Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION SEPTEMBER 2017

STATUS OF THE GRF

HIGHLIGHTS

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

GRF tax revenue received during the first two months of FY 2018 was $23.6 million above the estimate published by the Office of Budget and Management (OBM) in September 2017. In a welcome change from FY 2017, revenue from both the income tax and the commercial activity tax exceeded their respective estimates. There were negative variances from several other tax sources, but GRF tax revenue as a whole for the first two months of FY 2018 was $3.5 million (2.8%) higher than tax receipts from the same months in FY 2017.

Ohio's unemployment rate rose to 5.2% in July, from 5.0% in June. Though 5.2% is not a high unemployment rate by historical standards, it was 0.9 percentage point higher than the national rate in July.

Through August 2017, GRF sources totaled $5.68 billion:

- Revenue from the personal income tax was $34.7 million above estimate;
- Sales and use tax receipts were $8.6 million below estimate.

Through August 2017, GRF uses totaled $6.14 billion:

- Program expenditures were $157.3 million above estimate during the first two months of FY 2018;
- Spending on property tax reimbursements was above estimate by $169.7 million, and spending on health and human services was above estimate by $11.5 million;

VOLUME 41, NUMBER 1

STATUS OF THE GRF

Highlights....1
Revenues....3
Expenditures....13

ISSUE UPDATES

21st Century Community Learning Center Grants....20
Classroom-Based Intervention Program....20
Community Connectors School Mentorship Grants....21
Performance Audits....22
Southern Ohio Agricultural and Community Development Foundation....22
Family Violence Prevention and Services Act Grants....23
Community-Police Relations Grants....24
Telehealth Project in Knox and Logan County Nursing Facilities....25

TRACKING THE ECONOMY

The National Economy....27
The Ohio Economy....28

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

Telephone: 614-466-3615

- Other program expenditure categories were either below estimate or negligibly above it.

OBM released monthly estimates for GRF sources and uses for FY 2018 in September. At the end of the Revenues and Expenditures sections in this issue, there are tables that summarize these estimates.

The Revenues and Expenditures sections compare the actual sources and uses posted each month against OBM's estimates. Table 1 compares the sources for each individual month and Table 2 compares the sources for the year to date. Likewise, Table 3 compares the uses for each individual month and Table 4 compares the uses for the year to date. The year-to-date tables (Tables 2 and 4) also show the sum of the sources and uses, respectively, for the same months in the previous fiscal year and the percent change from the previous fiscal year to the present fiscal year.

For example, in this issue Table 1 compares the sources for the month of August, which were $2.64 billion, against OBM's estimates for August, which are $2.61 billion. August sources were above estimate by $28.8 million (1.1%). In other words, GRF sources had a positive variance of $28.8 million in August. Table 2 shows that year-to-date sources (including both July and August) totaled $5.68 billion compared to an estimate of $5.64 billion. So, the year-to-date variance is a positive $41.7 million. Table 2 also shows the sum of sources in July and August 2016 (FY 2017), which were $5.78 billion. Thus, year-to-date GRF sources are 1.7% ($99.3 million) lower than at the same time last fiscal year.

Finally, there is a companion monthly *Infographic* publication that is designed to provide a quick glance at the variances of GRF sources and uses. Both the full version of *Budget Footnotes* and the *Infographic* are available on the LSC website (www.lsc.ohio.gov) by clicking on Budget Central and then selecting Budget Footnotes under the Budget Reference Documents heading.

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of August 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 8, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$135,726	$125,000	$10,726	8.6%
Nonauto Sales and Use	$681,506	$672,500	$9,006	1.3%
Total Sales and Use Taxes	**$817,232**	**$797,500**	**$19,732**	**2.5%**
Personal Income	$691,984	$686,500	$5,484	0.8%
Commercial Activity Tax	$291,227	$293,400	-$2,173	-0.7%
Cigarette	$85,712	$84,100	$1,612	1.9%
Kilowatt-Hour Excise	$33,509	$34,700	-$1,191	-3.4%
Foreign Insurance	-$351	$300	-$651	-216.9%
Domestic Insurance	$0	$300	-$300	-100.0%
Financial Institution	$1,653	$500	$1,153	230.6%
Public Utility	$27,280	$26,100	$1,180	4.5%
Natural Gas Consumption (MCF)	$10,160	$11,200	-$1,040	-9.3%
Alcoholic Beverage	$5,469	$4,300	$1,169	27.2%
Liquor Gallonage	$4,096	$4,100	-$4	-0.1%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$1,133	$0	$1,133	---
Business and Property	-$374	$0	-$374	---
Estate	$31	$0	$31	---
Total Tax Revenue	**$1,968,761**	**$1,943,000**	**$25,761**	**1.3%**
NONTAX REVENUE				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$5,438	$6,020	-$582	-9.7%
Other Revenue	$5,409	$2,020	$3,389	167.8%
Total Nontax Revenue	**$10,846**	**$8,040**	**$2,806**	**34.9%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$17	$0	$17	---
Total Transfers In	**$17**	**$0**	**$17**	**---**
TOTAL STATE SOURCES	**$1,979,624**	**$1,951,040**	**$28,584**	**1.5%**
Federal Grants	$659,316	$659,113	$202	0.0%
TOTAL GRF SOURCES	**$2,638,940**	**$2,610,153**	**$28,786**	**1.1%**

*Estimates of the Office of Budget and Management as of September 2017.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2018 as of August 31, 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 8, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$249,191	$240,000	$9,191	3.8%	$245,589	1.5%
Nonauto Sales and Use	$1,523,626	$1,541,400	-$17,774	-1.2%	$1,569,242	-2.9%
Total Sales and Use Taxes	**$1,772,817**	**$1,781,400**	**-$8,583**	**-0.5%**	**$1,814,831**	**-2.3%**
Personal Income	$1,290,495	$1,255,800	$34,695	2.8%	$1,197,516	7.8%
Commercial Activity Tax	$345,222	$337,700	$7,522	2.2%	$290,252	18.9%
Cigarette	$101,839	$107,800	-$5,961	-5.5%	$110,567	-7.9%
Kilowatt-Hour Excise	$57,840	$62,900	-$5,060	-8.0%	$60,347	-4.2%
Foreign Insurance	$123	$600	-$477	-79.5%	$662	-81.4%
Domestic Insurance	$57	$3,700	-$3,643	-98.5%	$2,370	-97.6%
Financial Institution	$2,658	$800	$1,858	232.3%	$773	243.8%
Public Utility	$27,336	$26,100	$1,236	4.7%	$23,382	16.9%
Natural Gas Consumption (MCF)	$11,327	$12,400	-$1,073	-8.7%	$11,918	-5.0%
Alcoholic Beverage	$10,849	$10,000	$849	8.5%	$10,818	0.3%
Liquor Gallonage	$8,152	$7,900	$252	3.2%	$7,954	2.5%
Petroleum Activity Tax	$0	$0	$0	---	$0	---
Corporate Franchise	$2,304	$0	$2,304	---	-$298	873.7%
Business and Property	-$374	$0	-$374	---	$5	-8420.0%
Estate	$33	$0	$33	---	-$17	292.7%
Total Tax Revenue	**$3,630,678**	**$3,607,100**	**$23,578**	**0.7%**	**$3,531,079**	**2.8%**
NONTAX REVENUE						
Earnings on Investments	$0	$0	$0	---	$0	-100.0%
Licenses and Fees	$5,777	$6,350	-$573	-9.0%	$7,701	-25.0%
Other Revenue	$5,846	$2,450	$3,396	138.6%	$37,715	-84.5%
Total Nontax Revenue	**$11,623**	**$8,800**	**$2,823**	**32.1%**	**$45,416**	**-74.4%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$111,347	$96,229	$15,118	15.7%	$13,893	701.5%
Total Transfers In	**$111,347**	**$96,229**	**$15,118**	**15.7%**	**$13,893**	**701.5%**
TOTAL STATE SOURCES	**$3,753,649**	**$3,712,129**	**$41,520**	**1.1%**	**$3,590,388**	**4.5%**
Federal Grants	$1,928,705	$1,928,514	$191	0.0%	$2,191,259	-12.0%
TOTAL GRF SOURCES	**$5,682,353**	**$5,640,643**	**$41,709**	**0.7%**	**$5,781,647**	**-1.7%**

*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

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

Overview

GRF tax revenue through the first two months of FY 2018 was $23.6 million (0.7%) above the estimate released by OBM in September 2017, which is an encouraging start to the new fiscal year. GRF tax sources fell short of estimates by $849.2 million (3.7%) in FY 2017, driven down by large negative variances from the two largest sources, the personal income tax (PIT, $653.5 million) and the sales and use tax ($193.0 million). Through August in FY 2018, though the sales and use tax posted a shortfall of $8.6 million, the PIT was $34.7 million above anticipated revenue, and the third largest tax source, the commercial activity tax (CAT), posted a positive variance of $7.5 million.

FY 2018 GRF tax revenue was $23.6 million above estimate through August.

For FY 2018 through August, total GRF sources[1] of $5.68 billion were $41.7 million (0.7%) above estimates. In addition to the positive variance for tax sources, federal grants were on target, nontax revenues were $2.8 million (32.1%) above estimates, and transfers in exceeded projections by $15.1 million (15.7%). Tables 1 and 2 above, show GRF sources for August and for FY 2018 through August, respectively.

In the month of August, GRF tax sources were $25.8 million above projected receipts. Other than the CAT, which experienced a shortfall of $2.2 million, the major tax sources performed well. The sales and use tax, the PIT, and the cigarette tax were above estimates by $19.7 million, $5.5 million, and $1.6 million, respectively. Also above anticipated revenue were the taxes on financial institutions ($2.3 million),[2] the public utility tax ($1.2 million), and the alcoholic beverage tax ($1.2 million). These positive variances were partially offset by negative variances of $1.2 million for the kilowatt-hour tax and $1.0 million for the natural gas consumption tax.

FY 2018 GRF sources in the first two months were $99.3 million below such sources in FY 2017.

Year to date, FY 2018 total GRF sources of $5.68 billion were $99.3 million (1.7%) below sources in FY 2017. Federal grants and nontax

---

[1] GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants, which are typically federal reimbursements for Medicaid and other programs.

[2] About half of this positive variance was from the corporate franchise tax, a tax eliminated at the end of 2013. However, adjustments to prior tax filings continue to affect GRF revenues.

revenue decreased $262.6 million (12.0%) and $33.8 million, respectively, but tax receipts and transfers in were higher by $99.6 million (2.8%) and $97.5 million (701.5%). PIT and CAT receipts grew by $93.0 million and $55.0 million, respectively. On the other hand, revenue fell for the sales and use tax by $42.0 million and the cigarette tax by $8.7 million. The increase in CAT receipts was due in part to an increase in the share of CAT revenue allocated to the GRF enacted in Am. Sub. H.B. 49 of the 132nd General Assembly, 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 had a negative variance of $8.6 million in two months in FY 2018.

Sales and Use Tax

In the first two months of FY 2018, total GRF sales and use tax receipts of $1.77 billion were $8.6 million (0.5%) below estimate, and $42.0 million (2.3%) below receipts in FY 2017 through August. The auto sales tax fared well, while the nonauto portion of the tax underperformed. The sales and use tax struggled in FY 2017, ending the year $193.0 million (1.8%) below estimate, and posting revenue growth of just 2.6%.

For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.[3]

Through August in FY 2018, the nonauto sales and use tax was $17.8 million below estimate.

Nonauto Sales and Use Tax

In August 2017, GRF revenue from the nonauto sales and use tax totaled $681.5 million, $9.0 million (1.3%) above estimate. This result partially offset a negative variance of $26.8 million (3.1%) in July. The nonauto portion of the sales and use tax was historically weak last fiscal year,[4] and through August 2017, this tax has fallen behind projections by $17.8 million (1.2%), continuing the pattern established earlier in 2017. Compared to revenue in the same month in 2016, August nonauto sales and use tax revenue decreased $50.1 million (6.9%). Also, for the fiscal

[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.

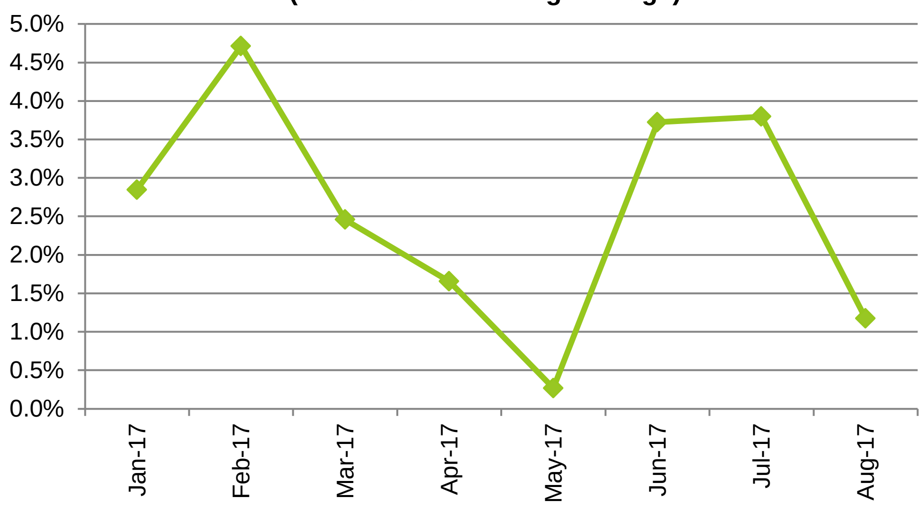
[4] Excluding the recession years of FY 2009 and FY 2010, the last time nonauto sales and use tax growth was below 2.5% was in FY 2007 (1.1%).

year, GRF receipts from the tax were $1.52 billion, $45.6 million (2.9%) below revenue in the corresponding period in FY 2017, due to a law reduction of the taxable base.

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.

H.B. 49, the main operating budget act for FYs 2018-2019 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 absence of MHIC revenue this year, monthly revenue growth on a year-ago basis would have been 2.0% for the remaining tax base in August.

Chart 1: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)

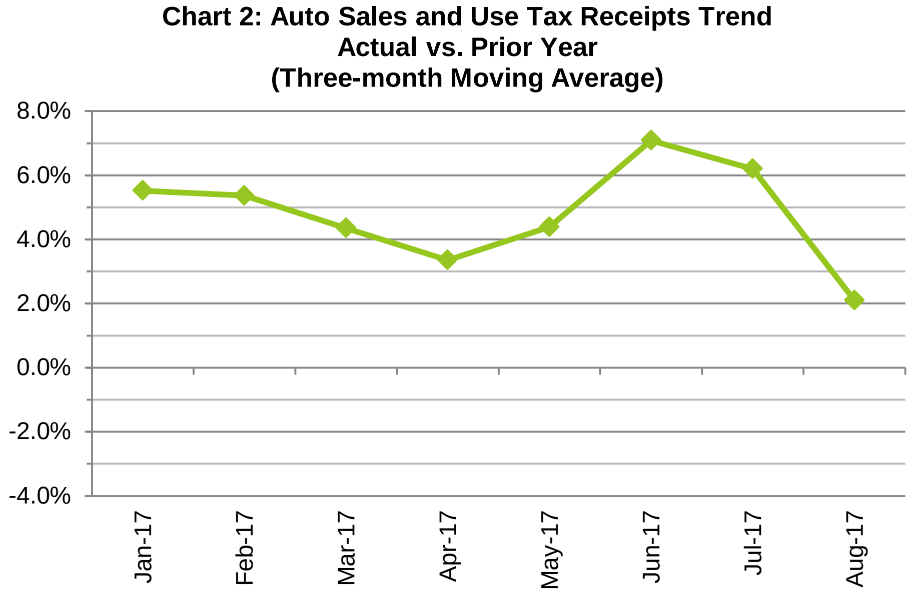


Through August in FY 2018, the auto sales and use tax was $9.2 million above estimate.

Auto Sales and Use Tax

GRF revenue from the auto portion of the sales and use tax of $135.7 million in August was above estimate by $10.7 million (8.6%). In July, however, the tax posted a negative variance of $1.5 million (1.3%).

Through August, FY 2018 auto sales tax receipts of $249.2 million were $9.2 million (3.8%) above anticipated receipts, and $3.6 million (1.5%) above receipts in FY 2017. Despite the good start in FY 2018, year-over-year growth in auto sales tax collections has decelerated in the last few months, as seen in the chart below.



Nationwide, new vehicle (i.e., auto and light truck) sales have been unable to match their year-ago pace, and appear to be faltering despite increases in incentive spending by manufacturers. In August 2017, new vehicle sales dropped about 6% (on a seasonally adjusted annualized basis) compared to the same month last year, and for the eighth consecutive month, they were lower than in the corresponding month in 2016. Car sales have been declining for most of the year and are hovering around the levels of 2011. Light truck sales had been more resilient, but fell (compared to the previous year) for the second consecutive month in August, which has not occurred since 2009. Healthy light truck sales drove average sales tax collected per purchase higher in FY 2016 and FY 2017. A sustained decline in light truck sales would negatively impact auto sales tax revenue. For FY 2018 as a whole, OBM expects a decline of 2.5% in revenue from the Ohio auto sales and use tax when compared to FY 2017.

Personal Income Tax

The PIT was the worst performer among GRF taxes in FY 2017, finishing the year 7.9% below estimate. In contrast, PIT GRF revenue of $1.29 billion through August was $34.7 million (2.8%) above estimate, including positive variances of $29.2 million (5.1%) in July and $5.5 million (0.8%) in August. Gross collections were $33.3 million (2.3%) above estimates, including positive variances of $26.5 million (1.9%) and $4.9 million (20.1%) for employer withholding and quarterly estimated payments, respectively. FY 2018 PIT GRF receipts were also $93.0 million (7.8%) above receipts in FY 2017 through August, mostly from growth in employer withholding receipts.

After a poor FY 2017, the PIT started FY 2018 with a good performance.

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, however, a larger than expected amount of refunds also greatly affected the tax performance in FY 2017. Last year, employer withholdings were $235.3 million (2.7%) below projections, and refunds were $386.3 million (24.4%) above estimates.

For August 2017, employer withholding and quarterly estimated payments were above projections by $8.8 million and $1.4 million, respectively. However, August refunds were $4.8 million more than anticipated, a reversal from July when this component was $6.4 million below 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 exceeded estimates with the exception of annual return payments.

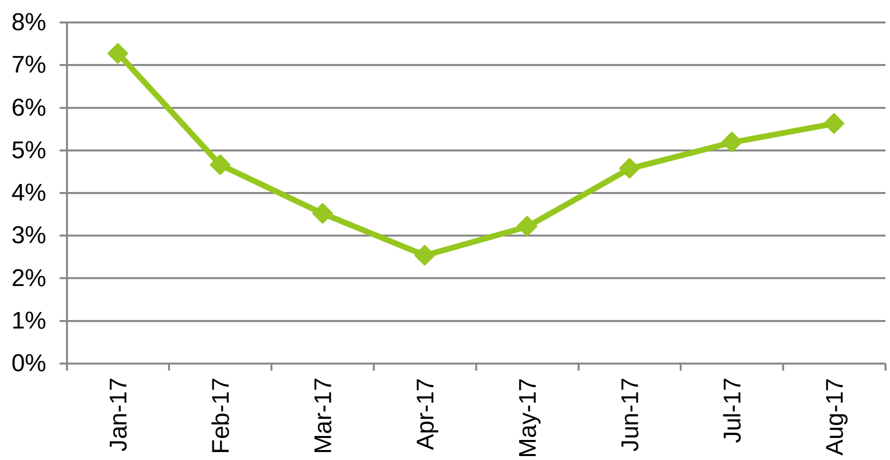
[5] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

FY 2018 Personal Income Tax Revenue Estimate Variances and Year-over-Year Changes by Component				
Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$26.5	1.9%	$76.4	5.8%
Quarterly Estimated Payments	$4.9	20.1%	$10.9	60.1%
Trust Payments	$0.8	62.3%	$0.7	46.5%
Annual Return Payments	-$0.9	-6.3%	-$0.9	-6.3%
Miscellaneous Payments	$2.1	19.4%	$2.4	22.9%
Gross Collections	$33.3	2.3%	$89.3	6.5%
Less Refunds	-$1.5	-1.5%	-$6.2	-5.9%
Less LGF Distribution	$0.1	0.2%	$2.6	4.0%
GRF PIT Revenue	$34.7	2.8%	$93.0	7.8%

Employer withholding revenue has been trending upward in the last six months.

Gross collections were 6.5% above collections through August in FY 2017. Quarterly estimated payments increased 60.1% compared to such revenue in the first two months of FY 2017. However, if July and August are relatively small revenue months for this component of gross collections, September will be the first big month of the fiscal year. After slowing at the start of 2017, employer withholding growth has picked up since early spring. Employer withholding was 1.9% above estimate through August, a reversal of a negative variance of 2.0% in the last quarter of FY 2017, and experienced strong growth in the first two months of FY 2018 compared to FY 2017. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago.

Chart 3: Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Commercial Activity Tax

The CAT continues improvement started in the last quarter of FY 2017.

The CAT finished FY 2017 on a strong note. After three fiscal quarters of disappointing and below-estimate receipts, CAT receipts in the fourth quarter of FY 2017 were 14.2% above estimate, and this tax source finished 1.1% above projections for the year as a whole. In FY 2018, GRF receipts of $345.2 million in the first two months were $7.5 million (2.2%) above estimate. The first CAT payment of the fiscal year was due in August for quarterly return taxpayers. It provided $291.2 million to the GRF, an amount $2.2 million (0.7%) below estimate, partially offsetting a positive variance of $9.7 million (21.9%) in July.

FY 2018 CAT receipts to the GRF were $55.0 million (18.9%) above receipts in FY 2017 through August 2016, of which $40.6 million is due to a law change in the main operating budget act for FYs 2018-2019. 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.

Cigarette and Other Tobacco Products Tax

FY 2018 cigarette tax receipts were $6.0 million below estimate through August.

August GRF revenue of $85.7 million from the cigarette and other tobacco products tax was $1.6 million (1.9%) above estimate but $1.4 million (1.6%) below revenue in August 2016. However in July, revenue from this tax was $7.6 million (32.0%) below estimate. Thus, for the fiscal year, the cumulative negative variance for the cigarette and other tobacco products tax totaled $6.0 million (5.5%).

For FY 2018 through August, of $101.8 million in total revenue, $89.9 million was from the sale of cigarettes and $11.9 million from sales of other tobacco products. Total revenue was $8.7 million (7.9%) below collections in the corresponding period in FY 2017. Receipts from cigarettes sales fell $9.5 million while those from other tobacco products grew $0.8 million. Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

Summary of OBM Estimate for GRF Sources for FY 2018

The table below shows the estimate released by OBM in September 2017 for GRF sources for FY 2018. As seen from the table, GRF sources are estimated to total $32.27 billion in FY 2018. Of this amount, $21.85 billion, or about two-thirds, is expected to come from tax revenue, primarily the sales and use tax ($10.03 billion) and the personal income tax ($7.98 billion). Approximately $9.74 billion, about 30%, is expected to come from federal grants.

OBM Estimate for GRF Sources for FY 2018 ($ in thousands)		
Revenue Source	**Estimates**	**As a % of Total Sources**
Sales and Use Tax	$10,027,900	31.1%
Individual Income Tax	$7,977,200	24.7%
Commercial Activity Tax	$1,494,300	4.6%
Cigarette & Other Tobacco Products Tax	$944,400	2.9%
Domestic and Foreign Insurance Taxes	$579,000	1.8%
Utility Taxes	$528,200	1.6%
Other Taxes	$298,000	0.9%
Subtotal – GRF Taxes	**$21,849,000**	**67.7%**
Nontax Revenue and Transfers In	$680,429	2.1%
Federal Grants	$9,744,042	30.2%
Total GRF Sources	**$32,273,471**	**100.0%**

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of August 2017
($ in thousands)
(Actual based on OAKS reports run September 7, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$658,789	$672,742	-$13,953	-2.1%
Higher Education	$180,074	$179,921	$153	0.1%
Other Education	$6,660	$7,678	-$1,019	-13.3%
Total Education	**$845,523**	**$860,341**	**-$14,819**	**-1.7%**
Medicaid	$980,688	$984,625	-$3,937	-0.4%
Health and Human Services	$106,282	$94,746	$11,536	12.2%
Total Welfare and Human Services	**$1,086,970**	**$1,079,371**	**$7,599**	**0.7%**
Justice and Public Protection	$158,607	$159,880	-$1,272	-0.8%
General Government	$29,029	$32,794	-$3,765	-11.5%
Total Government Operations	**$187,637**	**$192,674**	**-$5,037**	**-2.6%**
Property Tax Reimbursements	$235,148	$65,460	$169,688	259.2%
Debt Service	$126,151	$126,239	-$87	-0.1%
Total Other Expenditures	**$361,299**	**$191,698**	**$169,601**	**88.5%**
Total Program Expenditures	**$2,481,428**	**$2,324,084**	**$157,344**	**6.8%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$57,595	$45,141	$12,454	27.6%
Total Transfers Out	**$57,595**	**$45,141**	**$12,454**	**27.6%**
TOTAL GRF USES	**$2,539,023**	**$2,369,225**	**$169,798**	**7.2%**

*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 August 31, 2017
($ in thousands)
(Actual based on OAKS reports run September 7, 2017)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$1,440,759	$1,454,711	-$13,953	-1.0%	$1,442,926	-0.2%
Higher Education	$350,429	$350,276	$153	0.0%	$373,603	-6.2%
Other Education	$14,611	$15,630	-$1,019	-6.5%	$15,285	-4.4%
Total Education	**$1,805,799**	**$1,820,618**	**-$14,819**	**-0.8%**	**$1,831,813**	**-1.4%**
Medicaid	$2,952,828	$2,956,764	-$3,937	-0.1%	$3,228,650	-8.5%
Health and Human Services	$227,840	$216,302	$11,538	5.3%	$216,993	5.0%
Total Welfare and Human Services	**$3,180,668**	**$3,173,067**	**$7,601**	**0.2%**	**$3,445,643**	**-7.7%**
Justice and Public Protection	$432,140	$433,419	-$1,279	-0.3%	$411,340	5.1%
General Government	$72,996	$76,761	-$3,765	-4.9%	$77,092	-5.3%
Total Government Operations	**$505,136**	**$510,180**	**-$5,044**	**-1.0%**	**$488,432**	**3.4%**
Property Tax Reimbursements	$238,306	$68,618	$169,688	247.3%	$135,496	75.9%
Debt Service	$354,628	$354,716	-$87	0.0%	$374,645	-5.3%
Total Other Expenditures	**$592,934**	**$423,334**	**$169,601**	**40.1%**	**$510,142**	**16.2%**
Total Program Expenditures	**$6,084,537**	**$5,927,198**	**$157,339**	**2.7%**	**$6,276,030**	**-3.1%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$58,095	$45,641	$12,454	27.3%	$212,614	-72.7%
Total Transfers Out	**$58,095**	**$45,641**	**$12,454**	**27.3%**	**$242,096**	**-76.0%**
TOTAL GRF USES	**$6,142,632**	**$5,972,839**	**$169,793**	**2.8%**	**$6,518,126**	**-5.8%**

*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 September 8, 2017)

	Month of August 2017				Year to Date Through August 2017			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$2,158,093**	**$2,189,020**	**-$30,926**	**-1.4%**	**$4,093,761**	**$4,124,687**	**-$30,926**	**-0.7%**
GRF	$919,384	$923,208	-$3,824	-0.4%	$2,832,105	$2,835,928	-$3,824	-0.1%
Non-GRF	$1,238,709	$1,265,812	-$27,103	-2.1%	$1,261,656	$1,288,759	-$27,103	-2.1%
Developmental Disabilities	**$202,312**	**$271,195**	**-$68,883**	**-25.4%**	**$473,648**	**$542,532**	**-$68,883**	**-12.7%**
GRF	$46,200	$49,724	-$3,524	-7.1%	$99,454	$102,978	-$3,524	-3.4%
Non-GRF	$156,112	$221,471	-$65,359	-29.5%	$374,194	$439,553	-$65,359	-14.9%
Job and Family Services	**$33,727**	**$28,802**	**$4,925**	**17.1%**	**$47,407**	**$42,482**	**$4,925**	**11.6%**
GRF	$14,393	$10,837	$3,556	32.8%	$19,663	$16,107	$3,556	22.1%
Non-GRF	$19,335	$17,966	$1,369	7.6%	$27,744	$26,375	$1,369	5.2%
Health	**$1,253**	**$3,280**	**-$2,027**	**-61.8%**	**$3,399**	**$5,426**	**-$2,027**	**-37.4%**
GRF	$320	$301	$19	6.3%	$643	$624	$19	3.0%
Non-GRF	$933	$2,979	-$2,046	-68.7%	$2,756	$4,802	-$2,046	-42.6%
Mental Health and Addiction	**$274**	**$472**	**-$198**	**-42.0%**	**$681**	**$880**	**-$198**	**-22.6%**
GRF	$105	$292	-$186	-64.0%	$268	$454	-$186	-41.1%
Non-GRF	$168	$180	-$12	-6.6%	$414	$426	-$12	-2.8%
Aging	**$510**	**$834**	**-$324**	**-38.8%**	**$1,086**	**$1,410**	**-$324**	**-23.0%**
GRF	$273	$248	$25	10.0%	$672	$647	$25	3.8%
Non-GRF	$237	$586	-$349	-59.5%	$414	$762	-$349	-45.7%
Pharmacy Board	**$35**	**$1,400**	**-$1,365**	**-97.5%**	**$35**	**$1,400**	**-$1,365**	**-97.5%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$35	$1,400	-$1,365	-97.5%	$35	$1,400	-$1,365	-97.5%
Education	**$16**	**$32**	**-$16**	**-50.3%**	**$29**	**$45**	**-$16**	**-35.3%**
GRF	$13	$16	-$3	-16.9%	$22	$25	-$3	-10.7%
Non-GRF	$3	$16	-$13	-83.7%	$7	$20	-$13	-66.0%
Total GRF	**$980,688**	**$984,625**	**-$3,937**	**-0.4%**	**$2,952,828**	**$2,956,764**	**-$3,937**	**-0.1%**
Total Non-GRF	**$1,415,532**	**$1,510,410**	**-$94,878**	**-6.3%**	**$1,667,220**	**$1,762,097**	**-$94,878**	**-5.4%**
Total All Funds	**$2,396,220**	**$2,495,035**	**-$98,815**	**-4.0%**	**$4,620,047**	**$4,718,862**	**-$98,815**	**-2.1%**

*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 September 8, 2017)

	August				Year to Date Through August 2017			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$930,124	$918,397	$11,727	1.3%	$1,831,282	$1,819,555	$11,727	0.6%
ACA - Managed Care	$343,821	$342,563	$1,257	0.4%	$689,503	$688,246	$1,257	0.2%
DDD Services	$199,971	$258,203	-$58,232	-22.6%	$466,319	$524,284	-$57,965	-11.1%
Hospitals	$375,266	$387,988	-$12,722	-3.3%	$470,522	$483,244	-$12,722	-2.6%
Nursing Facilities	$128,107	$111,061	$17,046	15.3%	$261,107	$244,061	$17,046	7.0%
Physicians/All Other	$85,250	$98,714	-$13,464	-13.6%	$211,095	$224,721	-$13,626	-6.1%
Behavioral Health	$90,441	$87,489	$2,952	3.4%	$219,731	$216,619	$3,112	1.4%
Administration	$84,936	$116,063	-$31,127	-26.8%	$138,576	$169,969	-$31,394	-18.5%
Medicare Buy-In	$49,453	$50,205	-$752	-1.5%	$99,618	$100,371	-$752	-0.7%
Medicare Part D	$38,570	$43,633	-$5,063	-11.6%	$78,341	$83,404	-$5,063	-6.1%
Prescription Drugs	$23,940	$32,959	-$9,019	-27.4%	$60,216	$69,235	-$9,019	-13.0%
Aging Waivers	$36,797	$36,574	$223	0.6%	$70,432	$70,209	$223	0.3%
Home Care Waivers	$9,544	$11,185	-$1,641	-14.7%	$23,304	$24,943	-$1,639	-6.6%
Total All Funds	**$2,396,220**	**$2,495,035**	**-$98,815**	**-4.0%**	**$4,620,047**	**$4,718,862**	**-$98,815**	**-2.1%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES

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

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

Overview

GRF uses mainly consist of program expenditures, but also include transfers out of the GRF into other funds. As shown in Table 4, year-to-date uses (including both July and August) totaled $6.14 billion compared to an estimate of $5.97 billion, a positive difference of $169.8 million (2.8%). Year-to-date program expenditures had a positive variance of $157.3 million at the end of August. Due to the time it takes to prepare monthly estimates, OBM's July estimates generally equal July actuals. As a result, the year-to-date variances shown in Table 4 are almost identical to the variances for August that are shown in Table 3.

Year-to-date GRF uses totaled $6.14 billion, $169.8 million above estimate.

Property Tax Reimbursements

Property tax reimbursement payments were the most prominent source for the positive year-to-date variance in GRF uses. GRF property tax reimbursement expenditures were $169.7 million above estimate in August. GRF dollars provided under this program category are used to make semiannual payments to school districts and other local governments. The payments based on the August 2017 property tax settlement will be made through the end of December. As funds are disbursed when county auditors request the payments, it is not unusual to see variances from month to month, especially in the early months of a payment cycle.

Medicaid

Based on FY 2018 appropriations, about 55% of Medicaid expenditures will be made from the GRF. This GRF spending is funded by federal (66%) and state (34%) revenues. Of the remaining 45% of Medicaid expenditures that will be made from non-GRF funds, 74% (33% of the total) is from federal funds and the remaining 26% (12% of the total) is from state funds. Tables 5 and 6 compare actual Medicaid expenditures to estimates for GRF and non-GRF funds, providing a more complete picture of Medicaid expenditures than the GRF only comparison given in Tables 3 and 4.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM) and seven other agencies that also incur Medicaid costs. The Ohio Department of Developmental Disabilities (ODODD) has the second largest Medicaid budget after ODM. Both service and administrative spending are appropriated through ODODD's budget. The budgets of the other agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and the Ohio Department of Education (ODE) have only administrative spending.

The Medicaid appropriations made in the State Board of Pharmacy and ODE's budgets are new in FY 2018. Appropriations for the State Board of Pharmacy are for integrating the Ohio Automated Rx Reporting System (OARRS) directly into electronic medical records and pharmacy dispensing systems. Funds are provided through a grant from the federal Centers for Medicare and Medicaid Services and expended through federal Fund 3HH0 appropriation item 658601, OARRS Integration – Federal; the state share of the grant is expended through dedicated purpose Fund 4K90 appropriation item 658605, OARRS Integration – State. Appropriations for ODE are for the Medicaid in Schools Program, expended through GRF appropriation item 657401, Medicaid in Schools Program, and federal Fund 3AF0 appropriation item 657601, Schools Medicaid Administrative Claims. In previous years, funds were appropriated through ODM and provided to ODE though interagency cash transfer agreements.

As can be seen in Table 5, for the first two months of FY 2018, GRF Medicaid expenditures were $2.95 billion, $3.9 million (0.1%) below estimates, while non-GRF Medicaid expenditures were $1.67 billion, $94.9 million (5.4%) below estimates. All-funds Medicaid expenditures totaled $4.62 billion for the first two months of FY 2018, $98.8 million (2.1%) below estimate.

Table 6 details all-funds Medicaid expenditures by payment category. The two largest payment categories, Managed Care and ACA – Managed Care,[6] were above year-to-date estimates by $11.7 million (0.6%) and $1.2 million (0.2%), respectively. Together, these two categories account for over half of Medicaid expenditures; of the approximately three million Ohioans enrolled in Medicaid, more than 80% of them receive services through managed care. These positive variances were more than offset by large negative variances in other categories, especially services provided by ODODD (labeled "DDD Services" in the table) at $58.0 million and Administration at $31.4 million.

[6] ACA-Managed Care refers to managed care expenditures for individuals in the Medicaid expansion population (Group VIII).

Summary of OBM Estimate for GRF Uses for FY 2018

The table below shows the estimate released by OBM in September 2017 for GRF uses for FY 2018. For reporting purposes, agencies' GRF expenditures are grouped into nine program categories. As seen from the table, GRF program expenditures are estimated to total $32.26 billion in FY 2018. Of this amount, over $14.82 billion will go to Medicaid and over $8.03 billion will go to Primary and Secondary Education. Together, these two program categories will account for more than 70% of the total program expenditures in FY 2018.

GRF uses are expected to total $32.61 billion for FY 2018.

OBM also anticipates $66.0 million in GRF transfers out. The largest transfer planned for this year occurred in August when $41.8 million was transferred to the Health and Human Services Fund (Fund 5SA4) per section 512.27 of H.B. 49. The second largest transfer is scheduled for October, during which $10.7 million will be transferred to the Tourism Fund (Fund 5MJ0) per section 512.60 of H.B. 49. In addition to program expenditures and transfers out, OBM estimated $276.7 million in year-end encumbrances from the GRF. After accounting for program expenditures, transfers out, and year-end encumbrances, OBM expects GRF uses to total $32.61 billion for FY 2018.

OBM Estimate for GRF Uses for FY 2018 by Program Category
($ in thousands)

Program Categories	Expenditures	As a % of Total Program Expenditures
1 - Medicaid	$14,823,011	45.9%
2 - Primary and Secondary Education	$8,027,083	24.9%
3 - Higher Education	$2,312,261	7.2%
4 - Justice and Public Protection	$2,163,294	6.7%
5 - Property Tax Reimbursements	$1,806,573	5.6%
6 - Debt Service	$1,375,240	4.3%
7 - Health and Human Services	$1,310,619	4.1%
8 - General Government	$375,561	1.2%
9 - Other Education	$70,555	0.2%
Total Program Expenditures	**$32,264,198**	**100.0%**
Transfers Out	$66,014	--
Year-end Encumbrances	$276,666	--
Total GRF Uses	**$32,606,878**	**--**

ISSUE UPDATES

ODE Awards $44.3 million in 21st Century Community Learning Center Grants

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

On August 11, 2017, the Ohio Department of Education (ODE) awarded $44.3 million in new and continuing grants to 242 schools and community-based organizations under the 21st Century Community Learning Centers (21CCLC) Grant Program. This federally funded program awards grants to support community learning centers that provide academic enrichment services during nonschool hours or extended learning time as part of the school day, particularly for students in low-performing, high-poverty schools. In this latest round of funding, ODE awarded grants for 107 new programs and 135 continuing programs, totaling $21.2 million and $23.2 million, respectively. In awarding new grants, ODE prioritized programs in small town and rural areas.

ODE distributes 21CCLC grant funds to recipients for a five-year period with a maximum of $200,000 per year for the first three years of the program and gradually reduced maximum amounts for the last two years as recipients must transition to other resources to sustain the program after the 21CCLC grant expires. Also, to continue receiving a grant, recipients must annually submit program data to ODE and undergo periodic evaluations of the program's effectiveness. Over 93% of the 107 new grantees received the maximum $200,000 in funding for this year. New grant recipients were concentrated in Cuyahoga, Hamilton, Perry, Mahoning, Franklin, Lorain, Tuscarawas, Montgomery, Muskingum, and Lucas counties. Together, these ten counties represent about two-thirds of the new grant awards. To see the full list of grant recipients, visit education.ohio.gov and search for "21st Century Community Learning Centers."

$2.5 million Approved for the Expansion of a Classroom-Based Intervention Program

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

On August 21, 2017, the Controlling Board approved a $2.5 million contract for the expansion of a classroom-based intervention program known as the "Good Behavior Game." Currently, the Game is implemented in several Ohio schools and over 3,400 teachers have been trained in its usage. The Ohio Department of Mental Health and Addiction Services (OhioMHAS) entered into this contract to expand the Game's usage as part of its efforts to combat the opioid epidemic. Under the contract, up to 1,000 new elementary teachers will be trained to implement the Game and a social media campaign will be developed to promote it. In addition, up to 2,000 teachers currently using the Game will receive updated training.

The Game teaches youth self-regulation and control and is designed to improve behavior and academic performance. It is also designed to reduce risk factors for drug abuse, cigarette smoking, and antisocial behaviors. As part of the Game, students are split into teams and rules of good behavior are explained. Each time one of the good behavior rules is broken, the team receives a check mark. Teams with four or fewer check marks win rewards. The goal is that students will learn to control impulses and delay gratification in order to achieve a larger goal. Research indicates that children exposed to the Game for one year had a 60% reduction in lifetime likelihood of opioid addiction.

The grant funds to support this contract are provided through the federal 21st Century Cures Act, which was signed into law on December 13, 2016. The Act provided approximately $970 million to states and territories to combat the opioid crisis. The amount each state received was based on a formula that considered a state's unmet need for opioid use disorder treatment and the number of overdose deaths. On April 24, 2017, OhioMHAS was awarded $26.1 million in 21st Century Cures Act funds.

ODE Awards $9.9 million in Grants for Community Connectors Program

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

On June 26, 2017, the Ohio Department of Education (ODE) awarded $9.9 million in matching grants to 116 community partnerships as part of the most recent round of funding for the Community Connectors school mentorship program. Created by H.B. 483 of the 130th General Assembly, Community Connectors supports programming in career advising and mentoring for students in low-performing, high-poverty schools. Eligible districts must partner with members of the business community, civic organizations, or the faith-based community to provide sustainable career services to students in grades 5-12. Under this round of funding, the state is providing $3 for every $1 in local funding with a maximum award of $100,000. Most of the awards ranged from $70,000 to $100,000, though one award was as small as $9,000. In all, 48 of the 116 partnerships received the full $100,000 in funding. Geographically, 22 of the partnerships are located in Franklin County, 19 are located in Hamilton County, 11 are located in Cuyahoga County, six are located in Montgomery County, five are located in Summit County, and four are located in Lucas County. The full list of recipients is available online at: communityconnectors.ohio.gov. H.B. 49 provides $4.0 million for the program in FY 2018 and FY 2019 using lottery profits appropriated in Fund 7017 appropriation item 200629, Community Connectors.

Auditor of State Releases DOH and AGR Performance Audits

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

The Auditor of State recently released its final reports for performance audits conducted for the Department of Agriculture (AGR) and the Department of Health (DOH). Each final report contains a list of recommendations which, if adopted, could yield cost savings for the agency. The final audit findings for AGR identified approximately $492,000 in savings that could be realized through changes in facility utilization that more efficiently align facility supply and demand. The final audit findings for DOH identified nearly $1.2 million in potential savings, with over $1.0 million of these savings coming from the Bureau of Vital Statistics. The primary recommendation is that the Bureau update its process for filing birth and death records in order to reduce paperwork and labor hours.

S.B. 4 of the 129th General Assembly requires that the Auditor of State conduct performance audits of at least four state agencies every biennium. The Auditor of State charges state agencies an hourly rate of $68 for performance audit services. These receipts are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). Full audit reports can be found on the Auditor of State's website (www.ohioauditor.gov) under the "Audit Search" function.

Southern Ohio Agricultural and Community Development Foundation Awards $2.7 million in Grants

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

In FY 2017, the Southern Ohio Agricultural and Community Development Foundation awarded $2.7 million under six grant programs designed to help tobacco farm families and rural communities of the 22 burley tobacco-producing counties in southern Ohio diversify into farming other crops or starting new business ventures. The table below shows the number of awards issued and the total amount by grant program in FY 2017.

Southern Ohio Agricultural and Community Development Foundation Awards Issued in FY 2017			
Program	**Program Description**	**Awards Issued**	**Total**
Agricultural Development	Helps tobacco farmers undertake projects that expand or diversify their businesses into nontobacco-related agricultural markets	39	$841,185
Economic Development	Targeted toward communities affected by the reduction in demand for tobacco and provides financial assistance to projects that create or expand job opportunities for residents	7	$750,000
Young Farmer	Supports young farmers incorporating technology and conservation practices into their farming activities	23	$445,055
Educational Assistance	Provides education and training assistance to tobacco farmers to help them make the transition from tobacco production to other crops	139	$149,571
Educational Excellence	Provides grants for tuition, on-campus room and board, and books for undergraduate students pursing a bachelor's degree	22	$164,490
Environmental and Water Quality	Provides grants to farmers for expenses and permanent improvements that improve water quality	6	$54,280
TOTAL		**236**	**$2,674,581**

Since FY 2010, the Foundation's grant programs and operating expenses have been supported by an endowment fund and the investment and interest earnings associated with that fund. The money in the endowment fund is not subject to the General Assembly's appropriation process. Previously, the Foundation was appropriated funding based on the stream of revenue derived from the 1998 Tobacco Master Settlement Agreement between the states and major tobacco manufacturers. Ohio's share of these proceeds was securitized and set aside for public school and higher education facilities construction.

Criminal Justice Services Awards $2.6 million in Federal Family Violence Prevention and Services Act Grants

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

On July 6, 2017, the Office of Criminal Justice Services (OCJS) announced the award of $2.6 million in federal Family Violence Prevention and Services Act (FVPSA) grants for 56 projects in 43 counties. The grants were awarded to nonprofit and faith-based associations to establish, maintain, and expand projects that prevent incidents of family violence or provide immediate shelter and related assistance for family violence victims and their dependents. In addition to shelter operations and staffing, grants provide support for activities such as safety planning, crisis counseling, information and referral, and legal advocacy.

Both new and continuation projects were eligible for a grant award of up to $50,000. Each organization that receives FVPSA funds is required to provide an in-kind or cash match of at least 35% for new projects, and at least 20% for projects which have previously received funding. All but one of the 56 grants awarded were for the latter. Individual project awards range from $28,070 to the $50,000 maximum. The average award was $47,222. A list of project awards can be found on the office's website: www.ocjs.ohio.gov.

Each year, FVSPA formula grants administered by the Family Youth and Services Bureau of the U.S. Department of Health and Human Services fund more than 1,600 domestic violence agencies and programs, collectively serving over one million adult and child victims nationwide. Of the total $151 million appropriated for FVPSA in federal fiscal year 2017, Ohio received approximately $3.1 million. The remainder of Ohio's funding after the $2.6 million is used to fund the 56 project awards, $491,012, will be used to cover a portion of the grant program's administrative costs ($156,771) and to make additional grant awards for similar projects ($334,241). OCJS administers this federal grant at the state level, and there is no state match requirement.

Criminal Justice Services Awards Community-Police Relations Grants

– Maggie Wolniewicz, Senior Budget Analyst, 614-995-9992

On July 28, 2017, the Office of Criminal Justice Services announced the award of $537,128 in Community-Police Relations grants to 13 law enforcement agencies and seven community organizations in 12 counties. The grants are part of an effort by the Ohio Collaborative Community-Police Advisory Board to improve relationships between law enforcement agencies and the communities they serve. Funded projects include community-policing initiatives, training, juvenile-mentoring programs, education and awareness tools, and evidence-based policing strategies. Money for this purpose is being drawn from the remainder of $4.0 million appropriated during the FY 2016-FY 2017 biennium to implement key recommendations of the Ohio Task Force on Community-Police Relations. The table below shows those counties with one or more award recipients, the number of projects per county, and the total amount of funding received. Individual project awards range from $5,478 (Medina County) to $40,000 (Franklin, Hamilton, Montgomery, and Stark counties).

The 12-member Collaborative Advisory Board, which was established by Executive Order on April 29, 2015, is charged with creating statewide uniform standards for law enforcement agencies regarding the use of force (including the use of deadly force), as well as agency employee recruitment and hiring practices. Board members are appointed by the Governor and include law enforcement experts, community members, elected officials, academia, and members of the faith-based community.

Community-Police Relations Grant Awards by County* (Total: $537,128)					
County (# of Projects)	Award	County (# of Projects)	Award	County (# of Projects)	Award
Cuyahoga (3)	$73,868	Lucas	$37,783	Pickaway	$8,000
Franklin (4)	$119,843	Mahoning	$39,996	Portage	$12,504
Guernsey	$9,749	Medina (2)	$18,850	Ross (2)	$56,535
Hamilton (2)	$80,000	Montgomery	$40,000	Stark	$40,000

*Unless otherwise noted, the awarded amount is going to a single recipient. In the case of five counties, the awarded total includes grants to two or more recipients.

Telehealth Project in Knox and Logan County Nursing Facilities Begins

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

On August 1, 2017, a two-year Telehealth Project was launched to increase quality of life at two nursing facilities located in Knox and Logan counties. Both counties are primarily rural in nature. In addition, Logan County is designated as a Health Professional Shortage Area, which means there are too few primary care, dental, and mental health providers for the population. These factors make access to healthcare professionals challenging for residents. As a result, transporting residents for medical care is often necessary, but is costly for the provider and can negatively impact the health of a resident. The Telehealth Project seeks to increase healthcare access by providing telehealth equipment, including video/audio technology and specialized digital medical instruments, to these facilities. This equipment will allow specialists at distant locations to examine a resident at any time of the day or night. In addition to the equipment, the Project will track the care coordination (e.g., number of primary and specialty physician visits, emergency visits, and hospital admissions and readmissions) of at least 50 residents at each location during the 18 months preceding the Project and during the implementation period. The residents selected will have complex healthcare issues, such as congestive heart failure, chronic obstructive pulmonary disease, pneumonia, or stroke. The Project proposes to reduce emergency room visits, as well as hospital admissions and readmissions, by 10% for selected residents, which will increase resident quality of life and decrease healthcare costs.

The federal Centers for Medicare and Medicaid Services (CMS) approved approximately $220,000 for this project. These funds come from civil monetary penalties imposed on nursing homes that do not meet federal health and safety standards. States are required to use civil monetary penalties to improve residents' outcomes in Medicaid- or Medicare-certified nursing homes. The Ohio Department of Medicaid recommended the Project to CMS and will receive quarterly progress reports and a final report that evaluates project outcomes and results.

TRACKING THE ECONOMY

– *Phil Cummins, Senior Economist, 614-728-3218*

The national unemployment rate has fluctuated in a narrow 4.3% to 4.4% range since April.

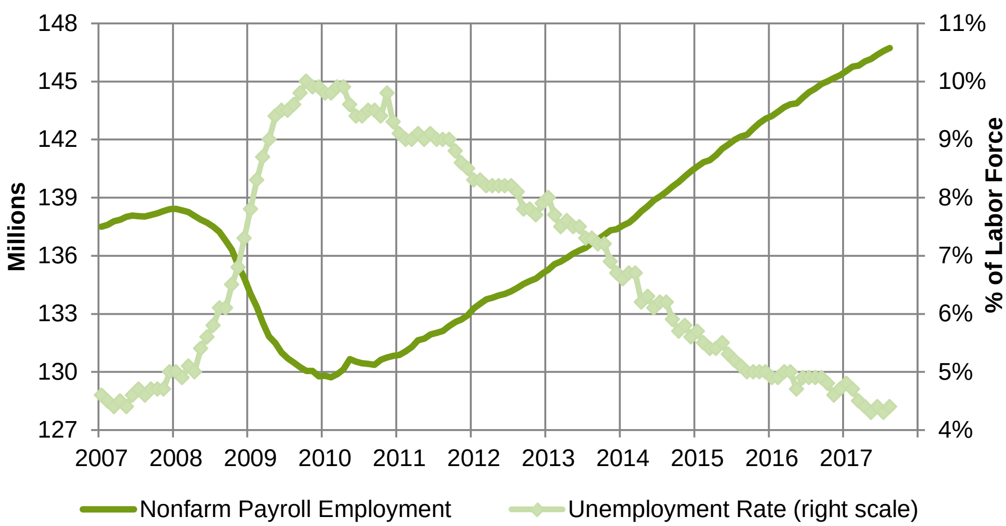
Overview

The national economy continues to expand in the 2017 third quarter and inflation remains low. Payroll employment rose again in August, though not as rapidly as earlier in the year, as unemployment ticked higher but was still low. Total industrial production rose in July despite a drop in manufacturing activity due to slower motor vehicle output in the month. Growth of U.S. inflation-adjusted gross domestic product (real GDP) picked up in the second quarter. In Ohio, employment continues to trend higher, but not as rapidly as nationwide. The statewide unemployment rate remained above the national rate in July for the eleventh consecutive month.

The National Economy

Total nonfarm payroll employment in the U.S. rose 156,000 in August, and unemployment as a percent of the labor force edged up to 4.4%, as shown in Chart 5. The U.S. Bureau of Labor Statistics (BLS) indicated that Hurricane Harvey had no discernible effect on these data due to the timing of collecting the data.

Chart 5: U.S. Employment and Unemployment



Employment gains so far this year averaged 176,000 per month, a little less than average monthly increases in 2016 of 187,000. In August, employment rose in mining, construction, and manufacturing, in the goods-producing sector, and in professional and technical services and health care, among service-providing industries.

The unemployment rate has fluctuated in a narrow 4.3% to 4.4% range since April. Unemployment rates were last this low in 2001 and before. In August, 7.1 million people were counted as unemployed. Labor force participation, the share of the working-age population either with jobs or actively seeking work, was at 62.9% in August, up from a recent low of 62.4% in 2015 but well below a peak of 67.3% in 2000.

Real GDP rose at a 3.0% annual rate in this year's second quarter, revised upward on stronger gains than initially estimated in consumer spending and nonresidential fixed investment. The economy's growth rate in the April-June period was the highest since the first quarter of 2015, and above the 1.2% rate of expansion in this year's first quarter and 1.5% for all of last year. The second quarter expansion was more than accounted for by growth of consumer spending at a 3.3% rate and nonresidential fixed investment at a 6.9% rate. Exports also rose, but residential building and government spending fell. Inflation remained subdued in the second quarter, as the GDP price index rose at only a 1.0% annual rate, following a rise at a 2.0% rate in the first quarter and 1.3% last year.

Industrial production rose 0.2% in July, but manufacturing activity fell 0.1% and was only 1.2% higher than a year earlier. The drop in manufacturing activity was due to a substantial fall in motor vehicle output.

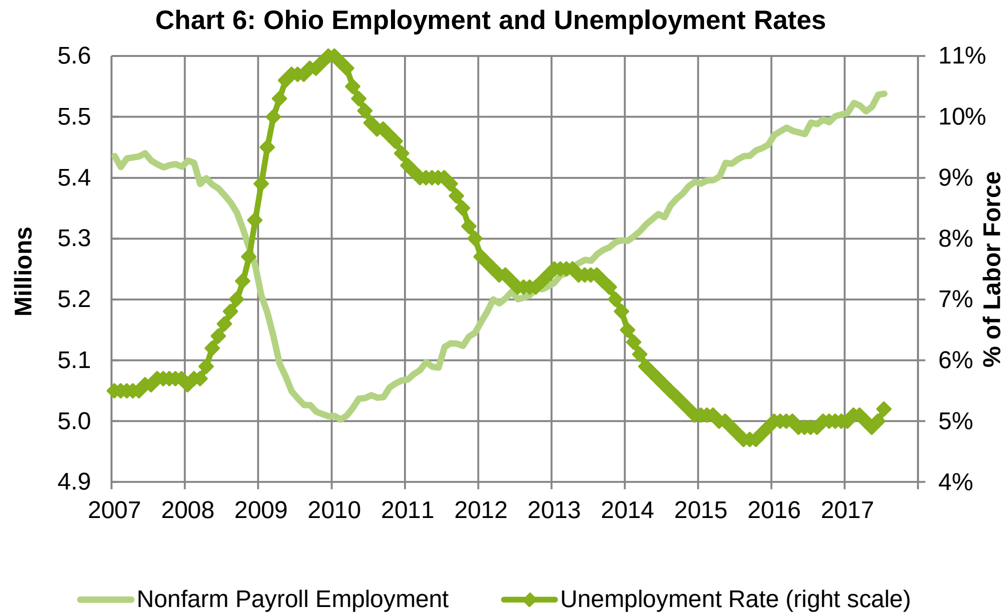
Prices paid by households, as measured by the consumer price index (CPI), rose 0.1% in July to 1.7% higher than a year earlier. The CPI for all items less food and energy was also higher by 1.7% in July, compared with a year earlier.

The Ohio Economy

The statewide average unemployment rate in Ohio rose to 5.2% in July, highest since November 2014 when it was also at that level. Total nonfarm payroll employment rose 1,600 in July to 47,500 (0.9%) above its year-earlier level, mostly due to higher employment in private service-providing industries. Trends in Ohio unemployment and employment are shown in Chart 6.

Real GDP rose at a 3.0% annual rate in this year's second quarter.

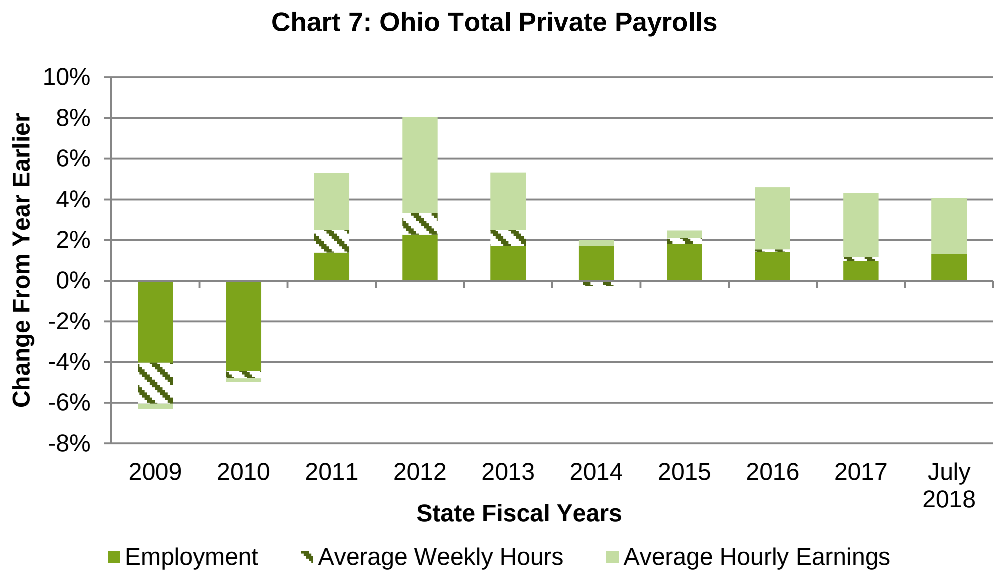
The statewide average unemployment rate in Ohio rose to 5.2% in July, highest since November 2014.



Statewide average unemployment is up from its low in recent years of 4.7% of the labor force in August to October 2015. Since then, the state's labor force, persons who either are employed or actively looking for work, rose 88,000 (1.6%) while the number employed increased 56,000 (1.0%). Consequently, the number counted as unemployed rose 32,000 to a total of 300,000, the most in nearly three years.

Industries in which Ohio payroll employment has grown in the latest 12 months include health care and social assistance, accommodation and food services, wholesale trade, construction, and professional, scientific, and technical services. Retail trade and transportation, warehousing, and utilities have shed jobs.

In addition to numbers of employees, the payroll data from BLS include private sector average hours paid per week and earnings per hour. The data can be used to construct a proxy for workers' incomes from private sector payroll jobs. Other types of income are not included, such as the value of employer benefits that these workers receive as well as income from public sector jobs, self-employment, pensions, and other sources. As shown in Chart 7, income from private payroll jobs has grown more than 4% in each of the past two fiscal years, even though growth in the number of jobs has slowed, as a result of more rapid increases in average hourly earnings. This pattern continued at the start of FY 2018.



Income from private payroll jobs has grown more than 4% in each of the past two fiscal years as a result of more rapid increases in average hourly earnings.

Among Ohio metropolitan areas, payroll employment growth in the year ended in July was strongest in Cincinnati at 3.0%. The unemployment rate in July in the Cincinnati area was low at 4.7%. The Ohio metropolitan area with the lowest unemployment rate in July was Columbus at 4.4%. Payroll employment growth in the latest 12 months in Columbus, at 2.2%, exceeded that in most other areas of the state. The area with the weakest employment change was Youngstown-Warren-Boardman, where the number of payroll jobs fell 1.3% in the latest 12 months. The unemployment rate in that metropolitan area in July was highest in the state at 7.9%. Payroll employment also fell in the past 12 months in the Weirton-Steubenville metropolitan area, by 1.2%, and unemployment there was high at 6.8% of the labor force.

Ohio's real GDP rose at a 1.4% annual rate in this year's first quarter.

Initial claims under the unemployment insurance program in Ohio are near the lowest level of the past 30 years, on a downward trend underway for more than seven years. Similarly, continued claims also continue on a downtrend begun in 2010.

Ohio's real GDP rose at a 1.4% annual rate in this year's first quarter, a little higher than U.S. real GDP growth at a 1.2% annual rate. In all of last year, Ohio's GDP rose 1.7%, also slightly more than nationwide GDP growth of 1.5%. By industry, Ohio's incrementally higher growth appears mainly attributable in the first quarter to stronger manufacturing, and last year to an upturn in mining activity in the state.

The number of homes sold in Ohio in July was 2.6% fewer than a year earlier, in figures published by the Ohio Association of Realtors. Year-to-date unit sales were 0.8% above sales in the year-earlier period. The average sales price in this year's first seven months, at about $172,000, was 5.3% higher than a year earlier.

Growth of business activity in the region picked up in July and August, according to the latest Beige Book, a summary of commentary published by the Federal Reserve.[7] Activity in manufacturing rose slightly, though production fell at motor vehicle assembly plants, attributed largely to retooling shutdowns to produce new models. Consumer spending also strengthened slightly. Residential sales increased, though apartment construction slowed. Nonresidential builders report sizable backlogs including office buildings and infrastructure. Upward pressures on wages were noted in factory, construction, and energy industries. Price increases were reported in construction and freight transportation.

[7] The Beige Book, a compilation of sections written by the 12 Federal Reserve banks, summarizes information from business and industry contacts outside the central bank. Regional information above is for the Cleveland Federal Reserve District which includes all of Ohio as well as parts of three adjacent states. The latest Beige Book is based on reports collected through August 28, 2017.