Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION OCTOBER 2017

STATUS OF THE GRF

HIGHLIGHTS

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

GRF sources ended the first quarter of FY 2018 with a positive variance of $82.3 million compared to the estimate published by the Office of Budget and Management (OBM) in September 2017. All GRF source categories were above estimates. GRF taxes as a whole performed relatively well. Total tax revenue came in $17.4 million above estimate, despite a shortfall from the nonauto sales and use tax, the largest contributor to GRF tax revenues.

Ohio's unemployment rate went up to 5.4% in August, the highest rate since September 2014, from 5.2% in July. Ohio's rate was a full percentage point higher than the national rate, though nonfarm payroll employment increased in private service-providing and goods-producing sectors in August by a total of 11,000.

Through September 2017, GRF sources totaled $8.18 billion:

- Revenue from the personal income tax was $16.5 million above estimate;
- Sales and use tax receipts were $6.7 million above estimate.

Through September 2017, GRF uses totaled $8.97 billion:

- Program expenditures were $82.7 million below estimate;
- Expenditures from all program categories were below estimates except for Medicaid, which was above estimate by $5.5 million.

VOLUME 41, NUMBER 2

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of September 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 2, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$120,009	$117,300	$2,709	2.3%
Nonauto Sales and Use	$660,263	$647,700	$12,563	1.9%
Total Sales and Use Taxes	**$780,273**	**$765,000**	**$15,273**	**2.0%**
Personal Income	$778,628	$796,800	-$18,172	-2.3%
Commercial Activity Tax	$10,155	$8,400	$1,755	20.9%
Cigarette	$86,912	$79,200	$7,712	9.7%
Kilowatt-Hour Excise	$32,922	$35,000	-$2,078	-5.9%
Foreign Insurance	$6,399	$9,200	-$2,801	-30.4%
Domestic Insurance	$5	$0	$5	---
Financial Institution	-$7,533	$500	-$8,033	-1606.7%
Public Utility	$1	-$200	$201	100.5%
Natural Gas Consumption (MCF)	-$1	$0	-$1	---
Alcoholic Beverage	$4,600	$5,300	-$700	-13.2%
Liquor Gallonage	$4,073	$3,800	$273	7.2%
Petroleum Activity Tax	$1,570	$1,300	$270	20.8%
Corporate Franchise	$72	$0	$72	---
Business and Property	$0	$0	$0	---
Estate	-$3	$0	-$3	---
Total Tax Revenue	**$1,698,073**	**$1,704,300**	**-$6,227**	**-0.4%**
NONTAX REVENUE				
Earnings on Investments	$12	$0	$12	---
Licenses and Fees	$15,431	$1,750	$13,681	781.8%
Other Revenue	$7,298	$2,880	$4,418	153.4%
Total Nontax Revenue	**$22,741**	**$4,630**	**$18,111**	**391.2%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$0	$0	---
Total Transfers In	**$0**	**$0**	**$0**	**---**
TOTAL STATE SOURCES	**$1,720,815**	**$1,708,930**	**$11,885**	**0.7%**
Federal Grants	$780,003	$751,299	$28,703	3.8%
TOTAL GRF SOURCES	**$2,500,817**	**$2,460,229**	**$40,588**	**1.6%**

*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 September 30, 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 2, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$369,201	$357,300	$11,901	3.3%	$366,044	0.9%
Nonauto Sales and Use	$2,183,889	$2,189,100	-$5,211	-0.2%	$2,287,666	-4.5%
Total Sales and Use Taxes	**$2,553,090**	**$2,546,400**	**$6,690**	**0.3%**	**$2,653,710**	**-3.8%**
Personal Income	$2,069,123	$2,052,600	$16,523	0.8%	$1,987,458	4.1%
Commercial Activity Tax	$355,377	$346,100	$9,277	2.7%	$298,382	19.1%
Cigarette	$188,751	$187,000	$1,751	0.9%	$194,700	-3.1%
Kilowatt-Hour Excise	$90,762	$97,900	-$7,138	-7.3%	$98,612	-8.0%
Foreign Insurance	$6,522	$9,800	-$3,278	-33.4%	$10,220	-36.2%
Domestic Insurance	$62	$3,700	-$3,638	-98.3%	$2,370	-97.4%
Financial Institution	-$4,875	$1,300	-$6,175	-475.0%	$1,278	-481.6%
Public Utility	$27,337	$25,900	$1,437	5.5%	$23,457	16.5%
Natural Gas Consumption (MCF)	$11,326	$12,400	-$1,074	-8.7%	$11,918	-5.0%
Alcoholic Beverage	$15,449	$15,300	$149	1.0%	$18,021	-14.3%
Liquor Gallonage	$12,225	$11,700	$525	4.5%	$11,788	3.7%
Petroleum Activity Tax	$1,570	$1,300	$270	20.8%	$1,542	1.8%
Corporate Franchise	$2,377	$0	$2,377	---	-$496	579.0%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$29	$0	$29	---	$73	-60.3%
Total Tax Revenue	**$5,328,752**	**$5,311,400**	**$17,352**	**0.3%**	**$5,312,354**	**0.3%**
NONTAX REVENUE						
Earnings on Investments	$34	$0	$34	---	$9	289.4%
Licenses and Fees	$21,208	$8,100	$13,108	161.8%	$9,127	132.4%
Other Revenue	$13,122	$5,330	$7,792	146.2%	$49,180	-73.3%
Total Nontax Revenue	**$34,364**	**$13,430**	**$20,934**	**155.9%**	**$58,316**	**-41.1%**
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	**$5,474,463**	**$5,421,059**	**$53,404**	**1.0%**	**$5,385,979**	**1.6%**
Federal Grants	$2,708,707	$2,679,813	$28,894	1.1%	$3,132,170	-13.5%
TOTAL GRF SOURCES	**$8,183,171**	**$8,100,872**	**$82,298**	**1.0%**	**$8,518,149**	**-3.9%**

*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

GRF sources ended the first quarter of FY 2018 with a cumulative positive variance of $82.3 million (1.0%) compared to OBM's estimates published in September 2017. All four GRF source categories were above estimates: federal grants by $28.9 million (1.1%), tax revenue by $17.4 million (0.3%), nontax revenue by $20.9 million (155.9%), and transfers in by $15.1 million (15.7%). 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 the state GRF moneys.

First-quarter GRF sources were $82.3 million above estimate.

Tables 1 and 2 show GRF sources for September and for FY 2018 through September, respectively. Overall, GRF taxes performed fairly well through the first quarter, despite a shortfall from the nonauto sales and use tax, the largest GRF revenue source.[2] Receipts from the other major taxes – the auto sales tax, the personal income tax (PIT), the commercial activity tax (CAT), and the cigarette tax – were in positive territory.

For the month of September, total GRF sources of $2.50 billion were $40.6 million above estimate. Positive variances of $28.7 million for federal grants and $18.1 million for nontax revenue were partially offset by a negative variance of $6.2 million for tax sources. The PIT experienced a shortfall of $18.2 million; however, the remaining major tax sources had a good month. The sales and use tax, the CAT, and the cigarette tax were above estimates by $15.3 million, $1.8 million, and $7.7 million, respectively. On the other hand, the financial institutions tax (FIT), the foreign insurance tax, and the kilowatt-hour tax had negative variances of $8.0 million, $2.8 million, and $2.1 million, respectively.

Tax sources performed relatively well through September in FY 2018.

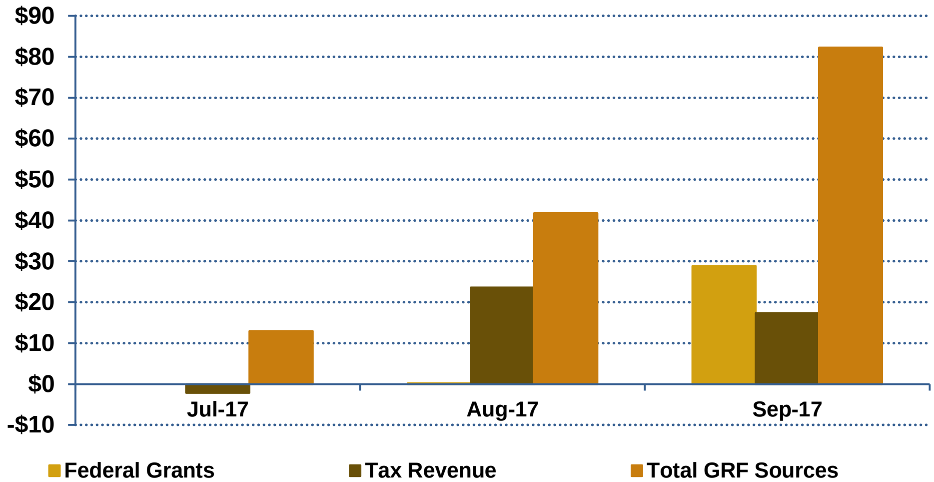
For the fiscal year to date, the following taxes were noticeably above estimates: the sales and use tax ($6.7 million), the PIT ($16.5 million), the CAT ($9.3 million), and the corporate franchise tax

[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] Revenue from the sales and use tax has been poor and the tax fell short of estimates by $193.0 million in FY 2017, most of which ($187.0 million) was from the nonauto portion of the tax.

(CFT, $2.4 million). These positive variances were partially offset by shortfalls of $7.1 million for the kilowatt-hour tax, $6.2 million for the FIT, and a combined $6.9 million for the two insurance taxes. The chart below illustrates the cumulative performance of total GRF sources relative to estimates in the first quarter of FY 2018.

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



Compared to GRF sources for the first quarter of FY 2017, FY 2018 year-to-date GRF sources of $8.18 billion were $335.0 million (3.9%) lower. Decreases of $423.5 million (13.5%) in federal grants and $24.0 million (41.1%) in nontax revenue were partially offset by increases in transfers in ($96.0 million, 627.4%) and tax receipts ($16.4 million, 0.3%). Notably, PIT and CAT receipts grew by $81.7 million (4.1%) and $57.0 million (19.1%), respectively, while sales and use tax receipts declined by $100.6 million (3.8%). The increase in CAT receipts was due in part to an increase in the share of CAT revenue allocated to the GRF enacted in H.B. 49, the budget act for the current biennium, while the decline in sales tax revenue resulted from a policy change that decreased the nonauto sales and use tax base, as explained in the following section.

The sales and use tax posted a positive variance of $6.7 million in the first quarter of FY 2018.

Sales and Use Tax

In the first three months of FY 2018, total GRF sales and use tax receipts of $2.55 billion were $6.7 million (0.3%) above estimate, but $100.6 million (3.8%) below receipts in FY 2017 through September. Though the auto sales tax was above projected receipts, the performance of the nonauto portion of the tax has been subpar. 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]

Nonauto Sales and Use Tax

GRF revenue from the nonauto sales and use tax totaled $660.3 million in September, $12.6 million (1.9%) above estimate. This tax also performed better than expected in August and came in $9.0 million above the estimate for the month. Despite good performances in August and September, however, the nonauto sales and use tax was below anticipated revenues by $5.2 million (0.2%) at the end of the first fiscal quarter, due to a large negative variance in July. Compared to revenue in the same month last year, September nonauto sales and use tax revenue decreased $58.2 million (8.1%); and for the fiscal year, GRF receipts from this tax totaled $2.18 billion, $103.8 million (4.5%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base as explained below.

Through September in FY 2018, the nonauto sales and use tax was $5.2 million below estimate.

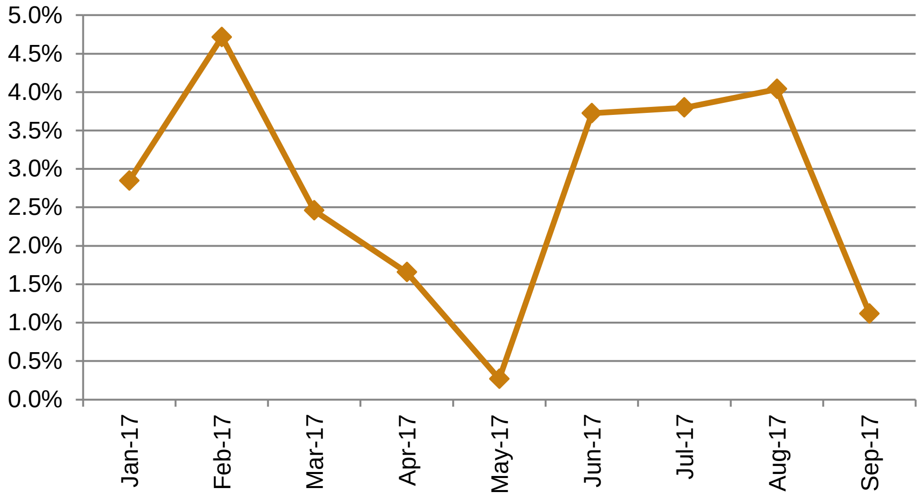
Starting November 2010, nonauto sales and use tax receipts included revenue from the sales tax on Medicaid health insuring corporations (MHICs). Revenue attributable to MHICs grew to contribute about 9% of nonauto sales tax collections in FY 2017. This portion of the nonauto sales tax was generally correlated to GRF Medicaid spending. Beginning July 1, 2017, the tax was eliminated as federal rules required Ohio to discontinue applying the sales tax to MHICs, and the last MHIC payment was deposited in the GRF in July for taxable transactions that occurred in June 2017. H.B. 49 replaced the sales tax with a provider assessment on both Medicaid and non-Medicaid managed care companies, with proceeds deposited in a non-GRF fund. Accordingly, starting in August and for the rest of the fiscal year, negative growth in nonauto sales and use tax revenue is generally expected when compared to the corresponding month in FY 2017.

However, after adjusting for the effect of MHIC policy change on the nonauto sales and use tax base, monthly revenue growth on a year-ago basis would have only been 2.0% and 0.9%, respectively, in August and in September. The weakness of this tax source that started in FY 2017

[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.

continues.[4] The chart below provides year-over-year growth in nonauto sales and use tax collections in 2017.

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



Auto Sales and Use Tax

September GRF revenue from the auto portion of the sales and use tax of $120.0 million was above estimate by $2.7 million (2.3%). Through September, FY 2018 auto sales tax receipts of $369.2 million were $11.9 million (3.3%) above estimate, and $3.1 million (0.9%) above receipts in FY 2017. Despite a good start to the fiscal year, year-over-year growth in auto sales tax collections has decelerated in the last few months, as seen in the chart below. According to most auto analysts, vehicle demand may have peaked and is expected to remain flat or decline in future months.

Through September in FY 2018, the auto sales and use tax was $11.9 million above estimate.

For the month of September, U.S. light vehicle (i.e., auto and light truck) sales surged to a seasonally adjusted annualized rate of 18.6 million units, marking the best sales month since July 2005. However, this surge was mainly due to replacement vehicle demand from areas affected by recent hurricanes. Some forecasters have increased their annual new-vehicles sales forecast. However, due to the localized and transitory nature of this increase in demand, the nationwide sales jump in September or the rest of the calendar year would not result in increased Ohio auto sales and use taxes.

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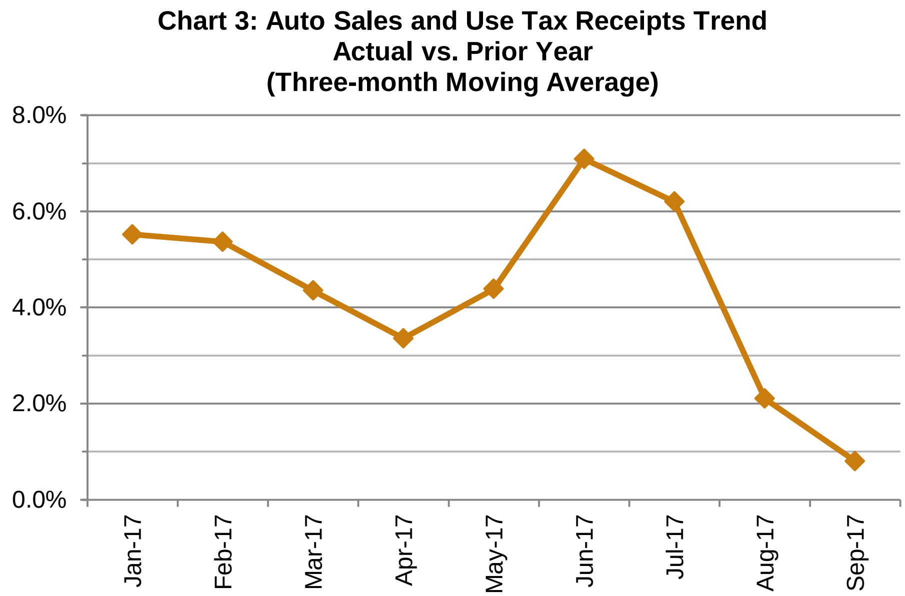
[4] The nonauto sales and use tax grew by 2.4% in FY 2017, compared with the average annual growth rate of 4.1% during the 15-year period from FY 2002 to FY 2016.



Personal Income Tax

FY 2018 PIT GRF revenue of $2.07 billion was $16.5 million (0.8%) above estimate, due to positive variances of $29.2 million (5.1%) in July and $5.5 million (0.8%) in August. In contrast, September PIT revenue of $778.6 million was $18.2 million (2.3%) below estimate. September 2017 PIT receipts were also $11.3 million (1.4%) below September 2016 revenue. However, for the fiscal year to date, GRF revenue from the tax was $81.7 million (4.1%) higher than in FY 2017.

PIT revenue is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[5] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections, and to a lesser extent, the amount of refunds to taxpayers. For September 2017, employer withholding and taxes due with annual returns were below projections by $18.9 million and $8.9 million, respectively. Partially offsetting these negative variances, miscellaneous payments were $1.5 million above anticipated revenues and refunds were $7.7 million

After a poor FY 2017, first-quarter PIT revenue was $16.5 million above estimate in FY 2018 through September.

[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.

below estimate. The first quarterly estimated payments for FY 2018, due in September, were on target. 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, which ended the first quarter with a negative variance. Refunds were also lower than the estimate for the first quarter.

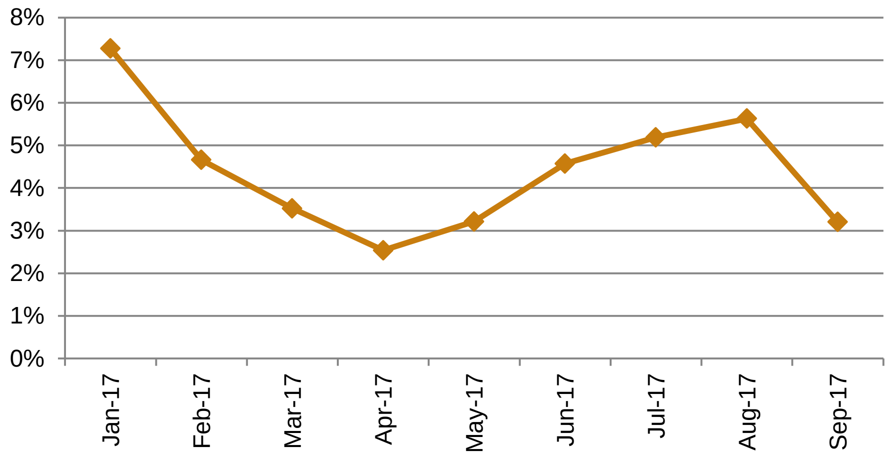
FY 2018 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$7.6	0.4%	$61.3	3.1%
Quarterly Estimated Payments	$5.3	2.9%	$11.3	6.3%
Trust Payments	$1.3	15.1%	$1.0	11.2%
Annual Return Payments	-$9.8	-27.3%	-$9.8	-27.3%
Miscellaneous Payments	$3.5	20.4%	$4.0	24.0%
Gross Collections	$8.0	0.4%	$67.9	3.0%
Less Refunds	-$9.3	-6.6%	-$17.0	-11.4%
Less LGF Distribution	$0.8	0.8%	$3.2	3.3%
GRF PIT Revenue	$16.5	0.8%	$81.7	4.1%

Employer withholding revenue growth decreased in September.

Compared to corresponding receipts in FY 2017 through September, first-quarter receipts from employer withholding, quarterly estimated payments and miscellaneous payments were higher, though payments with annual returns were substantially below those of last year. Year-to-date refunds were also below their levels in the first quarter of FY 2017. Payrolls are still growing, but employer withholding growth slowed in September after it had picked up in the spring and summer months. 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 continued its recent trend and performed well in the first quarter of FY 2018. Year-to-date GRF CAT receipts of $355.4 million were $9.3 million (2.7%) above estimate. September GRF receipts of $10.2 million were $1.8 million (20.9%) above projected revenue, increasing the cumulative positive variance of $7.5 million realized in the first two months of the fiscal year.

FY 2018 CAT tax receipts to the GRF were $9.3 million above estimate through September.

FY 2018 CAT receipts to the GRF were $57.0 million (19.1%) above receipts in FY 2017 through September 2016. This increase is mostly due to the CAT allocation change enacted in H.B. 49. Actual net collections from the CAT only increased $19.9 million (4.9%) from first-quarter net collections in FY 2017. Growth in gross collections was higher, $30.9 million (7.2%), but tax receipts were reduced by increased refunds this year when compared to the first three months in FY 2017.

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

September GRF revenue of $86.9 million from the cigarette and other tobacco products tax was $7.7 million (9.7%) above estimate and also $2.8 million (3.3%) above revenue in September 2016. In the first two months of the fiscal year, the cumulative negative variance for the cigarette and other tobacco products tax totaled $6.0 million (5.5%). Thus, the tax's performance in September resulted in a positive variance of $1.8 million (0.9%) for the fiscal quarter.

For FY 2018 through September, sales of cigarettes provided GRF revenue of $171.2 million and $17.6 million came in from sales of other tobacco products, for a total of $188.8 million. Total revenue was $5.9 million (3.1%) below collections in the corresponding period in FY 2017. Receipts from cigarettes sales fell $6.2 million while those from other tobacco products grew $0.3 million. Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

FY 2018 cigarette tax receipts were $1.8 million above estimate through September.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of September 2017
($ in thousands)
(Actual based on OAKS reports run October 4, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$626,065	$636,084	-$10,019	-1.6%
Higher Education	$189,932	$191,571	-$1,639	-0.9%
Other Education	$8,991	$11,702	-$2,712	-23.2%
Total Education	**$824,988**	**$839,358**	**-$14,370**	**-1.7%**
Medicaid	$1,183,121	$1,173,655	$9,465	0.8%
Health and Human Services	$56,087	$84,420	-$28,333	-33.6%
Total Welfare and Human Services	**$1,239,207**	**$1,258,076**	**-$18,868**	**-1.5%**
Justice and Public Protection	$141,928	$156,292	-$14,364	-9.2%
General Government	$22,258	$27,698	-$5,439	-19.6%
Total Government Operations	**$164,186**	**$183,989**	**-$19,804**	**-10.8%**
Property Tax Reimbursements	$175,471	$359,418	-$183,947	-51.2%
Debt Service	$419,336	$422,386	-$3,050	-0.7%
Total Other Expenditures	**$594,806**	**$781,804**	**-$186,998**	**-23.9%**
Total Program Expenditures	**$2,823,187**	**$3,063,227**	**-$240,040**	**-7.8%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$273	$273	$0	0.0%
Total Transfers Out	**$273**	**$273**	**$0**	**0.0%**
TOTAL GRF USES	**$2,823,460**	**$3,063,500**	**-$240,040**	**-7.8%**

*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 September 30, 2017
($ in thousands)
(Actual based on OAKS reports run October 4, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$2,066,824	$2,090,796	-$23,972	-1.1%	$1,442,926	43.2%
Higher Education	$540,361	$541,848	-$1,487	-0.3%	$373,603	44.6%
Other Education	$23,602	$27,332	-$3,730	-13.6%	$15,285	54.4%
Total Education	**$2,630,787**	**$2,659,976**	**-$29,189**	**-1.1%**	**$1,831,813**	**43.6%**
Medicaid	$4,135,948	$4,130,420	$5,528	0.1%	$3,228,650	28.1%
Health and Human Services	$283,927	$300,722	-$16,795	-5.6%	$216,993	30.8%
Total Welfare and Human Services	**$4,419,875**	**$4,431,142**	**-$11,267**	**-0.3%**	**$3,445,643**	**28.3%**
Justice and Public Protection	$574,067	$589,711	-$15,643	-2.7%	$411,340	39.6%
General Government	$95,254	$104,459	-$9,204	-8.8%	$77,092	23.6%
Total Government Operations	**$669,322**	**$694,169**	**-$24,848**	**-3.6%**	**$488,432**	**37.0%**
Property Tax Reimbursements	$413,777	$428,036	-$14,259	-3.3%	$135,496	205.4%
Debt Service	$773,964	$777,102	-$3,138	-0.4%	$374,645	106.6%
Total Other Expenditures	**$1,187,741**	**$1,205,137**	**-$17,397**	**-1.4%**	**$510,142**	**132.8%**
Total Program Expenditures	**$8,907,724**	**$8,990,425**	**-$82,700**	**-0.9%**	**$6,276,030**	**41.9%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$58,368	$45,914	$12,454	27.1%	$212,614	-72.5%
Total Transfers Out	**$58,368**	**$45,914**	**$12,454**	**27.1%**	**$242,096**	**-75.9%**
TOTAL GRF USES	**$8,966,092**	**$9,036,339**	**-$70,246**	**-0.8%**	**$6,518,126**	**37.6%**

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

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

Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on October 4, 2017)

	Month of September 2017				Year to Date Through September 2017			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$2,232,252**	**$2,236,362**	**-$4,110**	**-0.2%**	**$6,326,012**	**$6,361,049**	**-$35,036**	**-0.6%**
GRF	$1,123,814	$1,114,178	$9,636	0.9%	$3,955,919	$3,950,106	$5,812	0.1%
Non-GRF	$1,108,438	$1,122,184	-$13,746	-1.2%	$2,370,094	$2,410,942	-$40,849	-1.7%
Developmental Disabilities	**$191,411**	**$208,599**	**-$17,188**	**-8.2%**	**$665,059**	**$751,130**	**-$86,071**	**-11.5%**
GRF	$49,026	$49,061	-$35	-0.1%	$148,480	$152,039	-$3,559	-2.3%
Non-GRF	$142,385	$159,538	-$17,153	-10.8%	$516,579	$599,091	-$82,512	-13.8%
Job and Family Services	**$22,425**	**$21,729**	**$696**	**3.2%**	**$69,832**	**$64,211**	**$5,621**	**8.8%**
GRF	$9,405	$9,610	-$205	-2.1%	$29,068	$25,717	$3,351	13.0%
Non-GRF	$13,020	$12,119	$901	7.4%	$40,764	$38,494	$2,270	5.9%
Health	**$3,725**	**$1,946**	**$1,779**	**91.4%**	**$7,124**	**$7,373**	**-$249**	**-3.4%**
GRF	$419	$322	$97	30.2%	$1,063	$946	$116	12.3%
Non-GRF	$3,306	$1,624	$1,681	103.5%	$6,061	$6,426	-$365	-5.7%
Mental Health and Addiction	**$100**	**$350**	**-$251**	**-71.5%**	**$781**	**$1,230**	**-$449**	**-36.5%**
GRF	$100	$225	-$125	-55.7%	$367	$679	-$312	-45.9%
Non-GRF	$0	$125	-$125	-100.0%	$414	$551	-$137	-24.9%
Aging	**$420**	**$570**	**-$150**	**-26.3%**	**$1,506**	**$1,980**	**-$473**	**-23.9%**
GRF	$223	$248	-$25	-10.1%	$895	$895	$0	0.0%
Non-GRF	$197	$322	-$125	-38.7%	$611	$1,085	-$473	-43.6%
Pharmacy Board	**$70**	**$36**	**$34**	**95.3%**	**$105**	**$1,435**	**-$1,330**	**-92.7%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$70	$36	$34	95.3%	$105	$1,435	-$1,330	-92.7%
Education	**$134**	**$23**	**$110**	**470.9%**	**$163**	**$69**	**$94**	**137.5%**
GRF	$134	$12	$122	1041.9%	$156	$37	$119	324.4%
Non-GRF	$0	$12	-$12	-100.0%	$7	$32	-$25	-78.5%
Total GRF	**$1,183,121**	**$1,173,655**	**$9,465**	**0.8%**	**$4,135,948**	**$4,130,420**	**$5,528**	**0.1%**
Total Non-GRF	**$1,267,415**	**$1,295,960**	**-$28,545**	**-2.2%**	**$2,934,634**	**$3,058,057**	**-$123,423**	**-4.0%**
Total All Funds	**$2,450,536**	**$2,469,615**	**-$19,079**	**-0.8%**	**$7,070,583**	**$7,188,477**	**-$117,894**	**-1.6%**

*Estimates are from the Department of Medicaid.
Detail may not sum to total due to rounding.

Table 6: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on October 4, 2017)

	September				Year to Date Through September 2017			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$999,089	$991,018	$8,071	0.8%	$2,830,371	$2,810,573	$19,798	0.7%
ACA - Managed Care	$344,125	$342,308	$1,818	0.5%	$1,033,628	$1,030,553	$3,075	0.3%
DDD Services	$187,593	$203,122	-$15,529	-7.6%	$644,052	$727,406	-$83,354	-11.5%
Hospitals	$377,143	$381,088	-$3,945	-1.0%	$847,665	$864,333	-$16,667	-1.9%
Nursing Facilities	$129,155	$124,501	$4,654	3.7%	$390,262	$368,561	$21,700	5.9%
Physicians/All Other	$83,151	$84,338	-$1,186	-1.4%	$294,246	$309,058	-$14,812	-4.8%
Behavioral Health	$91,607	$86,595	$5,012	5.8%	$311,338	$303,214	$8,124	2.7%
Administration	$81,771	$95,079	-$13,308	-14.0%	$230,207	$265,049	-$34,842	-13.1%
Medicare Buy-In	$49,557	$50,473	-$915	-1.8%	$149,176	$150,843	-$1,667	-1.1%
Medicare Part D	$39,749	$41,185	-$1,436	-3.5%	$118,091	$124,590	-$6,499	-5.2%
Prescription Drugs	$24,243	$27,771	-$3,528	-12.7%	$84,459	$97,006	-$12,547	-12.9%
Aging Waivers	$33,792	$32,050	$1,741	5.4%	$104,224	$102,260	$1,964	1.9%
Home Care Waivers	$9,559	$10,086	-$528	-5.2%	$32,863	$35,030	-$2,167	-6.2%
Total All Funds	**$2,450,536**	**$2,469,615**	**-$19,079**	**-0.8%**	**$7,070,583**	**$7,188,477**	**-$117,894**	**-1.6%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[6]

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

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

Overview

For the first quarter of FY 2018, GRF uses were largely in line with the estimate released by OBM in September 2017. Program expenditures, the main component of GRF uses, totaled $8.91 billion, $82.7 million below estimate. The smaller component, GRF transfers out, totaled $58.4 million, $12.5 million above estimate. Including both program expenditures and transfers out, GRF uses totaled $8.97 billion through September, $70.2 million (0.8%) below estimate.

For the first quarter of FY 2018, GRF uses were $70.2 million below estimate.

Primary and Secondary Education had the largest negative year-to-date variance at $24.0 million (1.1%), of which $10.0 million occurred in the month of September. Health and Human Services had the second largest negative year-to-date variance. This program category's expenditures were $28.3 million below estimate in September, which turned the category's year-to-date variance from a positive $11.5 million at the end of August to a negative $16.8 million (5.6%) at the end of September. Justice and Public Protection also had a relatively large negative variance of $14.4 million in September, which resulted in the third largest negative year-to-date variance of $15.6 million (2.7%). Timing likely accounted for the majority of these variances.

Timing is also the main culprit behind the variances in Property Tax Reimbursements. After posting a large positive variance of $169.7 million in August, Property Tax Reimbursements had an even larger negative variance of $183.9 million in September. This variance accounted for almost 77% of the total negative variance of $240.0 million in GRF program expenditures for the month. For the first quarter as a whole, the negative variance for Property Tax Reimbursements ranked the fourth largest at $14.3 million.

Almost 46% of estimated GRF spending is expected to go to Medicaid in FY 2018. Through September, GRF Medicaid expenditures were $4.14 billion, $5.5 million (0.1%) above estimate. Based on FY 2018 appropriations, about 55% of Medicaid expenditures will be made from

[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.

the GRF and the remaining 45% will be made from various non-GRF funds. Medicaid's variances, from both the GRF and non-GRF funds, are briefly discussed below.

Medicaid

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

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[7] – account for the remaining one percent. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

As shown in Table 5, for the first quarter of FY 2018, GRF Medicaid expenditures were $5.5 million (0.1%) above estimate while non-GRF Medicaid expenditures were $123.4 million (4.0%) below estimate. Across all funds, Medicaid expenditures were $117.9 million (1.6%) below estimate. All-funds expenditures from ODODD and ODM were $86.1 million (11.5%) and $35.0 million (0.6%), respectively, below their year-to-date estimates. These negative variances were partially offset by a positive year-to-date variance of $5.6 million (8.8%) from the Ohio Department of Job and Family Services.

Table 6 shows all-funds Medicaid expenditures by payment category. Services provided by ODODD (labeled "DDD Services" in the table) had the largest negative year-to-date variance at $83.4 million (11.5%), followed by Administration at $34.8 million (13.1%). The smaller positive and negative year-to-date variances in other payment categories largely offset each other.

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

Expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were largely on par with the estimates. Those expenditures were $19.8 million (0.7%) and $3.1 million (0.3%), respectively, above the estimates for the first quarter. The ACA-Managed Care category tracks managed care expenditures for individuals who became eligible for Medicaid through the federal Affordable Care Act. 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.

ISSUE UPDATES

OhioMHAS Receives $2 Million Grant to Enhance Medication-Assisted Treatment

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

On July 31, 2017, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) was awarded $2 million in federal Medication-Assisted Treatment Prescription Drug and Opioid Addiction Grant funds. The funds are to be used to enhance or expand access to medication assisted treatment (MAT) for individuals with an opioid use disorder. In Ohio, these grant funds will be provided to nine alcohol, drug addiction, and mental health (ADAMH) boards representing the following 17 counties: Allen, Auglaize, Darke, Delaware, Fairfield, Hardin, Knox, Licking, Medina, Miami, Morrow, Portage, Richland, Sandusky, Seneca, Shelby, and Wyandot. These ADAMH boards were selected due to two major criteria: (1) the ADAMH board did not receive specific funding to expand MAT under Ohio's $26 million federal State Targeted Response to the Opioid Crisis Grant and (2) the number of unintentional overdose deaths in the ADAMH board's area was at least 90 or more between 2010 and 2015. Specific activities that will be funded include: the development of crisis response teams; on-boarding prescribers; paying for medication; expanding ambulatory detox and residential treatment; and enhancing care at hospitals, community health centers, and federally qualified health centers.

The grant is administered by the federal Substance Abuse and Mental Health Services Administration (SAMHSA). Eligibility was limited to states with high rates of primary treatment admissions for heroin and opioids. SAMHSA anticipates these grant funds to increase the number of individuals receiving MAT services and integrated care and to decrease the usage of illicit drugs and nonprescribed opioids.

Attorney General Announces $3 million in Drug Abuse Response Team Grants

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

On September 6, 2017, the Ohio Attorney General announced that 40 law enforcement agencies will receive a total of $3 million in Drug Abuse Response Team (DART) grants. The purpose of the grants is to address Ohio's opioid epidemic by helping grant recipients replicate or expand successful law enforcement programs similar to (1) the DART in Lucas County or (2) the Quick Response Teams (QRTs) in

Summit County and Colerain Township (Hamilton County). H.B. 49 appropriates $1.5 million in GRF funding in each fiscal year of the FY 2018-FY 2019 biennium to be used by the Attorney General for this purpose.

The grants were awarded at three levels based on the size of the population served by the law enforcement agency: up to $50,000 for an agency serving up to 37,000 persons (Tier 1), up to $100,000 for an agency serving a population of between 37,000 and 239,000 persons (Tier 2), and up to $125,000 for an agency serving a population of more than 239,000 persons (Tier 3). Based on this allocation method, ten Tier 1 law enforcement agencies were allocated $50,000 each. Twenty of the 24 Tier 2 agencies were allocated $100,000 each; the other four Tier 2 agencies were allocated their requested amounts, which were less than the maximum amount of $100,000 for this tier. Six Tier 3 law enforcement agencies were allocated $125,000 each. The complete list of grant awards may be accessed at: www.ohioattorneygeneral.gov.

The law enforcement agencies receiving grant funding are required to partner with a drug abuse treatment provider. Many of the grant recipients also include other partners such as fire departments, emergency management agencies, faith-based organizations, and children's services agencies. The officers and partners comprising these response teams assist overdose survivors in the recovery process. Team members visit survivors and offer counseling and referrals to drug rehabilitation facilities, detoxification facilities, ongoing drug treatment, and aftercare.

Ohio Air Quality Development Authority Awards Three Projects Financing Assistance in the First Quarter of FY 2018

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

Through the first quarter of FY 2018, the Ohio Air Quality Development Authority (OAQDA) has announced the support of three clean air financing projects for small businesses. The support comes in the form of grants of up to $30,000 per project to cover closing costs or principal payments on loans to small businesses by private lenders arranged through OAQDA's Clean Air Resource Center. In total, $205,000 will be loaned under the three projects: (1) Keen's Body Shop of Columbus (Franklin County) will receive a loan of $110,000 for a new paint booth, (2) Ridge Cleaners of Avon Lake (Lorain County) will receive a $50,000 loan to install new dry cleaning equipment, and (3) Victory Machine and Fabrication of Botkins (Shelby County) will receive a $45,000 loan for a new paint booth. To qualify for this financing assistance, businesses must have fewer than 100 employees and comply with existing Clean Air Act requirements. An added benefit of financing clean air projects with OAQDA assistance is that, depending on the circumstances, the projects may be exempt from property and sales and use taxes for the life of the loan.

The grant assistance provided by OAQDA is paid from Small Business Assistance Fund (Fund 5A00) appropriation item 898603, Small Business Assistance. Fund 5A00 receives revenue from a portion of Title V permit fees collected by the Ohio Environmental Protection Agency. H.B. 49 provided funding of $450,000 in each fiscal year of the FY 2018-FY 2019 biennium for this grant program under the OAQDA budget.

Report Finds the Ohio Grape and Wine Industry Contributed $1.3 Billion to State's Economy in CY 2016

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

On September 12, 2017, the Ohio Grape Industries Committee within the Department of Agriculture released a report it commissioned on the overall economic impact of Ohio wine and wine grapes in 2016.[8] The report found Ohio's grape and wine industry had a $1.3 billion economic impact on the state in CY 2016. Of this amount, the report attributed $1.1 billion to several factors including winery sales, retail and restaurant sales of Ohio wine, federal and state tax revenue, tourism, and indirect and induced revenue. The remaining economic impact was generated from wages, which amounted to approximately $263.8 million according to the report.

The study also provides a snapshot of the grape and winemaking industry in Ohio. Overall, the study points out that the number of Ohio wineries increased from 175 in 2012 to 265 in 2016. In contrast, the number of grape bearing acres in the state decreased from 1,900 acres to 1,500 acres over this time, according to the National Agricultural Statistics Service (NASS). Also according to NASS, Ohio is the sixth largest wine producer in the nation at 5.9 million total gallons produced in 2016. Most of the state's wineries, 90% according to the study, had sales or production of less than 5,000 gallons annually (approximately 2,100 cases).

The Ohio Grape Industries Committee promotes the sale and production of grape products within the state by providing new information on growing techniques, marketing strategies, and identification of grape varieties suitable for cultivation in the state. The committee is funded by a two-cent per-gallon tax on all wine sales in Ohio that is deposited into the Ohio Grape Industries Fund (Fund 4960). Receipts from this source amounted to approximately $1.0 million in FY 2017.

[8] Frank, Rimerman + Co. LLP, *The Economic Impact of Ohio Wine and Wine Grapes – 2016.* (http://www.findohiowines.com/wp-content/uploads/2017/09/Ohio-2016-Economic-Impact-Report-FINAL.pdf (August 2017).)

ODE Releases Report Card Results for 2016-2017 School Year

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

On September 14, 2017, the Ohio Department of Education (ODE) released report cards for public districts and schools for the 2016-2017 school year. These report cards represent the second year that A-F letter grades have been assigned for each of six components: Achievement, Graduation Rate, Progress, Gap Closing, K-3 Literacy, and Prepared for Success. The table below summarizes how the 608 school districts receiving report cards fared this past school year on the six component measures. All grades except for the one for the Prepared for Success component are derived from performance on the ten individually graded measures used to evaluate districts and schools for the four prior school years. The Prepared for Success component grade is based on six ungraded measures.[9] Due to recent changes to state tests, the General Assembly has suspended many sanctions related to state test results for the 2014-2015, 2015-2016, and 2016-2017 school years. Beginning with the report cards for the 2017-2018 school year, the component grades will be used to assign an overall letter grade.

School District Report Card Results, 2016-2017 School Year						
Component	**A**	**B**	**C**	**D**	**F**	**No Rating**
Graduation Rate	56%	27%	10%	4%	3%	0%
Progress	21%	34%	9%	25%	11%	0%
K-3 Literacy	3%	22%	52%	11%	1%	10%
Achievement	2%	9%	35%	51%	3%	0%
Gap Closing	1%	18%	18%	15%	48%	0%
Prepared for Success	2%	5%	25%	53%	15%	0%

As measured by the total percentage of As and Bs, school districts fared the best on the graduation rate and progress components, the latter of which measures the academic growth students are making from year to year. Based on the total percentage of Ds and Fs, school districts struggled most on the Prepared for Success component and with closing achievement gaps between certain designated groups and all students. However, grades improved considerably on the gap closing component compared to the previous year's results; the share of districts receiving Ds or Fs on this measure

[9] In general, the Prepared for Success component calculates a score for each district using a point system for students meeting certain levels of performance on college entrance, Advanced Placement, and International Baccalaureate exams; earning an honors diploma or an industry-recognized credential; or successfully participating in College Credit Plus.

decreased by 29 percentage points. Grades improved even more on the K-3 literacy component; the share of districts receiving Ds or Fs on this measure decreased by 59 percentage points.

ODHE Announces Plans for Postsecondary Attainment Goal Dashboard

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

In July, the Ohio Department of Higher Education (ODHE) announced its plans to use a portion of a grant from the Lumina Foundation to support strategic initiatives to increase the state's postsecondary attainment rate to 65% by 2025. Among the initiatives is the development of a statewide data dashboard that will be used to monitor progress towards the 65% attainment goal. The dashboard is likely to be an online interactive tool that will display certain metrics that may be drilled down to the county, school district, or higher education institution level. According to ODHE, the data collection portion of the project is underway, but the design and build-out of the dashboard has yet to begin. ODHE estimates it will have a public version of the dashboard available sometime in spring 2018. In addition to the dashboard, ODHE will use the grant to work with businesses to align the attainment goal with employers' workforce needs, promote the value of high-value technical certificates and certifications, and increase the postsecondary attainment of the state's underrepresented and low-income populations.

In April 2016, the Lumina Foundation awarded ODHE a $100,000 grant to support the agency's plan for setting the state's postsecondary attainment goals. That same year, the state established its goal that 65% of working-age Ohioans (ages 25 to 64) will have a degree, certificate, or other postsecondary workforce credential of value by 2025. The grant funds are appropriated in DPF Fund 5FR0 appropriation item 235650, State and Non-Federal Grants and Awards, which received an appropriation of $500,000 in both FY 2018 and FY 2019. In addition, H.B. 49 requires ODHE to collaborate with the Ohio Department of Education to annually produce a report on the state's progress towards the 65% postsecondary attainment goal beginning in 2018.

Board of Nursing Announces $3.0 million for Nurse Education Grant Awards

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

On August 11, 2017, the Ohio Board of Nursing announced 17 nursing education program awards totaling $3.0 million over the 2017-2019 grant cycle (see table below). The grants are provided to programs that partner with health care facilities, community health agencies, or other education programs to increase nursing student enrollment capacity. Funds may be used to purchase educational equipment or to hire or contract with clinical faculty and instructional personnel. Grants are awarded to pre-licensure programs for licensed practical nurses (LPNs) and registered nurses (RNs), as well as post-graduate education programs. The grant program is funded by ten dollars of each nursing license renewal fee, which is deposited into the Nurse Education Grant Program Fund (Fund 5AC0). A grant recipient may not receive more than $200,000 in each grant cycle. Funds are typically disbursed quarterly.

Nursing Education Grant Program Awards
September 1, 2017 to August 31, 2019

Program Name	Award
LPN Pre-Licensure Programs	**$454,050**
Collins Career Technical Center Practical Nursing Program	$200,000
North Central State College Practical Nurse Program	$199,772
Tri-Rivers Center for Adult Education in Nursing	$54,278
RN Pre-Licensure Programs	**$1,059,450**
Capital University, Department of Nursing	$200,000
Cleveland State University School of Nursing	$200,000
Galen College of Nursing	$200,000
Ashland University Dwight Schar College of Nursing and Health Sciences	$198,828
Xavier University	$198,585
Firelands Regional Medical Center School of Nursing	$62,037
Post-Graduate Programs	**$1,513,500**
Aultman College of Nursing and Health Sciences	$200,000
Mercy College of Ohio	$200,000
The University of Toledo College of Nursing	$200,000
Youngstown State University, Bachelor of Science in Nursing Program	$200,000
Xavier University	$199,714
Ashland University Dwight Schar College of Nursing and Health Sciences	$199,325
Malone University School of Nursing & Health Sciences	$199,223
The Ohio State University College of Nursing	$115,238
TOTAL	**$3,027,000**

Ohio to Receive Nearly $2.8 Million in Federal Land and Water Conservation Fund Grants

– Tom Wert, Budget Analyst, 614-499-0520

On September 21, 2017, the U.S. Department of the Interior National Park Service (NPS) announced that Ohio would receive nearly $2.8 million in grants from the Federal Land and Water Conservation Fund (LWCF). The LWCF grant program provides up to 50% reimbursement assistance for the state and local governments for the acquisition, development, and rehabilitation of recreational areas, including administrative costs. In Ohio, the program is administered by the Department of Natural Resources (DNR), which reviews LWCF grant applications and submits recommended projects to the NPS for final approval. To be eligible, projects must be in accord with the Ohio Statewide Comprehensive Outdoor Recreation Plan. Funding for approved projects is distributed under Land and Water Conservation Fund (Fund 3B60) appropriation item 725653, Federal Land and Water Conservation Grants.

DNR released the list of recommended local park projects for the grants in April, 2017. In all, DNR recommended more than $2.5 million in LWCF grants for 14 local parks projects across the state. Those projects are summarized in the table below.

LWCF Grant Recommendations for FY 2017			
County	**Applicant**	**Project**	**Amount**
Allen	City of Lima	Schoonover Park Improvements	$300,000
Clermont	City of Milford	Riverside Park Master Plan	$118,000
Columbiana	Village of East Palestine	East Palestine City Park Tennis Courts	$55,837
Cuyahoga	City of Fairview Park	Nelson Russ Park Project	$161,543
Cuyahoga	Cleveland Metroparks	Brecksville Upland Preserve	$300,000
Darke	Village of Versailles	Municipal Pool Improvements	$57,214
Erie	City of Vermilion	Vermilion Beach Extension	$162,500
Geauga	Village of Middlefield	Maple Highlands Trail - South	$300,000
Henry	Village of Deshler	Reservoir Park Pathway	$56,517
Lorain	Elyria Parks and Recreation Department	West Park Spray Park	$69,770
Lucas	Metroparks of the Toledo Area	Springer Farm Wetland Restoration/Park Development	$300,000
Portage	Portage Park District	Trail Lake Acquisition	$300,000
Tuscarawas	City of New Philadelphia	Tuscora Park Tennis Court Renovation	$196,000
Union	Village of Richwood	Lake Baccarat Pedestrian Path	$150,000
		TOTAL	**$2,527,381**

Ohio to Receive $19.6 million in EpiPen Settlement Agreement

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

In August 2017, the Ohio Attorney General announced that the state of Ohio will receive $19.6 million in restitution as part of a settlement agreement resolving federal allegations that Mylan, Inc. knowingly underpaid rebates owed to the state Medicaid programs for the purchase of EpiPens, a branded epinephrine auto-injector drug. About

$4.2 million of these moneys will be credited to the Medicaid Support and Recoveries Fund (Fund 5DL0). Moneys in Fund 5DL0 are used by the Department of Medicaid to offset Medicaid GRF spending and help support Ohio Medicaid's administrative costs. The remainder will be used to pay back the federal government for a portion of Medicaid reimbursements related to EpiPen purchases and to cover attorney fees and investigation costs incurred by the Ohio Attorney General's Medicaid Fraud and Control Unit.

The EpiPen settlement totals $465 million, of which $213.9 million is shared among the 50 states' Medicaid programs. The remainder goes to the federal government. Mylan was accused of violating the False Claims Act by knowingly misclassifying EpiPen as a generic drug to avoid paying rebates owed to Medicaid under the Medicaid Drug Rebate Program which was enacted by Congress to ensure that state Medicaid programs are not susceptible to price gouging by manufacturers of drugs that are available from only a single source. Accordingly, these single-source, or brand-name, drugs are subject to a higher rebate that must be paid to Medicaid compared to generic drugs originating from multiple manufacturers. The federal government alleged that Mylan improperly avoided paying state Medicaid programs the higher rebate for brand name drugs by misclassifying EpiPen as a generic drug. The U.S. Department of Health and Human Services estimated that Mylan's Medicaid overcharges may have totaled nearly $1.3 billion from 2006 through 2016.

TRACKING THE ECONOMY

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Overview

Indicators on the economy are mixed, affected to varying degrees by the impacts of the recent hurricanes, both for measures of activity and of prices. On balance, apart from these temporary disruptions, economic activity appears to be continuing to advance across a broad range of industries. The nation's unemployment rate declined to a 16-year low in September, even as total nonfarm payroll employment fell due to effects of hurricanes. Total industrial production fell in August due to hurricane and other weather effects. Inflation-adjusted gross domestic product (real GDP) for the nation rose in the second quarter at the most rapid pace in over two years. Finished goods inflation ticked higher in the latest month; however, it remains tame on a year-over-year basis. Price pressures were more widespread at earlier stages of production.

In Ohio, employment rose in August, continuing an uptrend. Unemployment also increased. The state's personal income grew in the second quarter but less rapidly than nationwide. Year-to-date home sales rose, compared with last year, and average selling prices increased.

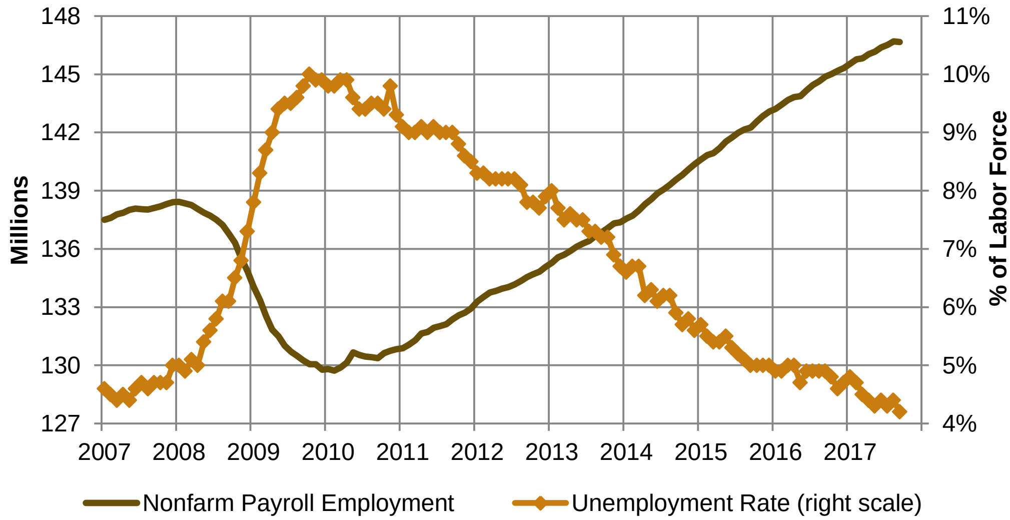
The National Economy

In September, the nationwide average unemployment rate fell to 4.2%, lowest since 2001. Total nonfarm payroll employment fell 33,000, the first month in which this measure declined since 2010. The U.S. Bureau of Labor Statistics (BLS) said the weakness likely was a result of Hurricane Harvey and Hurricane Irma. The unemployment rate and employment are shown in Chart 5.

In September, the nationwide average unemployment rate fell to 4.2%, lowest since 2001.

In the survey on which the unemployment statistics are based, persons who have jobs are not counted as unemployed even if they do not work at all during the week when the survey is conducted. The report for September showed 1.5 million people with jobs but not at work that week due to bad weather, the highest this measure has been since 1996. BLS does not think the hurricanes affected the national unemployment rate.

Chart 5: U.S. Employment and Unemployment



A separate survey for payroll employment does not count as employed persons who are not paid for the survey period. BLS reported a drop of 105,000 in September in employment in food services and drinking places, and noted that a large majority of workers in the industry are not paid for days when they are not at work. BLS said employment growth was below trend in some other industries, but also that job gains likely occurred for rebuilding and recovery following the hurricanes.

Real GDP growth in this year's second quarter was revised upward to a 3.1% annual rate, highest in more than two years. So far this year, consumer spending continued to expand, business investment strengthened, and U.S. exports rose. On the other hand, residential fixed investment slowed in the second quarter and government spending slowed in both the first and second quarters. The pace of inventory accumulation was below that last year.

Real GDP growth in this year's second quarter was revised upward to a 3.1% annual rate, highest in more than two years.

The industrial production index fell 0.9% in August, the largest monthly decline since the 2007-2009 recession. The Federal Reserve estimated that Hurricane Harvey cut both manufacturing and mining output, and accounted for roughly 0.75 percentage point of the decline in total industrial output. Industrial production rose in each of the previous six months, by 0.4% on average. In addition to hurricane effects, cooler weather than usual for August particularly on the East Coast reduced demand for air conditioning, cutting seasonally adjusted utility output. These temporary weather-related effects can be expected to reverse in the months ahead.

The consumer price index (CPI) rose 0.4% in August, its largest increase since January, and was 1.9% higher than a year earlier. The monthly increase was almost entirely a result of increases in prices for gasoline, by 6.3%, and shelter, by 0.5%. The increase in prices for shelter was the largest since October 2005. The CPI excluding food and energy rose 0.2% in August to 1.7% above a year earlier. Hurricane effects on the CPI were described as very small. A related inflation measure, the personal consumption expenditures deflator, was 1.4% higher in August than a year earlier, and was 1.3% higher excluding food and energy.

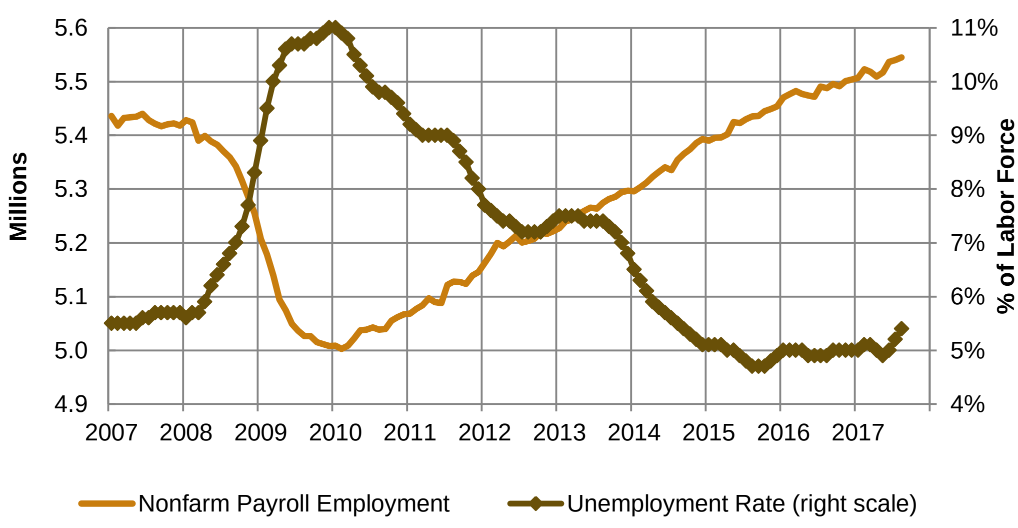
Following its September meeting, the Federal Open Market Committee (FOMC), the monetary policy-setting group within the country's central bank, announced that it is starting in October the gradual process of reducing the Federal Reserve's huge holdings of U.S. Treasury, agency, and mortgage-backed securities, accumulated during and after the 2007-2009 recession. The announcement also said the FOMC is holding unchanged its short-term interest rate target range for federal funds at 1% to 1.25%.[10] This target range was increased starting in December 2015 from zero to 0.25%, where it had been held for seven years. Short-term interest rates remain exceptionally low.

The Ohio Economy

In August, Ohio continued to add more jobs while its unemployment rate increased for the third consecutive month. Chart 6 below shows trends in the state's payroll employment and unemployment rate over the last ten years.

In August, Ohio continued to add more jobs while its unemployment rate increased for the third consecutive month.

Chart 6: Ohio Employment and Unemployment Rates



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

Ohio's unemployment rate went up from 5.2% in July to 5.4% in August, the highest rate since September 2014. Ohio's unemployment rate was 4.9% in August of last year. The number of unemployed Ohioans was 311,000 in August, an increase of 11,000 from July. Compared with a year earlier, the number of unemployed Ohioans was 29,000 higher. In comparison, the U.S. unemployment rate was 4.4% in August, nearly the same in July (4.3%), and 4.9% in August 2016. Ohio's unemployment rate in August was higher than in all but three other states.

Unemployment rates vary widely among Ohio's 88 counties. In general, most counties with the highest rates of unemployment were on the eastern, southern, and northern edges of the state. In August, 38 counties (43%) had unemployment rates at or higher than the statewide unemployment rate of 5.4%. The lowest rate was in Mercer County (3.2%) and the highest rate was in Meigs County (8.5%).

Ohio's unemployment rate of 5.4% in August was higher than in all but three other states.

In August, Ohio's nonfarm payroll employment totaled 5,545,200, an increase of 5,200 from July's revised total of 5,540,000, seasonally adjusted. Total employment in August was at its highest level since June 2001. The increase in employment from July to August was the result of increases in private service-providing industries (+7,600) and goods-producing industries (+3,500). Government employment fell (-5,900). Increases in the private service-providing sector were recorded in leisure and hospitality, educational and health services, and other services. Increases in the goods-producing sector were in construction and manufacturing. Government employment declined at the state, local, and federal levels.

Compared to a year ago, total nonfarm payroll employment increased by 57,100. The greatest increases in employment in Ohio were in educational and health services (+21,800), leisure and hospitality (+18,700), financial activities (+8,800), construction (+8,100), professional and business services (+7,900), other services (+2,900), and nondurable goods manufacturing (+1,600). The decrease mainly occurred in trade, transportation, and utilities (-10,200).

Ohio's personal income rose 0.4% in the second quarter of 2017, following 1.2% growth in the first quarter, according to estimates of the U.S. Bureau of Economic Analysis. Nationwide, average state personal income increased 0.7% in the second quarter of 2017, down from a 1.4% increase in the first quarter. Personal income growth in Ohio and most other states was led by higher net earnings from work. The leading contributor to Ohio's personal income growth in the second quarter was increased earnings in the healthcare and social assistance industry and the finance and insurance industry. Ohio's personal income growth in the second quarter of 2017 was lower than all of its neighboring states except for West Virginia. Personal income grew 0.8% in Indiana, Kentucky, Michigan, and Pennsylvania while West Virginia had 0.3% growth.

Ohio's residential real estate market remained strong. In August, the number of existing homes sold in Ohio increased by 2.5% compared to August 2016, according to the Ohio Association of Realtors. In the first eight months of 2017, existing home unit sales increased by 1.0% compared to the corresponding months in 2016. The statewide average sales price of homes sold in January through August 2017 averaged $172,952, or 5.5% higher than the corresponding period a year ago.