 million to support recycling and litter prevention projects across the state. The total includes awards to communities, local governments, businesses, and nonprofit organizations from four distinct grant programs (see table below). The purpose of the grant programs, which are funded with a mix of money generated by fees on the disposal of construction and demolition debris and the sale of new tires, can briefly be summarized as follows:

- Community Development: support and expand community collection and processing of recyclable materials and litter prevention;
- Market Development: purchase equipment and build infrastructure to develop markets for recyclable materials and related products;
- Scrap Tire Grants: create infrastructure necessary for successful markets of scrap tire materials and related products;
- Litter Management Grants: fund community litter cleanup and tire amnesty collection activities.

Individual awards range from a $318 Litter Management grant to Keep Akron Beautiful (Summit County) to Scrap Tire grants of $300,000 to each of Liberty Tire Services (Franklin County) and Willig Tire Recycling (Crawford County).

Ohio EPA Recycling and Litter Prevention Grants by Program

Grant Program	Number of Awards	Range of Awards	Awards Total
Community Development	18	$7,066-$200,000	$1,812,019
Market Development	7	$6,172-$200,000	$841,250
Scrap Tire	4	$107,381-$300,000	$833,322
Litter Management	31	$318-$40,225	$423,892
TOTAL	**60**	**$318-$300,000**	**$3,910,483**

TRACKING THE ECONOMY

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Overview

Economic indicators show expanding activity and somewhat higher inflation. A broad measure of the U.S. economy, inflation-adjusted gross domestic product (real GDP), grew in this year's first quarter at a 2.2% annual rate, and appears to be growing faster in the current quarter. Nationwide employment growth strengthened through May and industrial production growth was strong in March and April. In Ohio, employment fell slightly in April following vigorous gains earlier in 2018. Unemployment rates fell in the nation and Ohio to the lowest levels in more than 16 years. Federal fiscal stimulus is supporting the expansion. In this environment, further increases in short-term interest rates are widely expected.[11] However, participants in the May Federal Open Market Committee meeting reported that their contacts were concerned about possible adverse effects from tariffs and restrictions on trade, including reductions in capital spending.[12]

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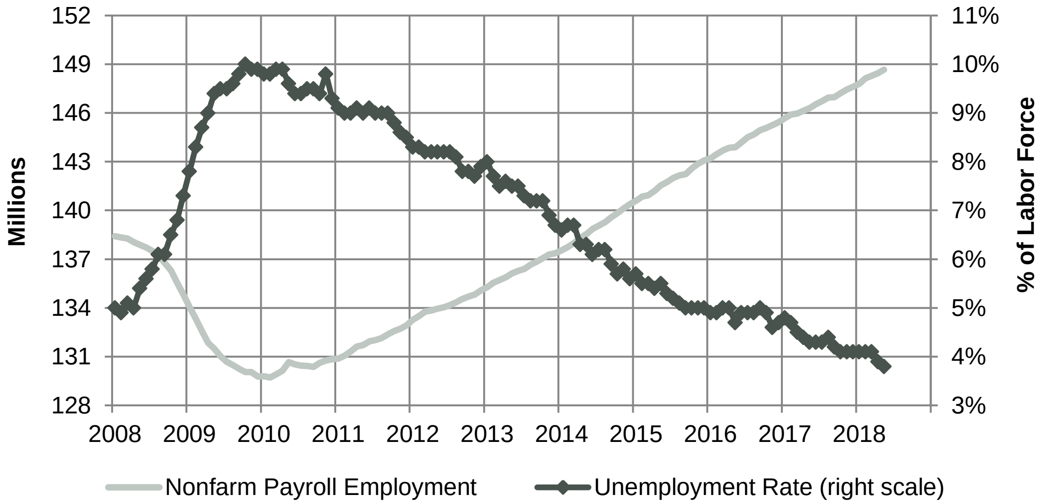
The National Economy

Total nonfarm payroll employment nationwide rose by 223,000 in May, and unemployment as a share of the labor force fell to 3.8%. Trends in employment and the unemployment rate are shown in Chart 6.

[11] As of June 7, federal funds futures trading indicates a 91.3% probability that the Federal Reserve Bank's target for the federal funds rate will be increased to a range of 1.75%-2.00% when the central bank's Open Market Committee meets June 12-13. Probabilities of interest rate increases are at http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html/.

[12] Minutes of the Federal Open Market Committee, May 1-2, 2018, page 7, at https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm.

Chart 6: U.S. Employment and Unemployment



Employment gains in the first five months of 2018 averaged 207,000 per month, up from 182,000 monthly in all of 2017 and the strongest since 2015. Over the latest 12 months, total nonfarm payroll employment nationwide rose 2.4 million (1.6%). Significant employment gains were reported in most goods-producing and private service-providing industry groups. The largest year-over-year increases in employment were in professional and business services, health care and social assistance, construction, leisure and hospitality, and manufacturing.

At 3.8%, the unemployment rate for the nation in May was the lowest since April 2000, and before that since 1969. The number of people counted as unemployed declined to 6.1 million in May, 0.8 million lower than a year earlier. Of these, the number who had been out of work and looking for jobs for more than six months fell to 1.2 million, down 0.5 million from May 2017.

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A separate report showed the number of job openings at the end of April totaled 6.7 million, highest ever in a series kept since 2000. Job openings exceeded the number of unemployed persons in March and April for the first time in the history of this series.

Real GDP grew in this year's first quarter at a 2.2% annual rate, revised downward slightly from 2.3% first reported. Nonresidential fixed investment expanded at a robust 9.2% rate, and exports rose at a 4.2% rate, while consumer and government spending grew slowly and residential fixed investment contracted. In 2017, growth averaged a 3.0% annual rate in the second through fourth quarters. Slower growth of production (real GDP) in this year's first quarter mainly reflects smaller increases in personal consumption, with declines in some segments including spending on motor vehicles and clothing.

For the current quarter, published projections show an upturn in real GDP growth. The Federal Reserve Bank of Atlanta calculates that real GDP is expanding at a 4.5% annual rate in the second quarter, and the Federal Reserve Bank of New York thinks real GDP is growing at a 3.3% rate. These estimates are based on monthly statistics through June 6 and June 1, respectively. Official figures for second quarter GDP are due from the source agency, the U.S. Bureau of Economic Analysis (BEA), on July 27.

The nation's industrial production rose strongly in the latest two months, increasing 0.7% in both March and April. Mining output increased 1.1% in April due to higher oil and gas production. Utility output was up 1.9% in April as below-normal temperatures stimulated heating demand. Factory output rose 0.5% in April after being unchanged in March.

The consumer price index (CPI) rose 0.2% in April to 2.5% higher than a year earlier, the largest year-to-year increase in the index since January and February 2017, and before that since 2012. The larger CPI increase was due in part to higher prices for gasoline and other energy commodities. Excluding food and energy, the CPI was 2.1% higher than in April 2017, the same as in March and largest since early 2017. A related inflation measure, the price index for personal consumption expenditures, was 2.0% higher in April than a year earlier, the same year-over-year increase as in March, and 1.8% higher excluding food and energy.

The Ohio Economy

In April, the state's unemployment rate edged down to 4.3%, lowest since 2001, from 4.4% in March. The U.S. unemployment rate for April was 3.9%. Ohio's unemployment rate was 5.1% in April 2017. The number of unemployed workers in Ohio decreased to 249,000 in April, 4,000 fewer than in March and 43,000 fewer than in April 2017. Ohio's total nonfarm payroll employment, seasonally adjusted, decreased by 1,000 in April from the revised total in March, following an increase of 9,300 jobs in March. Chart 7 shows Ohio employment and unemployment rates over the last ten years.

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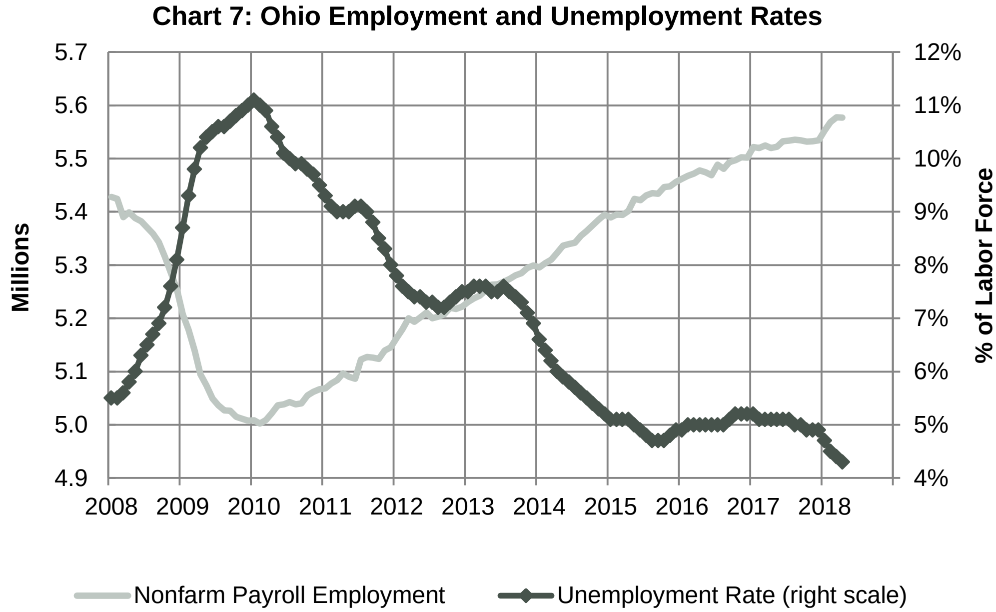

In April, employment in private service-providing industries increased by 2,100, while employment in goods-producing industries and government decreased by 1,700 and 1,400, respectively. Job gains occurred largely in trade, transportation, and utilities; professional and business services; and other services. Job losses were mostly in leisure and hospitality; manufacturing; financial activities; and local government.

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Ohio's real personal income, adjusted after inflation, rose 0.9% in 2016, after increasing 3.6% in 2015, according to BEA estimates. Nationwide, real personal income in all 50 states and the District of Columbia, adjusted for inflation, rose by an average of 1.1% in 2016, following an average increase of 4.7% in 2015. States with the highest growth rates in 2016 were Utah and Georgia (both 3.3%), followed by Washington (3.0%), and Maryland and Idaho (both 2.7%). Real personal income fell in eight states. Wyoming had the largest decline (-3.6%), followed by Oklahoma (-2.7%), and Louisiana (-1.9%).

BEA also estimates cost-of-living comparisons across states using its Regional Price Parity (RPP) index, in which the cost of all items (goods, rents, and other services) in a particular geographic area is compared to the national average. In 2016, Ohio's all-items RPP was 89.3, which implies that on average the cost of living in Ohio was 10.7% lower than the U.S. average. Among Ohio's neighboring states, Kentucky (87.8) and

West Virginia (87.6) had lower all-items RPPs than Ohio. Among all 50 states and the District of Columbia, Hawaii had the highest all-items RPP in 2016 (118.4) while Mississippi had the lowest (86.4).

In April, the number of existing homes sold in Ohio was up by 6.2% compared to April 2017, according to the Ohio Association of Realtors. In the first four months of 2018, the number of existing homes sold was essentially unchanged from the corresponding months in 2017. The statewide sales price of homes sold in the first four months in 2018 averaged $171,016 or 6.1% higher than in the corresponding months in 2017.

Economic activity in the region continued to expand at a moderate pace, according to a Federal Reserve Bank of Cleveland report.[13] Hiring picked up, but difficulties finding qualified workers continued across most sectors. Prices of construction materials and various commodities trended higher. Consumer spending rose modestly. Manufacturing activity for customers in extractive industries, transportation equipment, and agriculture continued at a strong pace. Residential and nonresidential real estate markets in the region remained robust. Transportation companies reported that freight volume continues to increase.

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[13] The report is part of the latest Federal Reserve System Beige Book that summarizes information from outside contacts collected on or before May 21, 2018. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.