Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION — NOVEMBER 2017

STATUS OF THE GRF

HIGHLIGHTS

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

October GRF tax revenue was remarkably close to the estimate published by the Office of Budget and Management (OBM) in September 2017, having come in $3.3 million (0.2%) above estimate. Similarly, for the first four months of FY 2018, GRF tax revenue was $20.6 million (0.3%) above estimate. GRF expenditures are below estimated levels for the year to date through October.

Ohio's unemployment rate declined to 5.3% in September, from 5.4% in August. Though 5.3% is not a high unemployment rate by historical standards, it was 1.1 percentage point higher than the national rate in September. Ohio nonfarm payroll employment increased by 10,500 during that month.

Through October 2017, GRF sources totaled $10.83 billion:

- Revenue from the personal income tax was $16.4 million above estimate;
- Sales and use tax receipts were $7.4 million above estimate.

Through October 2017, GRF uses totaled $12.14 billion:

- Program expenditures were $120.3 million below estimate during the first four months of FY 2018;
- All program expenditure categories were below estimate except property tax reimbursements, which were $27.4 million above it primarily due to timing.

VOLUME 41, NUMBER 3

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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

Telephone: 614-466-3615

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

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$122,017	$112,400	$9,617	8.6%
Nonauto Sales and Use	$700,826	$709,700	-$8,874	-1.3%
Total Sales and Use Taxes	**$822,843**	**$822,100**	**$743**	**0.1%**
Personal Income	$638,659	$638,800	-$141	0.0%
Commercial Activity Tax	$61,434	$49,200	$12,234	24.9%
Cigarette	$78,741	$86,100	-$7,359	-8.5%
Kilowatt-Hour Excise	$28,263	$33,000	-$4,737	-14.4%
Foreign Insurance	$144,598	$145,500	-$902	-0.6%
Domestic Insurance	$1	-$700	$701	100.1%
Financial Institution	-$5,458	-$12,000	$6,542	54.5%
Public Utility	$3,004	$6,700	-$3,696	-55.2%
Natural Gas Consumption (MCF)	$564	$500	$64	12.8%
Alcoholic Beverage	$4,109	$5,100	-$991	-19.4%
Liquor Gallonage	$3,983	$3,700	$283	7.7%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$463	$0	$463	---
Business and Property	$0	$0	$0	---
Estate	$55	$0	$55	---
Total Tax Revenue	**$1,781,258**	**$1,778,000**	**$3,258**	**0.2%**
NONTAX REVENUE				
Earnings on Investments	$15,763	$15,000	$763	5.1%
Licenses and Fees	$441	$1,465	-$1,024	-69.9%
Other Revenue	$1,207	$50,540	-$49,333	-97.6%
Total Nontax Revenue	**$17,411**	**$67,005**	**-$49,594**	**-74.0%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$0	$0	---
Total Transfers In	**$0**	**$0**	**$0**	**---**
TOTAL STATE SOURCES	**$1,798,669**	**$1,845,005**	**-$46,336**	**-2.5%**
Federal Grants	$851,747	$885,991	-$34,244	-3.9%
TOTAL GRF SOURCES	**$2,650,416**	**$2,730,996**	**-$80,580**	**-3.0%**

*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 October 31, 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$491,217	$469,700	$21,517	4.6%	$475,971	3.2%
Nonauto Sales and Use	$2,884,715	$2,898,800	-$14,085	-0.5%	$3,035,584	-5.0%
Total Sales and Use Taxes	**$3,375,933**	**$3,368,500**	**$7,433**	**0.2%**	**$3,511,554**	**-3.9%**
Personal Income	$2,707,782	$2,691,400	$16,382	0.6%	$2,595,810	4.3%
Commercial Activity Tax	$416,811	$395,300	$21,511	5.4%	$336,431	23.9%
Cigarette	$267,492	$273,100	-$5,608	-2.1%	$279,276	-4.2%
Kilowatt-Hour Excise	$119,025	$130,900	-$11,875	-9.1%	$133,561	-10.9%
Foreign Insurance	$151,120	$155,300	-$4,180	-2.7%	$160,891	-6.1%
Domestic Insurance	$63	$3,000	-$2,937	-97.9%	$53	17.5%
Financial Institution	-$10,334	-$10,700	$366	3.4%	-$11,019	6.2%
Public Utility	$30,342	$32,600	-$2,258	-6.9%	$25,764	17.8%
Natural Gas Consumption (MCF)	$11,890	$12,900	-$1,010	-7.8%	$12,411	-4.2%
Alcoholic Beverage	$19,559	$20,400	-$841	-4.1%	$21,205	-7.8%
Liquor Gallonage	$16,208	$15,400	$808	5.2%	$15,618	3.8%
Petroleum Activity Tax	$1,570	$1,300	$270	20.8%	$1,542	1.8%
Corporate Franchise	$2,840	$0	$2,840	---	-$760	473.9%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$84	$0	$84	---	$248	-66.0%
Total Tax Revenue	**$7,110,010**	**$7,089,400**	**$20,610**	**0.3%**	**$7,081,909**	**0.4%**
NONTAX REVENUE						
Earnings on Investments	$15,797	$15,000	$797	5.3%	$14,191	11.3%
Licenses and Fees	$8,155	$9,565	-$1,410	-14.7%	$10,796	-24.5%
Other Revenue	$27,824	$55,870	-$28,046	-50.2%	$49,981	-44.3%
Total Nontax Revenue	**$51,775**	**$80,435**	**-$28,660**	**-35.6%**	**$74,968**	**-30.9%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$111,347	$96,229	$15,118	15.7%	$15,309	627.4%
Total Transfers In	**$111,347**	**$96,229**	**$15,118**	**15.7%**	**$15,309**	**627.4%**
TOTAL STATE SOURCES	**$7,273,133**	**$7,266,064**	**$7,069**	**0.1%**	**$7,172,186**	**1.4%**
Federal Grants	$3,560,454	$3,565,804	-$5,350	-0.2%	$4,123,525	-13.7%
TOTAL GRF SOURCES	**$10,833,586**	**$10,831,868**	**$1,718**	**0.0%**	**$11,295,711**	**-4.1%**

*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

For the first four months of FY 2018, GRF sources were nearly on target. Through October, GRF sources totaling $10.83 billion were $1.7 million (0.0%) above OBM's estimates published in September 2017. Positive variances of $20.6 million for GRF tax sources and $15.1 million for transfers into the GRF were partially offset by negative variances of $28.7 million in nontax revenue and $5.4 million for federal grants. GRF taxes and federal grants are expected to make up about 68% and 30%, respectively, of anticipated GRF sources for FY 2018. The latter mainly consists of federal reimbursements for Medicaid expenditures made from state GRF moneys.

Through October in FY 2018, GRF sources were $1.7 million above estimate.

Tables 1 and 2 show GRF sources for October and for FY 2018 through October, respectively. For the fiscal year to date, receipts from the auto sales tax, the personal income tax (PIT), and the commercial activity tax (CAT) were all above anticipated revenues. However, the nonauto sales and use tax, the largest GRF revenue source, continues to struggle, while the cigarette tax fell below revenue projections following a poor performance in October. All three utility-related taxes (kilowatt-hour tax, public utility tax, and natural gas consumption tax) were also below their respective estimates through the latest month.

Through October, GRF tax sources were $20.6 million above estimate.

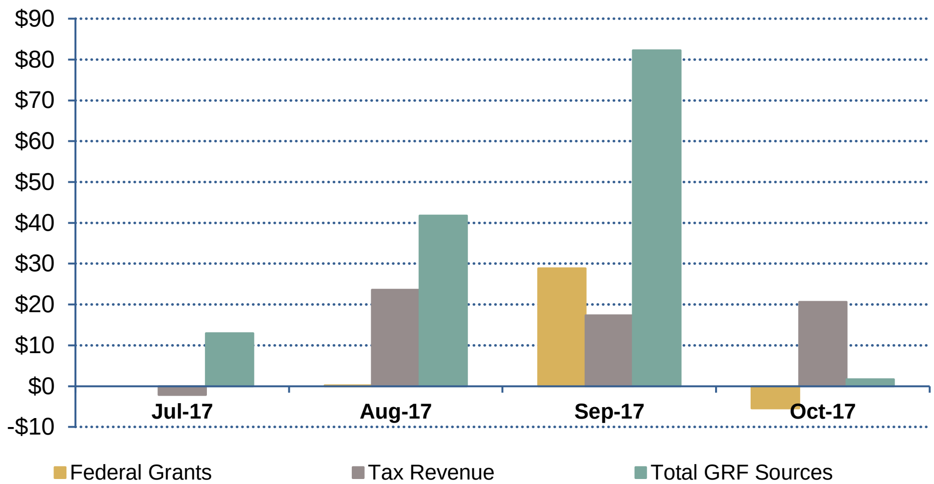
For the month of October, total GRF sources of $2.65 billion were $80.6 million below estimate, from shortfalls of $34.2 million in federal grants and $49.6 million in nontax revenue. Those negative variances were partially offset by a positive variance of $3.3 million for tax sources. Among tax sources, the CAT and the auto sales tax were above anticipated receipts by $12.2 million and $9.6 million, respectively. In addition, net refunds to taxpayers from the financial institutions tax (FIT) were $5.5 million when a disbursement of $12.0 million was expected, thus resulting in a positive variance of $6.5 million. These positive variances were partially offset by shortfalls of $8.9 million, $7.4 million, and $8.4 million recorded for the nonauto sales and use tax, the cigarette

[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.

tax, and the utility-related taxes, respectively. PIT revenue was almost on target, falling below estimate by just a small amount.

For the fiscal year to date, the following taxes were above estimates: the sales and use tax ($7.4 million), the PIT ($16.4 million), the CAT ($21.5 million), and the corporate franchise tax (CFT, $2.8 million). These positive variances were partially offset by combined shortfalls of $15.1 million for utility-related taxes and $7.1 million for the foreign and the domestic insurance taxes; in addition, the cigarette tax posted a deficit of $5.6 million relative to estimate. The chart below illustrates the cumulative performance of total GRF sources in the first four months of the fiscal year.

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



Compared to GRF sources through October in FY 2017, FY 2018 year-to-date GRF sources of $10.83 billion were $462.1 million (4.1%) lower. Decreases of $563.1 million (13.7%) in federal grants and $23.2 million (30.9%) in nontax revenue were partially offset by increases in transfers in ($96.0 million, 627.4%) and tax receipts ($28.1 million, 0.4%).

Through October, federal grants to the GRF were over half a billion dollars less than in FY 2017.

This fiscal year, federal grants in the GRF will decline from FY 2017 as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. Increases in tax sources were spearheaded by growth in receipts from the PIT ($112.0 million, 4.3%) and the CAT ($80.4 million, 23.9%). On the other hand, revenue from the sales and use tax, cigarette tax receipts, and kilowatt-hour tax declined by $135.6 million (3.9%), $11.8 million (4.2%), and $14.5 million (10.9%). 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 October in FY 2018, total GRF sales and use tax receipts of $3.38 billion were $7.4 million (0.2%) above estimate, and $135.6 million (3.9%) below receipts in the corresponding period last year. Continuing a trend established through the first fiscal quarter, revenue from the auto sales tax generally has been more than enough to overcome weaker performances from the nonauto portion of the tax. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.[2]

Nonauto Sales and Use Tax

The performance of the nonauto sales and use tax has been uneven in FY 2018. A large shortfall in July was followed by consecutive positive variances in August and September. In October, GRF revenue of $700.8 million was $8.9 million (1.3%) below estimate, increasing this source's shortfall for the fiscal year to $14.1 million (0.5%), up from $5.2 million at the end of the first fiscal quarter. Compared to revenue in the same month last year, nonauto sales and use tax revenue decreased $47.1 million (6.3%). For the fiscal year through October, GRF receipts from this tax totaled $2.88 billion, $150.9 million (5.0%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base. Starting July 1, 2017, H.B. 49 replaced the sales tax on Medicaid health insuring corporations (MHICs) with a provider assessment on both Medicaid and non-Medicaid managed care companies, with proceeds deposited in a non-GRF fund. Sales tax revenue attributable to MHICs had grown to be a sufficiently large portion of

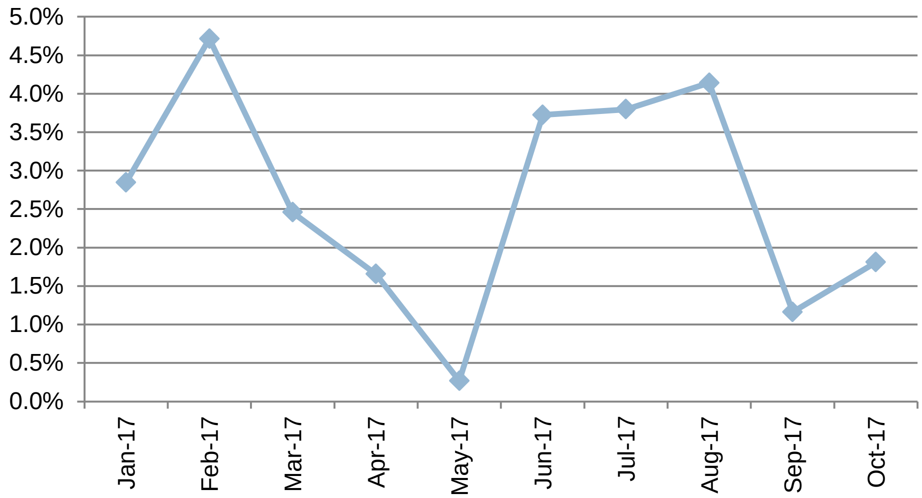
Through October in FY 2018, the nonauto sales and use tax was $14.1 million below estimate.

[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.

nonauto sales tax revenue overall by FY 2017, that negative growth in revenue from this tax source is generally expected this year when compared to the corresponding month in FY 2017.

Monthly revenue growth on a year-ago basis, after adjusting for the decrease in the tax base described above, has been weak in FY 2018, averaging about 1.5% during the first four months. Chart 2 provides year-over-year growth in nonauto sales and use tax collections in 2017.[3]

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



Auto Sales and Use Tax

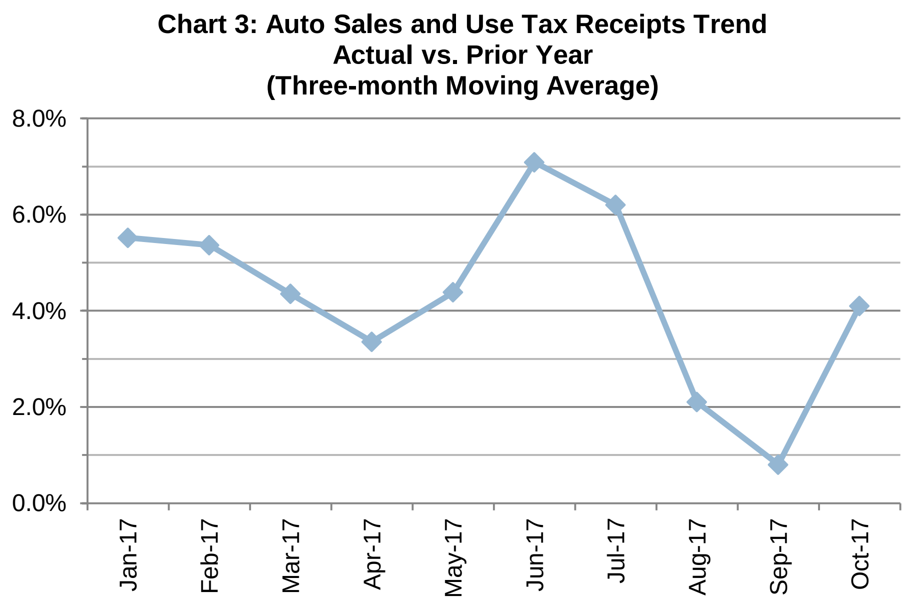
October GRF revenue from the auto portion of the sales and use tax of $122.0 million was above estimate by $9.6 million (8.6%). This result increased the year-to-date positive variance for this source to $21.5 million (4.6%), up from $11.9 million at the end of September. Total revenue of $491.2 million over the four months was $15.2 million (3.2%) above revenue in the corresponding period in FY 2017. Year-over-year growth in auto sales tax collections decelerated in the summer months, but turned up in October as shown in the chart below.

Through October in FY 2018, the auto sales and use tax was $21.5 million above estimate.

For the month of October, U.S. light vehicle (i.e., auto and light truck) sales fell to a seasonally adjusted annualized rate of 18.1 million units, from 18.6 million in September, the latter from a surge mainly due

[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.

to replacement vehicle demand from areas affected by hurricanes Irma and Harvey. However, automakers are still dealing with excess inventories (75 days in October, the highest since 2009), despite increasing incentive spending. So far in FY 2018, U.S. light vehicle sales are below last year's levels. Car sales remain substantially down compared to a year earlier, though light truck sales are higher and increasing the average transaction price per vehicle.



The sales trends are probably similar in Ohio so that, despite a decrease in unit sales compared to last year, auto sales tax receipts are still increasing when compared to FY 2017.

PIT GRF revenue was $16.4 million above estimate in FY 2018 through October.

Personal Income Tax

October GRF PIT revenue of $638.7 million nearly hit expectations, missing the estimate by just $0.1 million (0.0%). As a result, the year-to-date fiscal year variance fell slightly to $16.4 million (0.6%). October 2017 PIT receipts were also $30.3 million (5.0%) above October 2016 revenue.

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

[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.

payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections, and to a lesser extent, the amount of refunds to taxpayers. For October 2017, employer withholding, miscellaneous payments, and estimated payments surpassed expectations by $17.9 million, $6.6 million, and $1.1 million, respectively. Partially offsetting these positive variances, taxes due with annual returns experienced a shortfall of $1.7 million. Additionally, refunds were $24.9 million above estimate. For the year to date, FY 2018 revenues from each component of the PIT relative to estimates and to revenue received in FY 2017 are detailed in the table below. All components of gross collections exceeded estimates with the exception of annual return payments. Refunds were larger than the estimate for the first four months, reducing the positive variance.

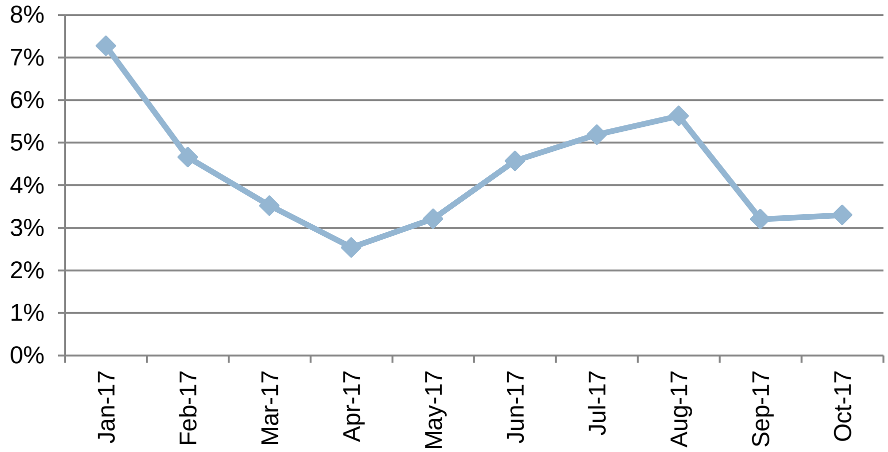
FY 2018 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$25.5	0.9%	$108.0	4.1%
Quarterly Estimated Payments	$6.4	3.3%	$12.4	6.5%
Trust Payments	$2.2	22.8%	$1.8	17.9%
Annual Return Payments	-$11.5	-16.3%	-$11.4	-16.3%
Miscellaneous Payments	$10.1	54.0%	$10.7	58.8%
Gross Collections	$32.8	1.1%	$121.5	4.1%
Less Refunds	$15.6	7.3%	$7.9	3.5%
Less LGF Distribution	$0.9	0.7%	$1.7	1.4%
GRF PIT Revenue	$16.4	0.6%	$112.0	4.3%

Revenue from monthly employer withholding grew about 4% in FY 2018.

Compared to corresponding receipts in FY 2017 through October, receipts from employer withholding, quarterly estimated payments and miscellaneous payments were higher. However, payments with annual returns have been generally below such payments last year. Year-to-date refunds were also higher than in the corresponding period in FY 2017. Though employer withholding fell by about 2% in September 2017 compared to September 2016, for the fiscal year to date, growth is averaging about 4%. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago.

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



Commercial Activity Tax

The CAT continues to perform relatively well in FY 2018. Year-to-date GRF CAT receipts of $416.8 million were $21.5 million (5.4%) above estimate. For the month of October, GRF receipts of $61.4 million were $12.2 million (24.9%) above projected revenue, increasing the cumulative positive variance of $9.3 million achieved in the first fiscal quarter. The next payment by quarterly calendar taxpayers is due in November and will likely determine the performance of this tax in the first half of FY 2018.

FY 2018 CAT GRF tax receipts through October were $21.5 million above estimate.

FY 2018 CAT receipts to the GRF were $80.4 million (23.9%) above receipts in FY 2017 through October 2016. More than half of this increase is due to the CAT allocation change enacted in the main operating budget. H.B. 49 increased the share of CAT revenue credited to the GRF from 75% to 85% beginning July 1, 2017; and decreased the shares allocated to reimburse school districts from 20% to 13% (Fund 7047), and to other local taxing units from 5% to 2% (Fund 7081) for their loss of tangible personal property taxes. While the allocation change increases the amount of CAT receipts directly credited to the GRF, it reduces "excess" CAT receipts that are transferred back to the GRF. Under continuing law, CAT receipts deposited into Fund 7081 and Fund 7047 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase-out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF. In other words, the CAT allocation change has no net effect on its total contribution to the GRF.

Cigarette and Other Tobacco Products Tax

October GRF revenue of $78.7 million from the cigarette and other tobacco products tax was $7.4 million (8.5%) below estimate, due to poor tax collections from cigarette sales. Monthly revenue was also $5.8 million (6.9%) below revenue in October 2016. This performance resulted in a cumulative shortfall of $5.6 million (2.1%) through October, reversing a positive variance of $1.8 million in the first fiscal quarter.

For FY 2018 through October, total tax receipts of $267.5 million included $243.0 million and $24.5 million, respectively, from sales of cigarettes and sales of other tobacco products. Total revenue was $11.8 million (4.2%) below collections in the corresponding period in FY 2017. Receipts from cigarette sales fell $14.1 million while those from other tobacco products grew $2.3 million. Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

FY 2018 cigarette tax receipts fell $5.6 million below estimate through October.

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

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$782,794	$782,597	$197	0.0%
Higher Education	$179,742	$226,022	-$46,280	-20.5%
Other Education	$10,123	$7,279	$2,845	39.1%
Total Education	**$972,659**	**$1,015,897**	**-$43,238**	**-4.3%**
Medicaid	$1,365,831	$1,379,702	-$13,871	-1.0%
Health and Human Services	$169,431	$180,972	-$11,541	-6.4%
Total Welfare and Human Services	**$1,535,262**	**$1,560,674**	**-$25,412**	**-1.6%**
Justice and Public Protection	$190,755	$201,885	-$11,130	-5.5%
General Government	$33,385	$32,788	$597	1.8%
Total Government Operations	**$224,140**	**$234,674**	**-$10,534**	**-4.5%**
Property Tax Reimbursements	$357,104	$315,437	$41,667	13.2%
Debt Service	$85,201	$85,267	-$66	-0.1%
Total Other Expenditures	**$442,305**	**$400,704**	**$41,601**	**10.4%**
Total Program Expenditures	**$3,174,367**	**$3,211,949**	**-$37,582**	**-1.2%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$40	$19,600	-$19,560	-99.8%
Total Transfers Out	**$40**	**$19,600**	**-$19,560**	**-99.8%**
TOTAL GRF USES	**$3,174,407**	**$3,231,549**	**-$57,142**	**-1.8%**

*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 October 31, 2017
($ in thousands)
(Actual based on OAKS reports run November 1, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$2,849,618	$2,873,393	-$23,775	-0.8%	$3,093,844	-7.9%
Higher Education	$720,103	$767,869	-$47,766	-6.2%	$763,387	-5.7%
Other Education	$33,726	$34,611	-$886	-2.6%	$35,079	-3.9%
Total Education	**$3,603,446**	**$3,675,873**	**-$72,427**	**-2.0%**	**$3,892,310**	**-7.4%**
Medicaid	$5,501,779	$5,510,122	-$8,342	-0.2%	$6,132,338	-10.3%
Health and Human Services	$453,358	$481,695	-$28,336	-5.9%	$458,235	-1.1%
Total Welfare and Human Services	**$5,955,137**	**$5,991,816**	**-$36,679**	**-0.6%**	**$6,590,572**	**-9.6%**
Justice and Public Protection	$764,822	$791,596	-$26,774	-3.4%	$746,886	2.4%
General Government	$128,640	$137,226	-$8,586	-6.3%	$134,237	-4.2%
Total Government Operations	**$893,462**	**$928,823**	**-$35,360**	**-3.8%**	**$881,122**	**1.4%**
Property Tax Reimbursements	$770,881	$743,473	$27,408	3.7%	$754,261	2.2%
Debt Service	$859,165	$862,369	-$3,203	-0.4%	$870,901	-1.3%
Total Other Expenditures	**$1,630,046**	**$1,605,842**	**$24,204**	**1.5%**	**$1,625,162**	**0.3%**
Total Program Expenditures	**$12,082,091**	**$12,202,353**	**-$120,262**	**-1.0%**	**$12,989,167**	**-7.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$58,408	$65,514	-$7,106	-10.8%	$223,869	-73.9%
Total Transfers Out	**$58,408**	**$65,514**	**-$7,106**	**-10.8%**	**$253,352**	**-76.9%**
TOTAL GRF USES	**$12,140,499**	**$12,267,867**	**-$127,368**	**-1.0%**	**$13,242,519**	**-8.3%**

*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 November 6, 2017)

	Month of October 2017				Year to Date Through October 2017			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$2,032,379**	**$2,044,057**	**-$11,679**	**-0.6%**	**$8,358,391**	**$8,405,106**	**-$46,715**	**-0.6%**
GRF	$1,306,442	$1,324,407	-$17,964	-1.4%	$5,262,361	$5,274,513	-$12,152	-0.2%
Non-GRF	$725,936	$719,650	$6,286	0.9%	$3,096,030	$3,130,593	-$34,563	-1.1%
Developmental Disabilities	**$236,625**	**$218,209**	**$18,417**	**8.4%**	**$901,684**	**$969,339**	**-$67,655**	**-7.0%**
GRF	$52,954	$48,824	$4,130	8.5%	$201,434	$200,864	$571	0.3%
Non-GRF	$183,671	$169,384	$14,287	8.4%	$700,250	$768,475	-$68,225	-8.9%
Job and Family Services	**$12,414**	**$15,108**	**-$2,694**	**-17.8%**	**$82,246**	**$79,319**	**$2,927**	**3.7%**
GRF	$5,268	$5,695	-$427	-7.5%	$34,337	$31,412	$2,924	9.3%
Non-GRF	$7,146	$9,413	-$2,267	-24.1%	$47,909	$47,907	$3	0.0%
Health	**$1,156**	**$1,336**	**-$180**	**-13.5%**	**$8,280**	**$8,709**	**-$429**	**-4.9%**
GRF	$268	$271	-$3	-1.1%	$1,330	$1,217	$113	9.3%
Non-GRF	$888	$1,066	-$177	-16.6%	$6,950	$7,492	-$542	-7.2%
Mental Health and Addiction	**$787**	**$347**	**$441**	**127.2%**	**$1,569**	**$1,577**	**-$8**	**-0.5%**
GRF	$652	$225	$427	190.0%	$1,020	$904	$116	12.8%
Non-GRF	$135	$122	$13	11.0%	$549	$673	-$124	-18.4%
Aging	**$388**	**$544**	**-$156**	**-28.7%**	**$1,894**	**$2,524**	**-$630**	**-24.9%**
GRF	$236	$256	-$20	-7.8%	$1,131	$1,151	-$20	-1.7%
Non-GRF	$152	$288	-$136	-47.3%	$763	$1,373	-$610	-44.4%
Pharmacy Board	**$39**	**$36**	**$3**	**8.6%**	**$144**	**$1,471**	**-$1,327**	**-90.2%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$39	$36	$3	8.6%	$144	$1,471	-$1,327	-90.2%
Education	**$10**	**$47**	**-$37**	**-79.2%**	**$173**	**$116**	**$57**	**49.0%**
GRF	$10	$24	-$14	-58.4%	$166	$60	$105	174.5%
Non-GRF	$0	$24	-$24	-100.0%	$7	$55	-$49	-87.7%
Total GRF	**$1,365,831**	**$1,379,702**	**-$13,871**	**-1.0%**	**$5,501,779**	**$5,510,122**	**-$8,342**	**-0.2%**
Total Non-GRF	**$917,967**	**$899,982**	**$17,985**	**2.0%**	**$3,852,602**	**$3,958,039**	**-$105,437**	**-2.7%**
Total All Funds	**$2,283,798**	**$2,279,684**	**$4,114**	**0.2%**	**$9,354,381**	**$9,468,161**	**-$113,780**	**-1.2%**

*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 November 6, 2017)

	Month of October 2017				Year to Date Through October 2017			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$892,908	$913,312	-$20,404	-2.2%	$3,723,279	$3,723,885	-$606	0.0%
ACA - Managed Care	$340,793	$341,793	-$1,000	-0.3%	$1,374,422	$1,372,347	$2,075	0.2%
DDD Services	$231,696	$205,894	$25,801	12.5%	$875,747	$933,300	-$57,553	-6.2%
Hospitals	$208,175	$206,798	$1,377	0.7%	$1,055,841	$1,071,131	-$15,290	-1.4%
Nursing Facilities	$125,844	$119,947	$5,897	4.9%	$516,106	$488,509	$27,597	5.6%
Physicians/All Other	$111,510	$117,068	-$5,557	-4.7%	$405,757	$426,126	-$20,369	-4.8%
Behavioral Health	$120,798	$110,717	$10,081	9.1%	$432,137	$413,931	$18,205	4.4%
Administration	$86,974	$93,669	-$6,694	-7.1%	$317,181	$358,718	-$41,536	-11.6%
Medicare Buy-In	$49,011	$50,667	-$1,656	-3.3%	$198,187	$201,510	-$3,324	-1.6%
Medicare Part D	$41,183	$40,342	$841	2.1%	$159,273	$164,932	-$5,658	-3.4%
Prescription Drugs	$31,280	$34,595	-$3,315	-9.6%	$115,739	$131,601	-$15,862	-12.1%
Aging Waivers	$32,063	$32,156	-$93	-0.3%	$136,287	$134,416	$1,872	1.4%
Home Care Waivers	$11,563	$12,726	-$1,163	-9.1%	$44,426	$47,755	-$3,330	-7.0%
Total All Funds	**$2,283,798**	**$2,279,684**	**$4,114**	**0.2%**	**$9,354,381**	**$9,468,161**	**-$113,780**	**-1.2%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[5]

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

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

Overview

Tables 3 and 4 show GRF uses for the month of October and for FY 2018 through October, respectively. GRF uses were $3.17 billion in October, $57.1 million below the estimate released by OBM in September 2017. GRF uses mainly consist of program expenditures but also include transfers out. Through October, FY 2018 GRF program expenditures totaled $12.08 billion, $120.3 million below estimate; GRF transfers out totaled $58.4 million, $7.1 million below estimate; and GRF uses as a whole totaled $12.14 billion, $127.4 million below estimate.

For the first four months of FY 2018, GRF uses were $127.4 million below estimate.

Among the nine program categories, Higher Education had the largest negative variance, $47.8 million, for the first four months of FY 2018, which largely was due to a negative variance of $46.3 million in October. Other program categories with notable year-to-date negative variances include Health and Human Services ($28.3 million), Justice and Public Protection ($26.8 million), and Primary and Secondary Education ($23.8 million). Cumulative expenditures from Property Tax Reimbursements were $27.4 million above the year-to-date estimate, which partially offset the negative variances in the other categories.

GRF Transfers Out

GRF transfers out totaled about $40,000 during October, which was $19.6 million (99.8%) below the OBM estimate. This monthly transfer activity also created a $7.1 million (10.8%) negative year-to-date variance. OBM expected two transfers to occur in October, but only one, an unplanned transfer to the State Lottery Commission's Deferred Prizes Trust Fund (Fund 8710), materialized.

Cash transfers out of the GRF were below estimate in October by $19.6 million.

Of the two planned transfers that did not occur, the larger was a $10.2 million transfer to the Development Services Agency's TourismOhio Fund (Fund 5MJ0) per section 512.60 of H.B. 49. The actual amount for Fund 5MJ0 is dependent on sales tax growth in the prior fiscal year for

[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.

categories related to tourism. The Tax Commissioner must calculate and certify this amount to the Director of Budget and Management before the transfer can occur. A smaller transfer of $8.9 million for an upgrade to the Ohio Administrative Knowledge System (OAKS), the state's accounting system, was also not completed as expected in October.

Higher Education

October expenditures for Higher Education were $179.7 million, which was $46.3 million (20.5%) below OBM's estimate. The Department of Higher Education (DHE) is the only agency that is included in this program category. Negative variances were widespread for both the month and year-to-date expenditures of DHE. The largest FY 2018 variance was for item 235563, Ohio College Opportunity Grant, the state's primary need-based financial aid program. Expenditures for this item were below the year-to-date estimate by $13.1 million. Item 235535, Ohio Agricultural Research and Development Center, and item 235511, Cooperative Extension Service, also had significant negative variances of $12.1 million and $8.0 million, respectively. These items support two of the Ohio State University's land-grant university mandates.

Health and Human Services

GRF expenditures for Health and Human Services were $453.4 million through October, $28.3 million (5.9%) below estimate. This negative variance widened from the previous month as October spending was $11.5 million below OBM's estimate. The Ohio Department of Job and Family Services (ODJFS) had the largest negative variance in October and for the year to date at $23.9 million and $31.8 million, respectively. The Ohio Department of Mental Health and Addiction Services (ODMHAS) partially offset this negative variance with positive variances of $12.4 million and $8.7 million for October and the year to date, respectively.

Except for Property Tax Reimbursements, all program categories had negative year-to-date variances at the end of October.

Expenditures for several ODJFS line items were significantly below their monthly and year-to-date estimates. Item 600410, TANF State Maintenance of Effort, was below by $11.9 million for the month and $12.0 million for the year. Item 600416, Information Technology Projects, was below by $3.1 million for the month and $6.4 million for the year. Item 600445, Unemployment Insurance Administration, was below by $3.1 million for the month and $4.2 million for the year. Timing issues are not uncommon for these line items. Most of the other items in the agency's budget also had negative monthly and year-to-date variances.

The positive variances for ODMHAS were largely attributable to item 336421, Continuum of Care Services. This line item is used to distribute funds to local boards of alcohol, drug addiction, and mental health. October expenditures were $17.2 million above OBM estimate, which in turn yielded a $14.2 million positive variance for FY 2018. Partially offsetting these variances, item 336423, Addiction Services Partnership with Corrections, was below its year-to-date estimate by $3.4 million, most of which was due to a negative October variance of $2.8 million.

Justice and Public Protection

GRF expenditures from the Justice and Public Protection program category were $764.8 million through October, $26.8 million (3.4%) below estimate. This negative variance widened from the previous month as October spending was $11.1 million below OBM's estimate. The negative variance in October was caused by a timing-related negative variance of $8.5 million from the Department of Rehabilitation and Correction (DRC) which increased DRC's negative year-to-date variance to $20.3 million. These negative variances were driven by DRC line item 501321, Institutional Operations, which had a negative year-to-date variance of $22.7 million. In addition to DRC, the Department of Youth Services ($3.9 million) and the Judiciary/Supreme Court ($2.3 million) had significant negative year-to-date variances.

Primary and Secondary Education

The Primary and Secondary Education program category, consisting of spending by the Department of Education (ODE) had a negative year-to-date variance of $23.8 million at the end of October, largely due to a negative variance of $39.3 million in item 200511, Auxiliary Services, which was partially offset by a positive variance of $19.0 million in item 200550, Foundation Funding. Item 200511 is used to make periodic payments to school districts for certain services provided to chartered nonpublic schools. The estimates had a payment being made in October, but this payment will likely be made in November instead. Item 200550 is mainly used to provide bimonthly payments to school districts as determined by the state's school funding formula. This item generally experiences variances throughout the year as ODE collects and applies various data used in the funding formula.

Property Tax Reimbursements

Expenditures from the Property Tax Reimbursements program category were $357.1 million in October, $41.7 million (13.2%) above estimate. This positive monthly variance changed the category's year-to-date variance from a negative $14.3 million (3.3%) at the end of

September to a positive $27.4 million (3.7%) at the end of October. GRF dollars provided under this program category are used to make semiannual payments to school districts and other local governments. Spending patterns reflect the timing of county auditors' reimbursement requests.

Medicaid

Medicaid is a joint federal-state program. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. Federal reimbursements for Medicaid expenditures made from the state GRF are deposited into the GRF as revenue to help support the GRF appropriations for Medicaid. Federal reimbursements for Medicaid expenditures made from state non-GRF funds are deposited into various non-GRF funds for expenditure. In recent years, the federal government has reimbursed about two-thirds of Ohio's total Medicaid expenditures.

Although Medicaid expenditures from the GRF were only $8.3 million below estimate for the first four months of the fiscal year, non-GRF expenditures were below estimate by $105.4 million.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. The other six agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education[6] – account for the remaining 1%. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

As shown in Table 5, for the first four months of FY 2018, GRF Medicaid expenditures were $8.3 million (0.2%) below estimate while non-GRF Medicaid expenditures were $105.4 million (2.7%) below estimate. Across all funds, Medicaid expenditures were $113.8 million (1.2%) below estimate. All-funds expenditures from ODM and ODODD were $46.7 million (0.6%) and $67.7 million (7.0%), respectively, below their year-to-date estimates. On the other hand, ODJFS had a positive year-to-date variance of $2.9 million (3.7%).

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were largely on par with the estimates. For the first four months of FY 2018, those expenditures were $606,000 (0.0%) below and $2.1 million (0.2%) above estimates,

[6] The Medicaid appropriations made in the State Board of Pharmacy and ODE are new in FY 2018. See the September issue of this report for more details on the Medicaid appropriations in these two agencies.

respectively. Overall, more than 80% of Ohioans enrolled in Medicaid receive services through managed care. Together, Managed Care and ACA-Managed Care account for over half of Medicaid expenditures. The ACA-Managed Care category tracks managed care expenditures for individuals who became eligible for Medicaid through the federal Affordable Care Act.

Services provided by ODODD (labeled "DDD Services" in the table) had the largest negative year-to-date variance at $57.6 million (6.2%). Approximately $40.0 million of the negative variance is the result of a county board cost settlement payment that has not yet been processed. Cost settlement involves reconciling the amount that county boards received to administer services versus how much the boards actually spent. The settlement payment, which will be disbursed across all counties, will likely be processed in November. Of the remaining variance, approximately $10.0 million is due to underspending on case management services and $7.6 million is related to timing issues.

Administration had the second largest year-to-date negative variance at $41.5 million (11.6%). Of this amount, about $32.0 million is attributed to ODM and the remaining $9.5 million is attributed to the other Medicaid agencies. Of the ODM variance, about $25.0 million is due to prior fiscal year contracts that have not yet been paid.

Lastly, Nursing Facilities had the largest positive year-to-date variance at $27.6 million (5.6%). Some of this variance is likely due to enrollments for the aged, blind, and disabled (ABD) category being above estimate.

ISSUE UPDATES

Ohio Department of Education Receives $35 Million Federal Competitive Grant to Improve Literacy

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

On October 3, 2017, the Ohio Department of Education (ODE) received a $35 million competitive grant under the federal Striving Readers Comprehensive Literacy Program. The grant will be used to advance literacy skills for students from birth through twelfth grade. The funds must 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. On October 30, 2017, the Controlling Board approved appropriations of $4 million in FY 2018 and $10 million in FY 2019 in Fund 3FE0 line item 200669, Striving Readers, for ODE to spend the grant proceeds. The remaining $21 million of the grant is anticipated to be spent in the next biennium.

Under the requirements of the federal grant, at least 95% of the award must be distributed as competitive grants. Furthermore, ODE must allocate at least 15% of the grant funds to support children from birth through age five, at least 40% to support children in grades kindergarten through five, and at least 40% to support children in grades six through 12. ODE expects 30 to 40 local education agencies (LEAs) and nonprofit early childhood education service providers to receive three-year grants. Priority will be given to LEAs and providers serving large numbers of economically disadvantaged students, students with disabilities, limited English proficient students, and students identified as having difficulty reading. ODE may retain up to 5% of the grant award for administrative costs, which it intends to use to hire one new staff member to manage the grant program with the assistance of the 16 regional state support teams.

Ohio Infant Mortality Rate Increases in 2016

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

On October 6, 2017, the Ohio Department of Health (ODH) released its 2016 Ohio Infant Mortality Report, which found that Ohio's infant mortality rate for all races increased from a rate of 7.2 (number of infant deaths in the first year of life per 1,000 live births) in 2015 to 7.4 in 2016. Ohio's goal is to attain a rate of 6.0 or lower for every race or ethnic group. While the white infant mortality rate increased from 5.5 in 2015 to 5.8 in 2016, it still met this goal. However, the infant mortality rates for blacks and Hispanics did not meet the goal. During this same time period, the rate for blacks increased from 15.1 to 15.2, while the rate for Hispanics increased from 6.0 to 7.3. The total number of infants that died before their first birthday increased from 1,005 in 2015 to 1,024 in 2016.

According to the report, the leading cause of infant mortality is prematurity/pre-term births, which accounts for 30% of all infant deaths. Other leading causes include birth defects and sleep-related deaths (such as Sudden Infant Death Syndrome or asphyxia). Of these, sleep-related deaths are among the most preventable. State and local initiatives have sought to increase awareness about the ABCs of safe sleep – Alone, on their Backs, and in a Crib. As a result of these and other efforts, the number of sleep-related deaths has been decreasing for the past several years. In 2016, there were 117 sleep-related deaths, 33 fewer than 2015.

The state has targeted funding to combat infant mortality in recent years and in the current biennium. For instance, the budget provides about $14 million over the biennium to address infant mortality through a multipronged approach that includes increasing awareness, supporting data collection, and implementing quality improvement programs. Additionally, $1 million over the biennium will be dedicated to reducing smoking during pregnancy through the Moms Quit for Two Grant Program and the Baby and Me – Tobacco Free Grant Program. Other initiatives to reduce infant mortality include increasing access to long-acting reversible contraceptives and the use of progesterone treatment, as well as expanding access to home visiting services. In addition, ODH will relaunch the ABCs of safe sleep campaign. This version of the campaign will focus on nine metropolitan areas that have the highest number of infant deaths.

More information regarding Ohio's efforts to reduce infant mortality and the report itself can be accessed on ODH's website: odh.ohio.gov.

Attorney General Awarded $499,555 Federal Vision 21 Grant

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

On October 17, 2017, the Office of the Attorney General announced that it had been awarded a $499,555 federal Vision 21: Linking Systems of Care for Children and Youth State Demonstration Project grant by the U.S. Department of Justice's Office for Victims of Crime.[7] The grant will be used by the Attorney General's Crime Victim Services Section to initiate a two-phase project designed to assist state and local agencies in improving identification of child victims, increasing access to existing

[7] The Ohio Attorney General and the Illinois Criminal Justice Authority were the two winning applicants of a competitive bid solicitation issued to add two additional state sites into the federal Linking Systems of Care for Children and Youth program.

services, and improving links to resources. This project is part of an ongoing federal initiative to address the issue of child and youth victimization through state-level demonstration projects.

The award will fund Phase 1, a 15-month planning process to conduct a needs assessment with stakeholders, review existing policies and protocols, determine which agencies should be better linked, and then develop a plan to provide screening and services for child and youth victims. Portions of the award will be allocated to: (1) Case Western Reserve University to conduct a needs assessment that identifies gaps in services and resources and (2) to the Ohio Domestic Violence Network to provide technical and subject matter expertise to assist in developing a statewide training plan based on that assessment. It is anticipated that a second award of up to $500,000 will be available for Phase 2, a five-year implementation process for the statewide training plan developed in Phase 1.

OHFA Expands Eligibility Under Save the Dream Ohio Program

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

On September 26, 2017, the Ohio Housing Finance Agency (OHFA) announced the expansion of the Save the Dream Ohio (SDO) Program to assist homeowners with disabilities. Specifically, SDO will now provide financial assistance to applicants who have been determined eligible for workers' compensation, Social Security disability, VA disability, or disability income assistance though an employer or insurance company. Previously, SDO provided assistance only to applicants who were determined to be eligible for unemployment benefits. Eligible homeowners may qualify for up to $35,000 in assistance to pay delinquent property taxes, reinstate mortgages, or make monthly mortgage payments.

SDO is funded under the U.S. Treasury Department's Hardest-Hit Fund (HHF), a program started in 2010 to help struggling homeowners avoid foreclosure and communities tackle blight in areas particularly affected by the housing crisis. OHFA reopened SDO to accept more applications in September 2016, the result of receiving an additional $191.9 million in funding for the HHF initiative. Since the inception of the SDO program, OHFA has disbursed $434 million in assistance on behalf of 25,000 homeowners.

Controlling Board Approves Grant Awards for Regional Workforce Training

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

On October 16, 2017, the Controlling Board approved the allocation of $2.9 million in capital funds under the Ohio Department of Higher Education's (DHE)

Regionally Aligned Priorities in Delivering Skills (RAPIDS) Program. RAPIDS grants provide funding for capital equipment and facilities used to train students and current workers for the specific workforce requirements of varying regions throughout the state. This round of grants was awarded to institutions in the West, Central, and Northern Appalachia regions. Each region was allocated a total of about $974,000. A brief description of each region's grant recipients and activities is provided below.

Central region. Central Ohio Technical College, Columbus State Community College, and Marion Technical College will focus on supporting regional healthcare, information technology, and manufacturing.

Northern Appalachia region. Belmont College, Eastern Gateway Community College, Washington State Community College, and Zane State College will focus on the oil and gas and healthcare industries by providing equipment, developing curriculum and career pathways for students, improving credit articulation, and strengthening business partnerships with local employers.

West region. Central State University, Clark State Community College, Edison Community College, Sinclair Community College, and Wright State University will focus on improving education and training in the health care and cybersecurity fields through two consortiums. Under both arrangements, participating institutions will share equipment and technology.

Overall, S.B. 310 of the 131st General Assembly appropriated $8.0 million in capital funding for the program to DHE. Additional regions will receive awards as strategic plans are submitted and approved.

BWC Awards $406,000 to Fire Departments Under New Gear and Equipment Grant Program

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

On October 13, 2017, the Bureau of Workers' Compensation (BWC) issued $406,270 in grants to 38 fire departments under a new initiative aimed at reducing firefighters' exposure to toxic environmental elements. The newly created Firefighter Exposure to Environmental Elements Grant Program provides $2.0 million in each fiscal year of the FY 2018-FY 2019 biennium to help fire departments purchase safety gear and equipment designed to protect firefighters from contact with carcinogens and other dangers encountered during the course of duty. Eligible gear and equipment includes diesel exhaust systems, washing machines for turn-out gear, hoods with barrier protection, and washable gloves.

The Firefighter Exposure to Environmental Elements Grant Program is a component of BWC's ongoing Safety Intervention Grant Program that is overseen by the Division of Safety and Hygiene. Eligible firefighting agencies (public, private, and volunteer services that obtain workers' compensation coverage through BWC) may receive up to $15,000 for the purchase of qualified items. Grant applications must include information about the number of active career and volunteer firefighters on staff and the number of fire, EMS, and HazMat runs made each year. Overall, H.B. 27, the workers' compensation budget act for the FY 2018-FY 2019 biennium, provided $15.0 million in each fiscal year for the Safety Intervention Grant Program.

$6 million Awarded to Support Behavioral Healthcare Workforce

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

On September 27, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) awarded $6 million in grants to strengthen Ohio's behavioral healthcare workforce. Grants were given to 61 community-based providers across the state for recruitment, retention, and retraining of behavioral health workers. Providers may use grant funds to help defray costs associated with professional licensure and credentialing and to support tuition payment or loan repayment programs. Funds also may be used to support workforce development for chemical dependency counselors, social workers, marriage and family therapists, and professional counselors. The maximum amount that a provider could receive was $100,000. For a list of all programs receiving funds, please refer to OhioMHAS' website: mha.ohio.gov.

Ohio, along with other states, is experiencing a shortage of behavioral health professionals. This is due in part to an aging behavioral health workforce, a high turnover rate, and a lack of students specializing in behavioral health. The current opioid addiction crisis and a rapidly growing population of older adults have also led to higher demand for these services. In addition to this grant, OhioMHAS plans to address this issue by supporting residency programs in psychiatry, expanding the number of medical professionals who are able to prescribe medication assisted treatment to those addicted to opioids, and sponsoring continuing education courses that focus on drug addiction and its impacts.

Attorney General Awards $89.1 million in Crime Victim Service Grants

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

On October 13, 2017, the Office of the Attorney General awarded a total of $89.1 million to crime victim assistance programs as part of the 2018 grant cycle, including $85.6 million that was awarded to 367 programs pursuant to the federal Victims of Crime Act (VOCA) and $3.5 million that was awarded to 187 programs as part of Ohio's State Victims Assistance Act (SVAA).[8] The grants were awarded to crime victim assistance programs operated by public agencies or private nonprofit organizations. Recipients include rape crisis centers, domestic violence shelters, child advocacy centers, hospitals and emergency medical facilities, prosecutor-based victim/witness programs, community-based victim service organizations, court appointed special advocates, and certain other legal service providers.

The table below shows the five counties that were awarded the most funding during this grant period. These five counties account for 51.0% ($45.4 million) of the award total. Franklin and Cuyahoga counties were awarded the largest amounts of funding as many statewide organizations are headquartered in Columbus and Cleveland. Madison and Putnam are the only two counties that were not awarded any direct funding. However, crime victims in those counties can receive services from agencies in neighboring counties.

Top 5 Counties Receiving Victim Assistance Grant Awards, 2018 Grant Cycle

County	Number of Awards	Total Amount of Funding Awarded	Percentage of Total Funding
Franklin	63	$15,991,954	18.0%
Cuyahoga	44	$15,405,089	17.3%
Summit	16	$5,228,931	5.9%
Hamilton	26	$4,694,610	5.3%
Lucas	16	$4,089,887	4.6%
Top 5 Total	**165**	**$45,410,471**	**51.0%**
Statewide Total	**554**	**$89,054,364**	**N/A**

Ohio Turnpike and Infrastructure Commission Awards Contract to Exploit Connected and Autonomous Vehicles Technologies on the Ohio Turnpike

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

On October 16, 2017, the Ohio Turnpike and Infrastructure Commission entered into a contract to support a project aimed at developing and studying connected and autonomous vehicle technology. The Commission will pay Logicalis, Inc. almost $1.5 million for equipment, software, and technical services for establishing a "proof of concept" project along the Ohio Turnpike. Specifically, this project involves a 52-mile stretch in Northeast Ohio between the Amherst and Streetsboro toll plazas, running through Lorain, Cuyahoga, and Summit counties.

[8] A complete grant award list can be found at: http://www.ohioattorneygeneral.gov/Media/News-Releases.

As part of this project, Turnpike crews have installed roadside sensors that can link to fiber-optic cables already in place along the toll road. The contract will enable 38 Commission vehicles to receive high-speed radios to test vehicle-to-infrastructure and vehicle-to-vehicle communications. For example, the devices can help exchange data about weather advisories or indicate to snow plow drivers the optimal plow angles to remove snow and ice. The project is paid for using a combination of capital and operating funding. Ohio Turnpike toll revenues and proceeds of toll revenue bonds are the two major sources of funding for the Ohio Turnpike and Infrastructure Commission.

This project along the Ohio Turnpike is part of Ohio's contribution to the multistate "Smart Belt Coalition," a partnership between state transportation agencies and research entities in Michigan, Pennsylvania, and Ohio. The purpose of the coalition is to leverage resources in developing and employing next-generation vehicle technologies. Another Smart Belt Coalition project currently under construction is the Ohio Department of Transportation's U.S. Route 33 Smart Corridor Project between Dublin and East Liberty.

TRACKING THE ECONOMY

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

Overview

Economic activity is continuing to rise, bouncing back from temporary hurricane effects. U.S. inflation-adjusted gross domestic product (real GDP) rose at or above a 3% annual rate in this year's second and third quarters. Industrial production rose in September and would have grown in the third quarter except for the hurricanes, according to estimates. The number of nonfarm payroll jobs increased 261,000 in October, and 169,000 on average so far this year after gains averaging 187,000 in all of 2016. The nation's unemployment rate last month fell to 4.1%, lowest in nearly 17 years. Inflation turned higher in September as hurricane-related gasoline shortages pushed up prices. Interest rates remain low, and monetary policy was held unchanged by the Federal Reserve's Open Market Committee at its meeting ended November 1.

In Ohio, total employment trended higher through September. The statewide average unemployment rate edged down in the latest month but increased over the past two years reflecting more people entering or re-entering the job market than found jobs. Reports from businesses in this region through early October indicated that economic activity continued to expand.

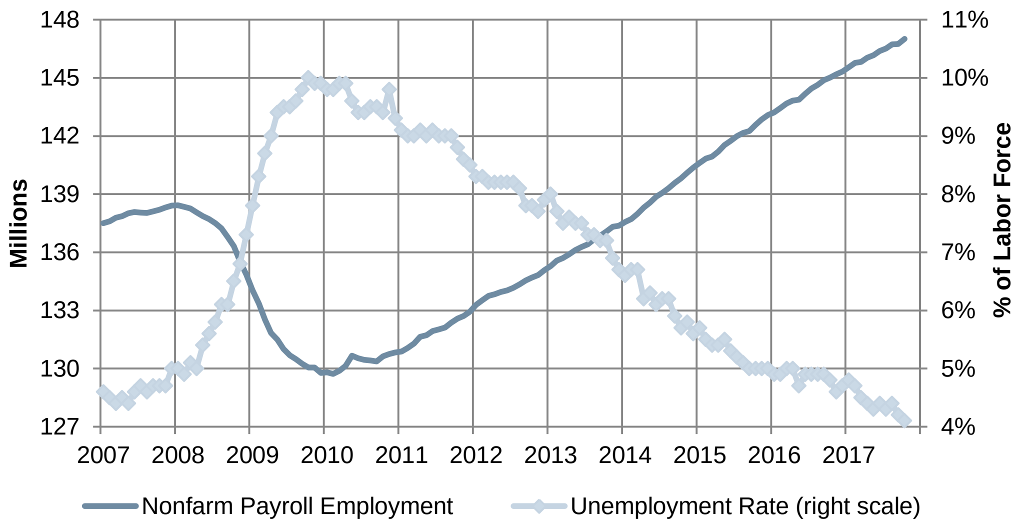
The National Economy

Unemployment nationwide fell to 4.1% of the labor force in October, and total nonfarm payroll employment rose 261,000. Trends in employment and the unemployment rate are shown in Chart 5.

Unemployment nationwide fell to 4.1% of the labor force in October.

The rise in total payroll jobs in October was the largest monthly addition to the number employed since July 2016. Upward revisions to the nonfarm payroll employment figures for August and September added 90,000 jobs and replaced the decline in total employment previously reported for September with a small (18,000) increase. October's rebound was in part a recovery from effects of hurricanes. Workers in food services and drinking places returned to their jobs in October after being off work in the survey period in September due to hurricanes, adding 89,000 to payrolls after a decline of 98,000. Other industries that added to payrolls in October included professional and business services (+50,000), manufacturing (+24,000), and health care (+22,000).

Chart 5: U.S. Employment and Unemployment



The U.S. unemployment rate of 4.1% was lowest since December 2000. People counted as unemployed – those without jobs who actively sought work in the most recent four weeks – totaled 6.5 million in October, 1.2 million fewer than a year earlier and 8.8 million fewer than in 2009 when unemployment peaked. The unemployed in October included 1.6 million who had been seeking work for more than six months. An additional 1.6 million people had jobs but could only find part-time work.

Real GDP grew at a 3.0% annual rate in the 2017 third quarter.

Real GDP grew at a 3.0% annual rate in the 2017 third quarter, in the U.S. Bureau of Economic Analysis' initial estimate, following growth at a 3.1% rate in the second quarter. Earlier, this broad measure of U.S. economic activity grew at only a 1.2% rate in this year's first quarter, and 1.5% for all of last year. The upturn in the pace of economic growth reflects a pickup in business spending, particularly for equipment. Consumer spending continued to advance, but investment in residential structures slowed and government spending remained weak. The rate of additions to inventories turned higher in the latest two quarters.

Industrial production rose 0.3% in September, following declines in July and August. Adverse effects of hurricanes Harvey and Irma continued to hold down industrial output in September. For the third quarter, the actual decline in the industrial production index at a 1.5% annual rate would have been at least a 0.5% increase excluding hurricane effects.

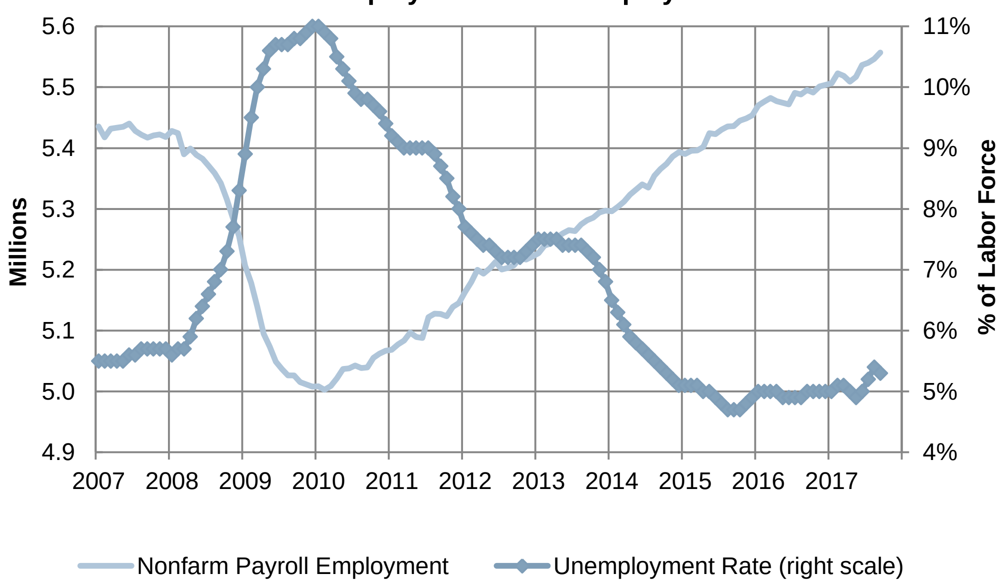
The consumer price index (CPI) for all items rose 0.5% in September, its largest monthly increase since January. The rise mostly reflected higher gasoline prices. Compared with a year earlier, the CPI for all items was 2.2% higher, and the index of consumer prices other than food and energy was 1.7% higher than a year earlier for the fifth consecutive month. A related price measure, the personal consumption expenditures deflator excluding food and energy, was 1.3% higher in September than a year earlier.

The Ohio Economy

Ohio's unemployment rate dropped slightly in September to 5.3% from 5.4% in August. Ohio's unemployment rate was well above the U.S. unemployment rate of 4.2% for September. In September 2016, Ohio's unemployment rate was 5.0%, 0.1 percentage point higher than that of the U.S. The number of Ohioans counted as unemployed was 305,000 in September, a decrease of 6,000 from August. From a year earlier, the number of unemployed Ohioans increased by 21,000. Chart 6 below shows trends in the state's payroll employment and unemployment rate over the last ten years.

Ohio's unemployment rate dropped slightly in September to 5.3% from 5.4% in August.

Chart 6: Ohio Employment and Unemployment Rates



The state's total nonfarm payroll employment, seasonally adjusted, increased by 10,500, or 0.2% in September from August's revised total, following a gain of 6,500 jobs in August. In September, the private service-providing sector added 7,400 jobs and goods-producing industries added 3,100 jobs. Government employment was unchanged as job gains in state and federal governments were offset by job losses in local government. September's job gains were recorded in trade, transportation, and utilities; educational and health services; manufacturing; leisure and hospitality; and construction. Job losses occurred in financial activities, other (miscellaneous) services, information, and professional and business services. Employment in the mining and logging industry group was unchanged in September.

Ohio's total nonfarm payroll employment increased by 61,600, or 1.1%, in September compared with a year earlier.

Compared to September 2016, Ohio's total nonfarm payroll employment increased by 61,600, or 1.1%. The increase was largely in educational and health services (+24,800), leisure and hospitality (+19,300), construction (+9,100), and financial activities (+6,300). Decreases in employment occurred in trade, transportation, and utilities; government; and information.

The number of existing homes sold in Ohio dropped by 2.8% from September 2016 to September 2017, according to the Ohio Association of Realtors. During the period of January through September 2017, existing home unit sales were 0.6% higher than in the corresponding months in 2016. The statewide sales price of homes sold in the first nine months of 2017 averaged $172,946, or 5.3% higher than in the same period in 2016.

Economic activity in the Federal Reserve Bank of Cleveland's district grew at a moderate pace, according to the latest Beige Book.[9] Hiring in the region grew across industries for which reports were received. Employers in construction and nonfinancial services sectors reported wage pressures for both high-skilled and low-skilled workers. Input prices rose moderately. Retailers indicated little change in consumer spending. Sales of new motor vehicles increased about 3% in the first eight months of this year compared to the corresponding period a year earlier. Manufacturing activity continued to expand at a modest pace, but production at auto assembly plants trended lower. Residential and nonresidential building markets in the region remained strong. Business lending increased slightly on balance. Freight contacts noted increased volume due to more e-commerce shipments and oil and gas industry expansion.

[9] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and northern panhandle of West Virginia. The Beige Book summarizes comments from business and industry contacts outside of the Federal Reserve System collected on or before October 6, 2017.