LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2020 **Issue: December 2019**

Highlights

– Ross Miller, Chief Economist

November GRF tax revenue was just $2 million (0.1%) below the estimate published by the Office of Budget and Management (OBM) in August. Sales and use tax receipts came in well above estimate ($31.9 million), but the income tax, the commercial activity tax, and the public utility excise tax were all below estimate by sizable amounts. The November results mean that FY 2020 GRF tax revenue was $95.0 million above estimate for the year to date through November. November GRF program expenditures were $149.5 million below estimate, and the state budget overall looks in good shape through the first five months of FY 2020.

Ohio's unemployment rate remained unchanged at 4.2% in October, and was 0.6 percentage point higher than the national rate for that month. Payroll employment fell by 1,000 from September to October.

Through November 2019, GRF sources totaled $14.07 billion:

- Revenue from the sales and use tax was $114.2 million above estimate;
- Personal income tax receipts were $38.4 million below estimate.

Through November 2019, GRF uses totaled $15.63 billion:

- Program expenditures were $277.4 million below estimate;
- Expenditures from all program categories were below estimates, led by Medicaid (by $85.9 million), Higher Education (by $63.2 million), Justice and Public Protection (by $47.2 million), and Health and Human Services ($31.5 million).

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of November 2019
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 03, 2019)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$118,485	$105,900	$12,585	11.9%
Nonauto Sales and Use	$823,376	$804,100	$19,276	2.4%
Total Sales and Use	*$941,861*	*$910,000*	*$31,861*	*3.5%*
Personal Income	$603,464	$640,100	-$36,636	-5.7%
Commercial Activity Tax	$330,309	$334,900	-$4,591	-1.4%
Cigarette	$72,248	$72,400	-$152	-0.2%
Kilowatt-Hour Excise	$25,621	$26,300	-$679	-2.6%
Foreign Insurance	-$1,176	-$9,600	$8,424	87.8%
Domestic Insurance	$6	$0	$6	---
Financial Institution	-$3,129	-$7,800	$4,671	59.9%
Public Utility	$24,342	$29,600	-$5,258	-17.8%
Natural Gas Consumption	$4,987	$5,200	-$213	-4.1%
Alcoholic Beverage	$5,329	$5,000	$329	6.6%
Liquor Gallonage	$4,301	$4,100	$201	4.9%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$47	$0	$47	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,008,210**	**$2,010,200**	**-$1,990**	**-0.1%**
Nontax Revenue				
Earnings on Investments	$18	$0	$18	---
Licenses and Fees	$1,152	$415	$737	177.8%
Other Revenue	$2,390	$2,282	$107	4.7%
Total Nontax Revenue	**$3,560**	**$2,697**	**$863**	**32.0%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,011,770**	**$2,012,897**	**-$1,127**	**-0.1%**
Federal Grants	**$600,694**	**$824,429**	**-$223,735**	**-27.1%**
Total GRF Sources	**$2,612,464**	**$2,837,326**	**-$224,862**	**-7.9%**

*Estimates of the Office of Budget and Management as of August 2019.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2020 as of November 30, 2019
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 03, 2019)

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2019****	**Percent**
Tax Revenue						
Auto Sales	$681,487	$642,100	$39,387	6.1%	$630,354	8.1%
Nonauto Sales and Use	$3,951,423	$3,876,600	$74,823	1.9%	$3,749,635	5.4%
Total Sales and Use	*$4,632,910*	*$4,518,700*	*$114,210*	*2.5%*	*$4,379,988*	*5.8%*
Personal Income	$3,601,894	$3,640,300	-$38,406	-1.1%	$3,611,739	-0.3%
Commercial Activity Tax	$799,015	$775,100	$23,915	3.1%	$758,725	5.3%
Cigarette	$329,253	$332,500	-$3,247	-1.0%	$347,119	-5.1%
Kilowatt-Hour Excise	$144,848	$147,300	-$2,452	-1.7%	$156,730	-7.6%
Foreign Insurance	$174,253	$156,000	$18,253	11.7%	$159,029	9.6%
Domestic Insurance	$7	$0	$7	---	$2	309.8%
Financial Institution	-$29,917	-$22,300	-$7,617	-34.2%	-$21,855	-36.9%
Public Utility	$59,228	$64,900	-$5,672	-8.7%	$68,100	-13.0%
Natural Gas Consumption	$18,291	$19,800	-$1,509	-7.6%	$20,253	-9.7%
Alcoholic Beverage	$22,487	$25,200	-$2,713	-10.8%	$25,476	-11.7%
Liquor Gallonage	$21,579	$21,200	$379	1.8%	$20,899	3.3%
Petroleum Activity Tax	$1,796	$2,000	-$204	-10.2%	$2,019	-11.0%
Corporate Franchise	$43	$0	$43	---	$192	-77.5%
Estate	$38	$0	$38	---	$32	16.9%
Total Tax Revenue	**$9,775,725**	**$9,680,700**	**$95,025**	**1.0%**	**$9,528,446**	**2.6%**
Nontax Revenue						
Earnings on Investments	$41,475	$27,500	$13,975	50.8%	$25,393	63.3%
Licenses and Fees	$10,617	$7,829	$2,788	35.6%	$9,788	8.5%
Other Revenue	$73,610	$58,740	$14,870	25.3%	$54,740	34.5%
Total Nontax Revenue	**$125,702**	**$94,069**	**$31,633**	**33.6%**	**$89,922**	**39.8%**
Transfers In	**$75,548**	**$68,570**	**$6,978**	**10.2%**	**$76,109**	**-0.7%**
Total State Sources	**$9,976,975**	**$9,843,339**	**$133,636**	**1.4%**	**$9,694,477**	**2.9%**
Federal Grants	**$4,089,613**	**$4,362,985**	**-$273,372**	**-6.3%**	**$4,357,089**	**-6.1%**
Total GRF SOURCES	**$14,066,588**	**$14,206,323**	**-$139,736**	**-1.0%**	**$14,051,565**	**0.1%**

*Estimates of the Office of Budget and Management as of August 2019.
**Cumulative totals through the same month in FY 2019.
Detail may not sum to total due to rounding.

Revenues[1]

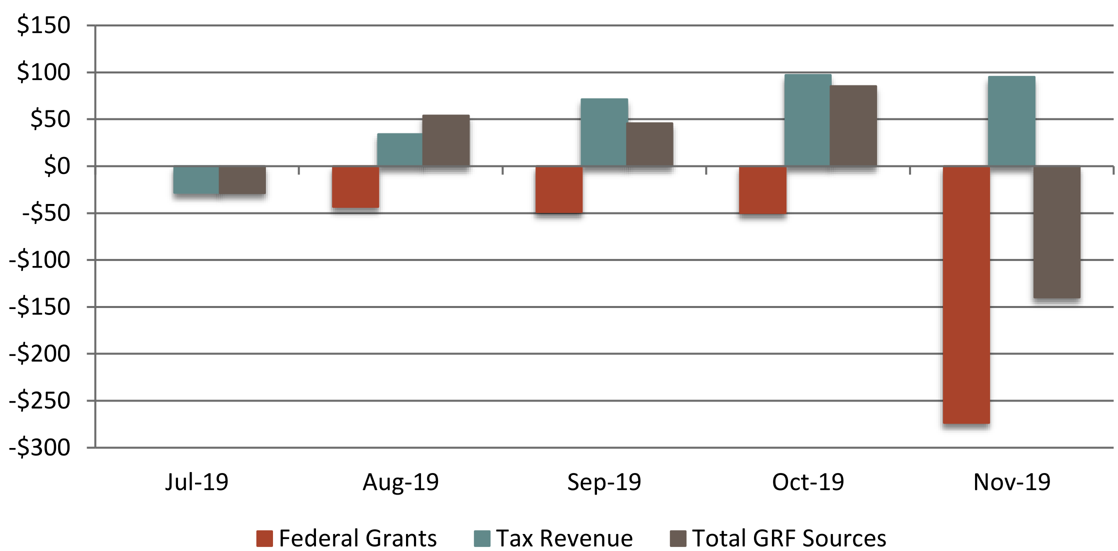
– Jean J. Botomogno, Principal Economist

Overview

Through November in FY 2020, GRF sources totaling $14.07 billion were $139.7 million (1.0%) below the Office of Budget and Management (OBM) estimate, due to a large negative variance of $273.4 million (6.3%) for federal grants.[2] Partially offsetting that shortfall, YTD tax receipts were $95.0 million (1.0%) above projections, while nontax revenues and GRF transfers in had positive variances of $31.6 million (33.6%) and $7.0 million (10.2%), respectively. Tables 1 and 2 show GRF sources for the month of November and for FY 2020 through November, respectively. GRF sources consist of both federal grants and state-source receipts, such as tax revenue, nontax revenue, and transfers in.

Chart 1, below, shows cumulative YTD variances of GRF sources each month through November 2019.

Chart 1: Cumulative Variances of GRF Sources in FY 2020
(Variances from Estimates, $ in millions)



Regarding the YTD performance of specific tax sources, the sales and use tax and the commercial activity tax (CAT) posted positive variances of $114.2 million and $23.9 million, respectively. In addition, the foreign insurance tax was $18.3 million above its anticipated level. On the other hand, the personal income tax (PIT) and the cigarette and other tobacco products

[1] This report compares actual monthly and YTD 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] Federal grants are typically federal reimbursements for Medicaid and other human services programs.

tax were $38.4 million and $3.2 million, respectively, below their FY 2020 estimates. Most of the remaining GRF taxes also experienced negative variances through November, including the financial institutions tax (FIT, $7.6 million),[3] the alcoholic beverage tax ($2.7 million), and the three utility-related taxes (the kilowatt-hour excise tax, the public utility tax, and the natural gas consumption tax) which were collectively $9.6 million below projections. All other taxes had smaller variances at the end of November.

For the month of November 2019, GRF sources of $2.61 billion were $224.9 million below estimates, due to shortfalls of $223.7 million for federal grants and $2.0 million for tax sources. However, nontax revenue was above estimate by $0.9 million; and no GRF transfers in occurred or were anticipated. The poor performance of GRF tax sources was the result of negative variances of $36.6 million from the PIT, $5.3 million from the public utility tax, and $4.6 million from the CAT. Those negative variances were partially offset by gains of $31.9 million for the sales tax, $8.4 million for the foreign insurance tax, and $4.7 million for the FIT.

As shown in Table 2, FY 2020 GRF sources through November were just $15.0 million (0.1%) above sources in the corresponding period in FY 2019. Receipts from tax sources and nontax revenue were $247.3 million and $35.8 million above such revenues in FY 2019 through November. On the other hand, federal grants and transfers in were below their FY 2019 levels by $267.5 million and $0.6 million, respectively. Growth in GRF tax revenue was due to the sales tax ($252.9 million) and the CAT ($40.3 million). Revenue from the PIT for the first five months of FY 2020 fell slightly ($9.8 million); this was due in part to a reduction in withholding rates, the role of which is explained below.

Sales and Use Tax

The sales and use tax has been healthy throughout FY 2020. Through November, GRF receipts of $4.63 billion from this tax were $114.2 million (2.5%) above estimate, with both the nonauto and the auto portions of the tax above projections. Total sales tax revenue was also $252.9 million (5.8%) above receipts in FY 2019 through November. For the latest month, GRF receipts were $941.9 million, $31.9 million (3.5%) above estimate, powered by strong results from the auto sales tax. Compared to the same month last year, November receipts from this tax increased $44.1 million (4.9%). For analysis and forecasting, revenue from 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.

Nonauto Sales and Use Tax

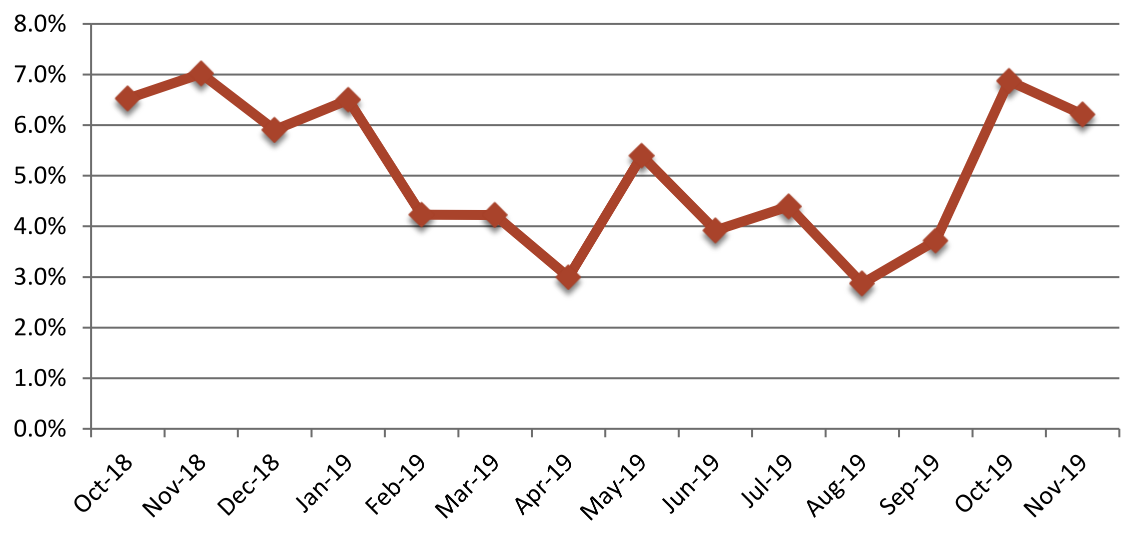
November receipts from the nonauto sales and use tax totaling $823.4 million exceeded estimate by $19.3 million (2.4%). This performance increased the cumulative YTD positive variance of this GRF source to $74.8 million (1.9%), up from a positive variance of $55.5 million in the first four months of FY 2020. Compared to revenue in the same month in 2018, November

[3] A negative variance in FIT collections through the first half of the year is not uncommon. The OBM estimate always assumes refunds outweigh FIT collections during this period. Refunds typically occur during the first half of a fiscal year as taxpayers make adjustments to previous tax filings, which is inherently difficult to predict. Receipts of the FIT are typically expected in January, March, and May.

revenue increased $36.1 million (4.6%). For the fiscal year to date, GRF receipts of $3.95 billion were $201.8 million (5.4%) above revenue in the corresponding period in FY 2019.

Chart 2, below, shows year-over-year growth in nonauto sales tax collections. As a result of continuing economic expansion, nonauto sales tax receipts have continued to grow in FY 2020. Tax revenue growth has also been supported by increased sales tax remittances by out-of-state sellers. Though the total amount of additional tax revenue is uncertain, Ohio has benefitted from an increase in voluntary collections by certain remote sellers in the wake of the U.S. Supreme Court decision in *South Dakota v. Wayfair* in June 2018. Following this Supreme Court decision, H.B. 166, the main operating budget act for the biennium, substantially modified Ohio's nexus[4] assumptions, which are expected to increase nonauto sales tax revenue by $121 million in FY 2020. However, the revenue gains may be higher or lower depending on the behavioral response of remote sellers and market facilitators (e.g., Amazon Marketplace, eBay, Walmart Marketplace, Etsy).

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

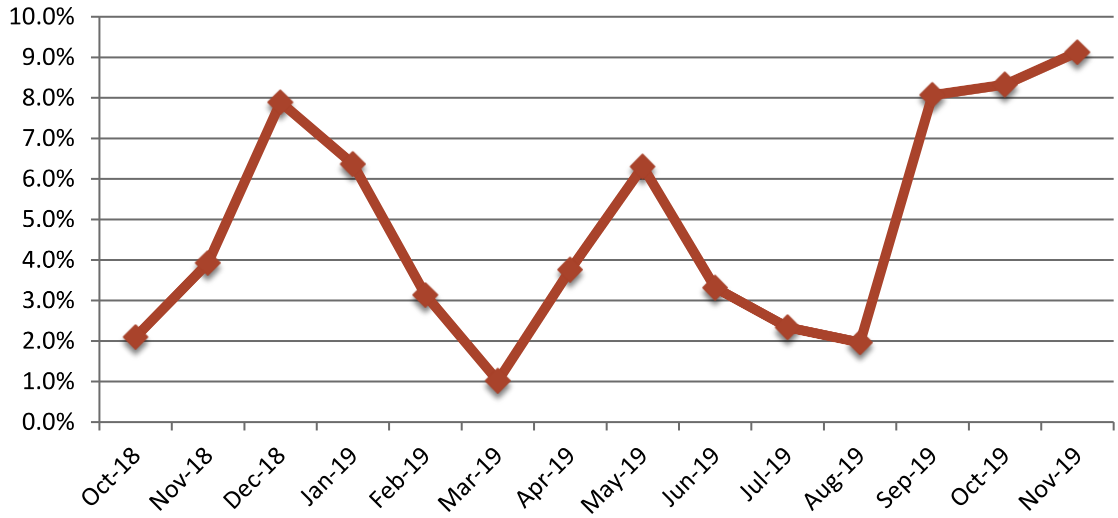


Auto Sales and Use Tax

The auto sales and use tax continues to outperform expectations and has been above estimate each month in FY 2020. YTD GRF revenue from this source totaled $681.5 million through November, an amount $39.4 million (6.1%) above estimates. YTD collections were also $51.1 million (8.1%) above receipts in the corresponding period in FY 2019.

[4] If an out-of-state seller has sufficient contact with the state (nexus), the seller is required to abide by Ohio's tax laws. Effective August 1, 2019, Ohio enacted substantial nexus statutes when a seller has at least 200 transactions or $100,000 or more in gross sales into Ohio. With this change in statutes, a seller making sales into Ohio may have a requirement to collect Ohio (seller's) use tax without a physical presence in this state.

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



For the month of November 2019, revenue from this tax was $118.5 million, $12.6 million (11.9%) above estimate and $8.0 million (7.2%) above collections in the same month in 2018. Chart 3 shows year-over-year growth in auto sales and use tax collections. As mentioned in previous editions of *Budget Footnotes*, recent gains in the tax base largely reflect higher vehicle prices paid by consumers rather than increases in the number of units sold, as consumer tastes and preferences have shifted away from cars toward trucks, sport-utility vehicles and crossovers; and as long as gas prices remain relatively low and stable, this trend is likely to continue.

Nationally, sales of light vehicles (autos and light trucks) through November averaged 16.9 million units on an annualized basis, below last year's 17.2 million units in the corresponding period. So it is probable sales in 2019 will fall short of the previous year's level of 17.3 million units, and they may be below the 17-million mark for the first time in five years.

Personal Income Tax

Through November, YTD PIT GRF receipts of $3.60 billion were $38.4 million (1.1%) below projections. This tax source had recorded a surplus of $18.8 million in the first fiscal quarter, but its performance has been weaker since. November GRF receipts of $603.5 million were below estimates by $36.6 million (5.7%), in part due to higher than expected refunds, after a shortfall of $20.6 million in October. November PIT revenue was also $82.3 million (12.0%) below revenue in November 2018. Comparisons with year-ago receipts are affected by a 3.3% withholding rate reduction earlier this calendar year.[5] Compared to PIT receipts from the corresponding period one year ago, YTD FY 2020 revenue declined $9.8 million (0.3%), though at the end of September, YTD PIT receipts were up 3.1% relative to revenue in the first quarter of FY 2019.

[5] Effective January 1, 2019, Ohio employer withholding tax rates were reduced by 3.3% in order to be fully consistent with the income tax rate reductions enacted in 2015 (H.B. 64 of the 131st General Assembly).

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] 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 (about 81% of gross collections in FY 2019). Larger than expected refunds could also greatly affect the monthly performance of the tax.

The PIT performance in October and November is generally affected by the close of the filing extension period. Annual tax returns are generally due by April 15 each year. However, some taxpayers request a six-month filing extension, which requires them to file their completed tax returns on or before the October 15 deadline.[7] An IRS extension also qualifies an Ohio taxpayer for an extension to file the state income tax return, though payment of tax due to the state and federal governments are to be made by the preceding April 15.

In November, gross collections were below projections by $19.3 million, with all components failing to meet their respective targets: withholding was $9.3 million below estimate, taxes due with annual returns were $5.4 million below expectation, and miscellaneous payments were short of projection by $2.7 million; and larger than expected refunds contributed $13.3 million to the PIT monthly negative variance of $36.6 million. The November negative variance was more broadly based than the PIT negative variance in October of $20.6 million, which was due to higher than expected refunds ($33.1 million); gross collections that month were $12.4 million above projections.

For the YTD, revenues from each component of the PIT relative to estimates and revenue received in FY 2019 are detailed in the table below. Gross collections were $21.0 million above estimate, with quarterly estimated payments being the only component with a YTD negative variance. Refunds and distributions to LGF were $54.6 million and $4.9 million, respectively, higher than expected. Taxpayers who relied on extensions to file their tax year (TY) 2018 tax returns were likely the beneficiaries of most of these refunds, as some of them overestimated their tax liabilities and remitted too much PIT payment by April when requesting an IRS extension. FY 2020 refunds and LGF distributions also increased compared to their amounts in the corresponding period last fiscal year. In part, the increase in LGF distributions is due to an increase in the allocation of GRF tax revenue to the LGF. H.B. 166 included a provision in uncodified law increasing the allocation from 1.66% of GRF tax revenue to 1.68% during the current biennium.

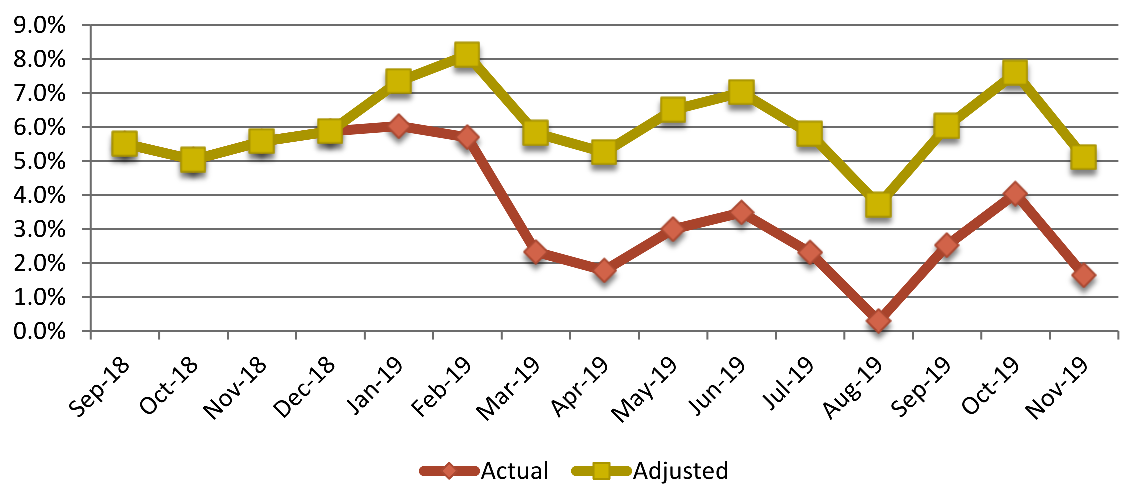
[6] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

[7] Because taxpayers who request an extension generally have more complex finances, they represent 20% of the total tax liability that will be reported for all individual income tax returns filed during the year. https://www.irs.gov/statistics/filing-season-statistics.

FY 2020 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2019	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$23.0	0.6%	$52.8	1.4%
Quarterly Estimated Payments	-$6.0	-2.1%	$20.4	7.8%
Trust Payments	$1.2	6.5%	$1.3	7.1%
Annual Return Payments	$2.5	2.1%	$21.3	21.2%
Miscellaneous Payments	$0.3	1.0%	$1.1	3.6%
Gross Collections	$21.0	0.5%	$96.8	2.4%
Less Refunds	$54.6	15.5%	$95.0	30.6%
Less LGF Distribution	$4.9	2.8%	$11.7	7.0%
GRF PIT Revenue	-$38.4	-1.1%	-$9.8	-0.3%

Through November, FY 2020 employer withholding receipts[8] grew 1.4%, despite the reduction in withholding rates described above. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts in FY 2020 and estimated withholding receipts adjusted for the decrease in withholding tax rates in January.

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



[8] Withholding receipts consist of monthly employer withholding (about 99% of the total) and annual employer withholding.

Commercial Activity Tax

In the first three months of the fiscal year, the CAT exceeded OBM's estimate by $33.6 million, including a monthly surplus of $18.2 million in August for the first payment for quarterly calendar return taxpayers. However, in October and November, GRF revenue from the CAT was $5.1 million (6.9%) and $4.6 million (1.4%), respectively, below estimates. November GRF revenue of $330.3 million, which included the second payment for quarterly calendar return taxpayers, showed no growth relative to receipts in November 2018. Despite the recent shortfalls, YTD GRF revenue from this source was $23.9 million (3.1%) above estimates and $40.3 million (5.3%) above revenues in the corresponding period in FY 2019. Some of the YTD gains were driven by a decline in tax credits claimed against the CAT,[9] as compared to the previous year. Through November, FY 2020 gross collections grew 2.6% while refunds and credits fell 26.7%, resulting in a higher growth rate for the GRF. After growing 8.8% in the first quarter in FY 2020 relative to FY 2019, in the October-November period, gross collections and GRF revenue fell $15.6 million and $9.7 million, respectively, or roughly 3% each. December estimated receipts to the GRF are $10.2 million. Thus, year-over-year growth as a whole in the second quarter of FY 2020 may be flat or negative.

[9] A number of Ohio's business tax credits can be claimed against more than one type of tax, but many are claimed against the CAT, which is imposed on the privilege of doing business in Ohio.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of November 2019
($ in thousands)
(Actual based on OAKS reports run December 9, 2019)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$694,505	$687,318	$7,187	1.0%
Higher Education	$196,708	$246,520	-$49,812	-20.2%
Other Education	$6,255	$5,527	$728	13.2%
Total Education	**$897,469**	**$939,365**	**-$41,896**	**-4.5%**
Medicaid	$1,321,424	$1,327,358	-$5,933	-0.4%
Health and Human Services	$118,705	$127,385	-$8,680	-6.8%
Total Health and Human Services	**$1,440,129**	**$1,454,743**	**-$14,614**	**-1.0%**
Justice and Public Protection	$204,237	$229,316	-$25,079	-10.9%
General Government	$34,796	$47,340	-$12,544	-26.5%
Total Government Operations	**$239,033**	**$276,656**	**-$37,623**	**-13.6%**
Property Tax Reimbursements	$52,201	$107,602	-$55,401	-51.5%
Debt Service	$30,839	$30,848	-$8	0.0%
Total Other Expenditures	**$83,040**	**$138,450**	**-$55,410**	**-40.0%**
Total Program Expenditures	**$2,659,671**	**$2,809,214**	**-$149,543**	**-5.3%**
Transfers Out	**$1,132**	**$0**	**$1,132**	**---**
Total GRF Uses	**$2,660,803**	**$2,809,214**	**-$148,411**	**-5.3%**

*September 2019 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 2020 as of November 30, 2019
($ in thousands)
(Actual based on OAKS reports run December 9, 2019)

Program Category	Actual	Estimate*	Variance	Percent	FY 2019**	Percent
Primary and Secondary Education	$3,556,395	$3,575,583	-$19,188	-0.5%	$3,551,341	0.1%
Higher Education	$935,853	$999,017	-$63,164	-6.3%	$958,530	-2.4%
Other Education	$43,999	$44,615	-$616	-1.4%	$37,928	16.0%
Total Education	**$4,536,247**	**$4,619,215**	**-$82,968**	**-1.8%**	**$4,547,799**	**-0.3%**
Medicaid	$6,755,892	$6,841,766	-$85,874	-1.3%	$6,703,488	0.8%
Health and Human Services	$631,624	$663,090	-$31,466	-4.7%	$565,584	11.7%
Total Health and Human Services	**$7,387,516**	**$7,504,856**	**-$117,340**	**-1.6%**	**$7,269,072**	**1.6%**
Justice and Public Protection	$1,071,195	$1,118,357	-$47,163	-4.2%	$989,334	8.3%
General Government	$187,517	$209,268	-$21,751	-10.4%	$164,324	14.1%
Total Government Operations	**$1,258,711**	**$1,327,625**	**-$68,914**	**-5.2%**	**$1,153,658**	**9.1%**
Property Tax Reimbursements	$903,562	$911,427	-$7,865	-0.9%	$904,529	-0.1%
Debt Service	$884,338	$884,630	-$292	0.0%	$914,659	-3.3%
Total Other Expenditures	**$1,787,901**	**$1,796,057**	**-$8,156**	**-0.5%**	**$1,819,189**	**-1.7%**
Total Program Expenditures	**$14,970,375**	**$15,247,754**	**-$277,379**	**-1.8%**	**$14,789,718**	**1.2%**
Transfers Out	**$662,799**	**$669,975**	**-$7,177**	**-1.1%**	**$752,840**	**-12.0%**
Total GRF Uses	**$15,633,173**	**$15,917,729**	**-$284,555**	**-1.8%**	**$15,542,558**	**0.6%**

*September 2019 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2019.
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 December 9, 2019)

	Month of November 2019				Year to Date through November 2019			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,247,754	$1,259,811	-$12,057	-1.0%	$6,411,061	$6,500,056	-$88,995	-1.4%
Non-GRF	$601,974	$620,728	-$18,754	-3.0%	$3,590,307	$3,671,530	-$81,223	-2.2%
All Funds	$1,849,728	$1,880,540	-$30,811	-1.6%	$10,001,368	$10,171,586	-$170,218	-1.7%
Developmental Disabilities								
GRF	$62,031	$60,225	$1,806	3.0%	$295,889	$294,558	$1,331	0.5%
Non-GRF	$164,148	$246,409	-$82,261	-33.4%	$978,609	$1,068,080	-$89,471	-8.4%
All Funds	$226,179	$306,634	-$80,455	-26.2%	$1,274,498	$1,362,639	-$88,140	-6.5%
Job and Family Services								
GRF	$10,427	$6,215	$4,212	67.8%	$44,501	$42,448	$2,053	4.8%
Non-GRF	$21,749	$26,248	-$4,499	-17.1%	$80,604	$68,782	$11,821	17.2%
All Funds	$32,176	$32,464	-$288	-0.9%	$125,104	$111,230	$13,874	12.5%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,212	$1,106	$107	9.6%	$4,441	$4,703	-$263	-5.6%
Non-GRF	$5,085	$3,221	$1,863	57.9%	$19,720	$17,298	$2,423	14.0%
All Funds	$6,297	$4,327	$1,970	45.5%	$24,161	$22,001	$2,160	9.8%
All Departments:								
GRF	**$1,321,424**	**$1,327,358**	**-$5,933**	**-0.4%**	**$6,755,892**	**$6,841,766**	**-$85,874**	**-1.3%**
Non-GRF	**$792,956**	**$896,607**	**-$103,651**	**-11.6%**	**$4,669,240**	**$4,825,691**	**-$156,451**	**-3.2%**
All Funds	**$2,114,381**	**$2,223,965**	**-$109,584**	**-4.9%**	**$11,425,132**	**$11,667,456**	**-$242,325**	**-2.1%**

*September 2019 estimates 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 December 9, 2019)

	Month of November 2019				Year to Date through November 2019			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,384,684**	**$1,390,735**	**-$6,051**	**-0.4%**	**$6,912,729**	**$6,945,486**	**-$32,757**	**-0.5%**
CFC†	$483,657	$491,179	-$7,522	-1.5%	$2,433,081	$2,465,766	-$32,686	-1.3%
Group VIII	$360,683	$362,738	-$2,055	-0.6%	$1,797,730	$1,812,286	-$14,556	-0.8%
ABD†	$241,359	$237,401	$3,958	1.7%	$1,172,683	$1,181,050	-$8,367	-0.7%
ABD Kids	$79,911	$76,945	$2,966	3.9%	$381,708	$382,950	-$1,242	-0.3%
My Care	$219,074	$222,472	-$3,398	-1.5%	$1,129,453	$1,103,433	$26,020	2.4%
P4P†	$0	$0	$0	--	-$1,925	$0	-$1,925	--
Fee-For-Service	**$557,027**	**$627,604**	**-$70,564**	**-11.2%**	**$3,675,924**	**$3,792,058**	**-$116,121**	**-3.1%**
ODM Services	$336,479	$336,939	-$460	-0.1%	$1,737,904	$1,788,037	-$50,133	-2.8%
DDD Services	$220,548	$290,665	-$70,104	-24.1%	$1,239,787	$1,316,021	-$76,221	-5.8%
Hospital – HCAP†	$0	$0	$0	--	$680,646	$669,444	$11,202	1.7%
Hospital – Other	$0	$0	$0	--	$17,587	$18,557	-$969	-5.2%
Premium Assistance	**$92,079**	**$97,079**	**-$5,000**	**-5.2%**	**$455,154**	**$465,982**	**-$10,828**	**-2.3%**
Medicare Buy-In	$53,162	$57,127	-$3,965	-6.9%	$260,952	$268,842	-$7,890	-2.9%
Medicare Part D	$38,917	$39,952	-$1,034	-2.6%	$194,202	$197,140	-$2,937	-1.5%
Administration	**$80,590**	**$108,546**	**-$27,956**	**-25.8%**	**$381,324**	**$463,930**	**-$82,607**	**-17.8%**
Total	**$2,114,381**	**$2,223,965**	**-$109,571**	**-4.9%**	**$11,425,132**	**$11,667,456**	**-$242,312**	**-2.1%**

*September 2019 estimates from the Department of Medicaid.

†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program; P4P - Pay For Performance.

Detail may not sum to total due to rounding.

Expenditures[10]

– *Melaney Carter, Director*

– *Ivy Chen, Principal Economist*

Overview

The preceding Table 4 shows GRF expenditures compared to estimates for FY 2020 year-to-date (YTD). Through November, FY 2020 GRF program expenditures totaled $14.97 billion. These expenditures were $277.4 million (1.8%) below OBM's estimate. All program categories were below their YTD estimates. The top three largest YTD negative variances were in Medicaid ($85.9 million), Higher Education ($63.2 million), and Justice and Public Protection ($47.2 million). Table 3 shows GRF expenditures compared to estimates for the month of November. For the month of November, GRF program expenditures totaled $2.66 billion, $149.5 million (5.3%) below estimate. All categories were below estimate except for Primary and Secondary Education and Other Education, which had small positive variances ($7.2 million and $0.7 million, respectively). The top three largest monthly negative variances were in Property Tax Reimbursements ($55.4 million), Higher Education ($49.8 million), and Justice and Public Protection ($25.1 million). The variance in Property Tax Reimbursements was expected as an offset to a positive variance in September.[11] Other significant variances are discussed below. Also, below is an update on outstanding prior year encumbrances.

Transfers out were above estimate by $1.1 million in November and below estimate by $7.2 million (1.1%) YTD. Including both program expenditures and transfers out, total GRF uses were $15.63 billion YTD. These YTD uses were below estimate by $284.6 million (1.8%).

Medicaid

GRF Medicaid expenditures were below both their monthly and YTD estimates, by $5.9 million (0.4%) and $85.9 million (1.3%), respectively. Non-GRF Medicaid expenditures were also below both their monthly and YTD estimates, by $103.7 million (11.6%) and $156.5 million (3.2%), respectively. Including both the GRF and non-GRF, all funds Medicaid expenditures were $109.6 million (4.9%) below estimate in November and $242.3 million (2.1%) below the YTD estimate at the end of November. As a joint federal-state program, both GRF and non-GRF Medicaid expenditures contain federal and state dollars.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. At the end of November YTD all funds Medicaid expenditures were below estimate by $170.2 million (1.7%) for ODM and by

---

[10] This report compares actual monthly and YTD 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.

[11] Please see page 15 of the October issue of *Budget Footnotes* for an explanation of this variance.

$88.1 million (6.5%) for ODODD. Whereas ODM's negative variance was fairly evenly distributed among GRF ($89.0 million) and non-GRF ($81.2 million) spending, ODODD's negative variance was entirely due to non-GRF spending ($89.5 million) partially offset by a small positive variance in GRF spending ($1.3 million). The other six agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining one percent of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for all four payment categories. Fee-For-Service (FFS, $116.1 million, 3.1%) had the largest overall negative variance, followed by Administration ($82.6 million, 17.8%), Managed Care ($32.8 million, 0.5%), and Premium Assistance ($10.8 million, 2.3%).

The YTD variance in FFS was driven by a negative variance of $70.1 million in DDD services for the month of November. These are services provided by ODODD. As can be seen in Table 5, ODODD's negative variance in November was entirely in non-GRF expenditures ($82.3 million). Approximately $76.0 million of this variance was due to timing of ODODD's cost report settlement and the remainder was due to a delay in ODODD's payment of quarterly Medicaid administrative claims. Each of these items are reporting mechanisms which capture Medicaid eligible costs and allow ODODD to disburse federal funds to counties based on Medicaid allowable costs that have been incurred by those counties for their administration and services. The YTD variance in the Administration category is mostly due to timing and is expected to smooth out throughout the fiscal year.

Higher Education

The Higher Education program category had a negative variance in the month of November of $49.8 million (20.2%), which pushed the category's YTD negative variance to $63.2 million (6.3%). These variances appear to be mostly due to timing. A number of appropriation items were to have large payments in November that were to account for the first five months of the fiscal year. Several of these payments were delayed and will be made in December or a future month. The largest of these items are listed below with their negative November/YTD variances indicated in parentheses:[12]

- 235535, Ohio Agricultural Research and Development Center ($15.6 million);
- 235511, Cooperative Extension Service ($10.5 million);
- 235536, The Ohio State University Clinical Teaching ($3.8 million);
- 235507, OhioLINK ($2.5 million);
- 235538, University of Toledo Clinical Teaching ($2.5 million);
- 235510, Ohio Supercomputer Center ($1.8 million); and
- 235556, Ohio Academic Resources Network ($1.3 million).

In addition to these items, most other appropriation items in this category were also below estimate both in November and YTD.

[12] For an explanation of each of these items, please see the *Catalog of Budget Line Items* for the Department of Higher Education.

Justice and Public Protection

The Justice and Public Protection category had a negative variance of $25.1 million (10.9%) in November that increased the category's negative YTD variance to $47.2 million (4.2%).[13] The three agencies with the largest negative variances in the month of November were the Department of Rehabilitation and Correction (DRC)($9.7 million), the Public Defender (PUB)($7.8 million), and the Attorney General (AGO)($4.5 million).

DRC's negative variance occurred primarily in item 501321, Institutional Operations, which is DRC's primary GRF appropriation item used to pay for the operation of the state's prisons. For the YTD, this item is $7.4 million under estimate, but a positive YTD variance in item 505321, Institution Medical Services, of $6.8 million resulted in only a $2.0 million negative YTD variance for the agency overall. Item 505321 is used to pay for the provision of medical services to offenders housed in the state's prison system.

PUB's negative variance in November increased its negative YTD variance to $13.3 million. Both the monthly and YTD variances are primarily due to item 019501, County Reimbursement. This item is used to reimburse counties for their costs of providing indigent defense. The reimbursement payment for November, which was estimated to total $7.6 million, was delayed.

AGO's negative variance in November increased its negative YTD variance to $13.3 million. Both the monthly and YTD variances are primarily due to a delay in spending from item 055502, School Safety Grants. Most of this item's $12.0 million appropriation for FY 2020 was estimated to be spent in October ($6.0 million) and November ($5.0 million). Actual YTD spending from this item through November was only $1.0 million. This negative variance should be offset in future months.

Prior Year Encumbrances

As reported in the July issue of *Budget Footnotes*, state agencies carried into FY 2020 $314.1 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2020. An agency generally has five months to spend prior year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

[13] See page 16 of the November issue of *Budget Footnotes* for an explanation of the variance at the end of October.

Prior Year GRF Encumbrances by Agency ($ in thousands)				
Agency	Prior Year Encumbrances as of July 1, 2019	Percentage of Total	Outstanding Encumbrances as of December 10, 2019	Percentage of Total
Education	$67,181	21.4%	$20,137	24.1%
Job and Family Services	$64,140	20.4%	$16,997	20.3%
Medicaid	$34,735	11.1%	$1,537	1.8%
Higher Education	$33,777	10.8%	$26,809	32.1%
Rehabilitation and Corrections	$28,672	9.1%	$324	0.4%
Development	$17,668	5.6%	$8,834	10.6%
All Other Agencies	$67,968	21.6%	$9,000	10.8%
Total	**$314,141**	**100%**	**$83,638**	**100.0%**

As shown in the table above, as of December 10, 2019, $83.6 million of the $314.1 million (26.6%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. The Department of Higher Education (DHE) had the largest share (32.1%) of the total outstanding encumbrances as of December 10, followed by the Ohio Department of Education (ODE) at 24.1%, and the Ohio Department of Job and Family Services (ODJFS) at 20.3%. Together, these three agencies had $63.9 million (76.5%) of the $83.6 million in total outstanding prior year encumbrances. The nature of these outstanding encumbrances is discussed below.

DHE had $26.8 million in outstanding prior year encumbrances, of which $25.7 million occurred in item 235438, Choose Ohio First Scholarship. Item 235438 is used to pay the state's obligations to scholarship recipients.

Of ODE's outstanding encumbrances, which totaled $20.1 million, 48.0% ($9.7 million) was encumbered in item 200550, Foundation Funding. These encumbrances will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Other significant outstanding encumbrances were in items 200408, Early Childhood Education, ($4.6 million, 22.7%) and 200511, Auxiliary Services, ($2.7 million, 13.4%). These encumbrances will be used for making final payments and adjustments for early childhood education services and auxiliary services for chartered nonpublic schools.

ODJFS had $17.0 million in outstanding prior year encumbrances. The most significant encumbrance was $11.2 million in item 655523, Medicaid Program Support – Local Transportation. These encumbrances are for payments to local county departments of job and family services for the state's share of Medicaid costs for providing transportation services to certain Medicaid enrollees.

Issue Updates

Institutions Participating in Workforce Development Revolving Loan Program Disbursed $2.6 million in Loans in FY 2019

– Edward Millane, Senior Budget Analyst

In early September, the Department of Higher Education (DHE) released its annual report for FY 2019 on the OhioMeansJobs Workforce Development Revolving Loan (WDRL) Program showing institutions participating in the program issued nearly 600 loans for a total of $2.6 million in FY 2019. The average loan amount was $4,410. The number and amount of loans increased 42% and 52%, respectively, from the 420 loans for $1.7 million issued in FY 2018. Over the past several fiscal years, the number of loans and loan disbursements have grown as DHE and the Treasurer of State (TOS) increased marketing and outreach efforts.

Under the program, created by S.B. 1 of the 130th General Assembly, a public or private institution of higher education, career-technical center, or private career school may apply to the Chancellor of Higher Education for approval of a workforce training program and up to $250,000 per program to support loans to students enrolled in the program. In FY 2019, commercial driver's license (CDL) and truck driving programs were the most popular program type to receive funding, followed by nursing and emergency medical technician (EMT), dental assistant, a variety of manufacturing and industrial technician, and peace officer training programs. After the Chancellor determines the amount awarded to the institution for a program, the institution, with the approval of TOS, may then award loans to eligible program participants. The loans are to be repaid to the state within seven years, are interest-free until six months after the participant successfully completes the program, and cannot exceed $10,000 per individual. Loans are disbursed from TOS's budget using Fund 5NH0 appropriation item 090610, OhioMeansJobs Revolving Loan Program.

H.B. 166 winds down the program during the FY 2020-FY 2021 biennium, eliminating appropriation for DHE administrative support in FY 2021 and reducing appropriations to item 090610 from $13.1 million in FY 2019 to $775,000 in FY 2020 and $250,000 in FY 2021. It also transfers $5.6 million in FY 2020 and $7.1 million in FY 2021 from Fund 5NH0 to the Ohio Incumbent Workforce Job Training Fund (Fund 5HR0) to support the non-GRF portion of the TechCred Program, which was established under the Development Services Agency to provide short-term certificate training assistance. In response to these funding provisions, TOS announced in July of this year that no new applications for loans will be approved under the program.

DNR Dedicates 1,400 Acres to Expand Pike State Forest All-Purpose Vehicle Trails

– Tom Wert, Senior Budget Analyst

On November 18, 2019, the Department of Natural Resources (DNR) dedicated the purchase of 1,405 acres of land for the expansion of Pike State Forest in Pike and Highland counties. The additional acreage will be used to construct an additional 20 miles of all-purpose vehicle (APV) trails, doubling the mileage of the forest's existing APV trail network. The purchase price of the additional property totaled nearly $2.7 million. Of this amount, $1.9 million was used during calendar year 2019 to purchase 1,005 acres. The remaining 400 acres will be acquired during calendar year 2020 for approximately $800,000.

Funding for the purchase was made available through the State Recreational Vehicle Fund (Fund 5210), which receives revenue from APV registration fees. APV owners pay $31.25 to register their four wheelers, dirt bikes, and other all-terrain vehicles, every three years. Roughly 45,000 APVs are registered each year in Ohio generating approximately $420,000 per year in revenue for Fund 5210. As of November 26, 2019, the cash balance in Fund 5210 was slightly less than $800,000.

Department of Commerce Awards $75,000 under New Cemetery Grant Program

– Shannon Pleiman, Senior Budget Analyst

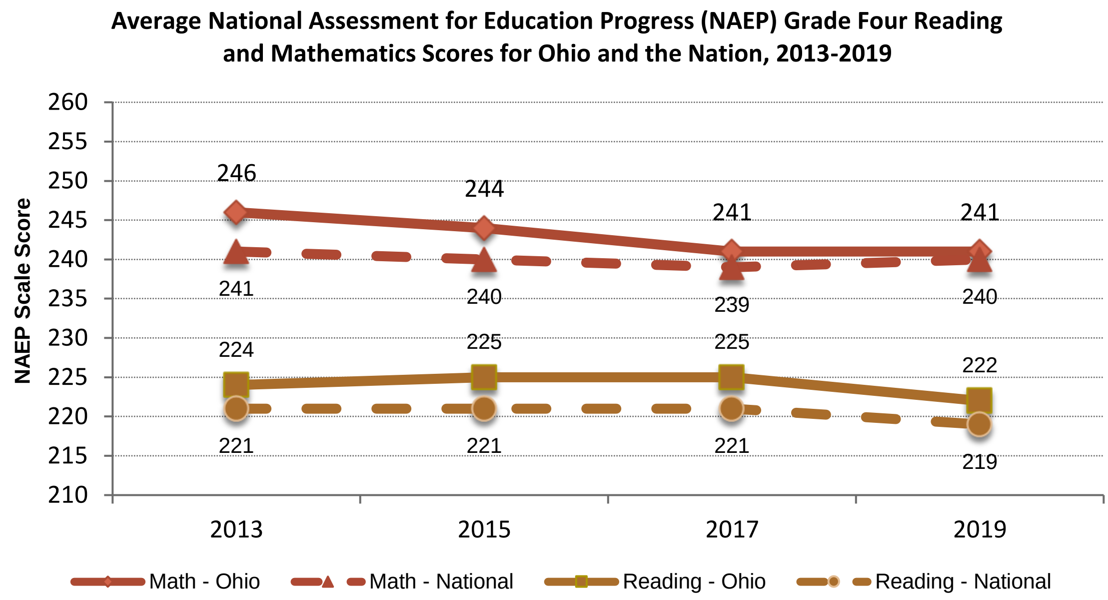
On October 9, 2019, the Department of Commerce awarded over $75,000 to 57 cemetery operators benefiting 65 cemeteries in 34 counties under the new Cemetery Grant Program. The program was created by H.B. 168 of the 132nd General Assembly and is used to provide funds to not-for-profit cemeteries to (1) defray the costs of exceptional maintenance (nonroutine, nonrepetitive maintenance) or (2) train cemetery personnel in the maintenance and operation of cemeteries. Overall, grants ranged from a low of $500 to a high of $5,000. Of the 57 cemetery operators receiving grants, 44 received awards of $1,000. The list of cemeteries awarded under the grant and other grant information can be accessed on the Department of Commerce website: www.com.ohio.gov.

Under this competitive award program, grant applications are evaluated using project budget, cemetery operating budget, and a description of the exceptional maintenance to be undertaken, among other criteria. Grants are funded by $1 of each $2.50 burial permit fee that is deposited into the Cemetery Grant Fund (Fund 5SE0). H.B. 166 appropriates $100,000 in both FY 2020 and FY 2021 to fund the program.

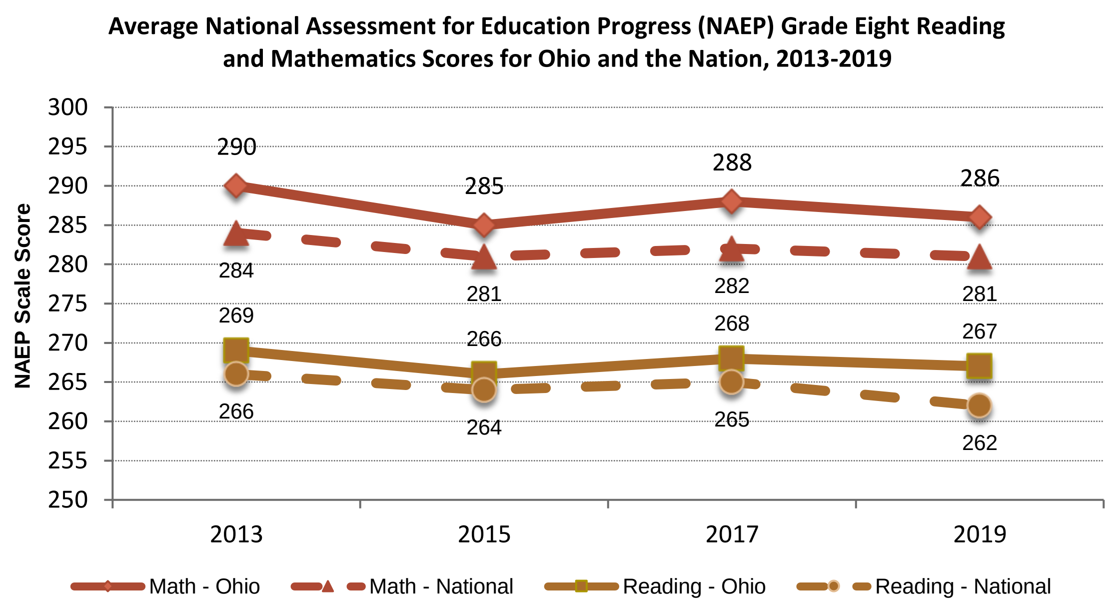
2019 "Nation's Report Card" Released

– Dan Redmond, Budget Analyst

On October 30, 2019, The National Center for Education Statistics (NCES) released scores for the National Assessment of Education Progress (NAEP) – commonly referred to as the "Nation's Report Card" – for reading and mathematics in grades four and eight. NAEP, required by congressional mandate, was first administered in 1969 to assess how public school students in the nation are performing academically. The reading and mathematics portions of the NAEP are administered biennially. Ohio's 2019 scores for grade four reading and mathematics exceeded the national average. However, both Ohio's and the nation's students in grade four scored lower on the 2019 reading assessment compared to 2017. The chart below compares Ohio's grade four average scores with the national averages. NAEP's reading and mathematics assessments are scored on a scale of 0 to 500.



For Ohio students in grade eight, 2019 reading and mathematics scores also exceeded the national average. Although Ohio's grade eight scores show decreases from 2017, these decreases were not statistically significant.



ODOT Awards Nearly $105 million for Transit and Mobility Services

– Tom Middleton, Senior Budget Analyst

On October 28, 2019, the Ohio Department of Transportation (ODOT) announced the allocation of $104.7 million in FY 2020 funding to assist 106 Ohio transit and mobility entities across Ohio. Of this amount, $69.4 million is state GRF funding, and the remaining $35.2 million comes from the Federal Transit Administration (FTA). The table below summarizes the allocations by type of entity and purpose. The funding was provided in H.B. 62, the transportation budget act for the FY 2020-FY 2021 biennium, under GRF line item 775470 and Fund 7002 line item 775452. A full list of FY 2020 awards is available on the ODOT website.

ODOT Transit Funding Allocations, FY 2020					
Type of Entity	**Purpose**	**Number of Entities**	**State Allocation (GRF)**	**Federal Allocation**	**Total Allocation**
Urban transit systems	Operating and capital assistance	28	$58,489,490	$0*	**$58,489,490**
Rural transit systems	Operating and capital assistance	38	$8,712,952	$35,231,311	**$43,944,263**
Mobility entities (rural transits and other local and nonprofit entities)	Mobility assistance for the elderly and disabled populations	40	$2,231,505	$0	**$2,231,505**
	Total	**106**	**$69,433,947**	**$35,231,311**	**$104,665,258**

*ODOT does not administer federal funding to urban transit systems. These entities receive FTA funding directly from the federal government.

The $35.2 million in FTA funding noted in the table above was distributed to rural transit systems across the state. The largest share of GRF dollars, around $44.5 million, was competitively awarded to urban and rural transit systems for capital projects, including bus purchases, under the Ohio Transit Preservation Partnership Program. For FY 2020, the program was broadened to include funding for other uses such as technology, healthcare, workforce, and other initiatives. About $20.6 million of the GRF funding was allocated by formula – around $16.6 million to urban transit systems, and $4.0 million to rural transit systems. As seen in the table, $2.2 million of GRF funding was awarded for transit programs that enhance mobility for the elderly and disabled populations, including services operated by local government agencies and nonprofit entities. The remaining $2.0 million in GRF funding was allocated to elderly and disabled fare assistance for rural transit systems and small urban transit systems.

ODH Awarded $12.2 million in Federal Funds to Target Maternal Mortality

– Jacquelyn Schroeder, Budget Analyst

On November 15, 2019, the Ohio Department of Health (ODH) was awarded $12.2 million in federal funds to be used over the next five years to address maternal mortality. Of this amount, about $10.0 million is from the U.S. Health Resources and Services Administration and will be used to do the following: establish a maternal health task force, create and implement a plan to reduce maternal deaths, and support efforts that implement data-driven strategies to address maternal mortality. The remaining $2.2 million, which is from the U.S. Centers for Disease Control and Prevention, will be used to support ODH's Pregnancy-Associated Mortality Review (PAMR) program. PAMR helps to identify and review pregnancy-associated deaths in order to develop interventions to reduce maternal mortality.

The announcement of this funding coincided with the release of ODH's first report on maternal deaths. The report studied 610 pregnancy-associated deaths that occurred between 2008 and 2016. A pregnancy-associated death is a death that occurs during pregnancy or within a year after pregnancy regardless of cause. Of these deaths, 186 were classified as pregnancy-related, which means that the death was related to, or aggravated by, the pregnancy or its management. The report summarized a number of findings for both pregnancy-associated and pregnancy-related deaths. For pregnancy-associated deaths, the following was found: there was no racial disparity in these deaths; the leading causes of these deaths were unintentional injury, homicide, and malignancies; and 48% of these deaths that occurred between 2012 through 2014 were preventable. For pregnancy-related deaths the following was determined: 57% of these deaths that occurred between 2012 and 2016 were thought to be preventable; leading causes included heart conditions, infections, hemorrhage, and pre-eclampsia and eclampsia; and black women were more than two and a half times as likely as white women to die from pregnancy-related conditions. The report can be read in its entirety on ODH's website: www.odh.ohio.gov.

Medicaid Unified Preferred Drug List Available

– Nelson V. Lindgren, Economist

On November 8, 2019, the Ohio Department of Medicaid (ODM) made the Unified Preferred Drug List (UPDL) available on its website. The UPDL will be used by ODM and all five Medicaid managed care plans (MCP) beginning on January 1, 2020. Currently, ODM and each Medicaid MCP use their own drug list and prior authorization process. Usage of the UPDL will instead result in a standard drug list and a consistent prior authorization process across the Medicaid program. The implementation of a UPDL is anticipated to result in program savings and efficiencies. Specifically, the UPDL may reduce medication errors, ease administrative burden for prescribers and pharmacies, and reduce confusion and potential delays for Medicaid enrollees. Additionally, adoption of the UPDL could maximize the collections of both federal and supplemental pharmaceutical rebates. Currently, each Medicaid MCP negotiates with drug manufacturers for pharmaceutical rebates. Under a UPDL, ODM will negotiate for the entirety of the Medicaid program, which could lead to more favorable rebates and also ensure that rebate revenue is retained by ODM. Lastly, ODM maintains that this implementation will increase program transparency. The complete UPDL can be accessed on ODM's website: www.medicaid.ohio.gov.

Criminal Justice Services Awards $3.9 million in Federal Edward Byrne Memorial Justice Assistance Grants

– Maggie West, Senior Budget Analyst

On November 14, 2019, the Department of Public Safety's Office of Criminal Justice Services announced the award of $3.9 million in federal grants from the Edward Byrne Memorial Justice Assistance Grant (JAG) Program to 115 projects in 49 counties. Under the JAG program, units of local government, state agencies, state-supported universities, and statewide and local nonprofit or faith-based associations may apply for new or renewal funding to support crime prevention and control activities in five program purpose areas. The Multi-Jurisdictional Task Forces and Law Enforcement Program purpose area received the most funding at $2.0 million, 52% of the total amount awarded, to support 56 projects.

Funding for the projects ranged from $2,518 for the Immigrant Survivors of Partner Violence Program in Hamilton County to $120,000 for the METRICH Enforcement Unit (a multi-jurisdictional drug task force coordinated in Richland County). The following table lists, for each program area, the number of projects funded and the total amount of funding awarded. JAG Program awards provide for 12 months of funding, beginning January 1, 2020. The required match (cash or in-kind) is either 25%, 50%, or 75%, depending upon the type of project and the number of years a project has been funded, but may be waived under certain circumstances.

Federal JAG Awards by Program Purpose Area*		
Program Purpose Area	**Number of Projects**	**Total Funding**
Multi-Jurisdictional Task Forces and Law Enforcement	56	$2,006,318
Courts, Defense, Prosecution, and Victim Services	25	$816,467
Crime Prevention	23	$593,472
Cross-Agency and Cross-System Collaboration, Training, and Research	9	$387,239
Adult and Juvenile Corrections, Community Corrections, and Reentry	2	$51,368
Total	**115**	**$3,854,864**

*A complete list of awards by county is available at https://www.ocjs.ohio.gov/.

Ohio EPA Awards Environmental Education Grants

– Jamie Doskocil, Fiscal Supervisor

Earlier this fall, the Ohio Environmental Protection Agency's Office of Environmental Education issued nearly $180,000 in education grants for both its General and Mini-Grant programs. Twelve grants were awarded in all: five General Grants and seven Mini-Grants. These grants are funded by the Environmental Education Fund (Fund 6A10), which receives one-half of all civil penalties collected by Ohio EPA air and water pollution control programs. Monies in this fund are used to enhance public awareness and understanding of issues affecting environmental quality.

The General Grant offers grants up to $50,000 while the Mini-Grant program offers smaller grants ranging from $500 to $5,000. Recipients include statewide and local organizations with projects focusing on raising awareness and educating the public about important environmental issues that affect the state. The table below denotes the awarding organization and amount. General grants may be issued for up to two years, but awardees are encouraged to complete their projects within 12 months. There is a minimum 10% local match requirement for the projects.

Fall 2019 Ohio Environmental Education General Grant Program Awards			
Grant Recipient	**Counties Impacted**	**Program**	**Grant Award**
General Grant Program – $150,000 Total Project Funding			
North Central Ohio Educational Service Center	Columbiana, Crawford, Seneca	Watershed Dynamics Education Program	$45,166
Columbiana County Education Service Center	Columbiana	Professional Development Project – Clean Water	$40,563
Boardman Local School District	Columbiana, Mahoning	School Water Monitoring Project – Mill Creek's Watershed	$27,935
Holden Forests and Gardens	Lake	Sustainable Forestry & Land Management Outreach	$27,605
Warren County Park District	Warren	Solar Energy & Pollinator Habitat Project	$8,731
Mini-Grant Program – $26,263 Total Project Funding			
Ohio University Voinovich School of Leadership and Public Affairs	Athens, Meigs	Ohio University's Museum Complex	$5,000
Worthington City Schools/ Colonial Hills Elementary	Franklin	Outdoor Learning Space	$5,000
Tinker's Creek Watershed Partners	Cuyahoga	"Bug BioBlitz" Program	$4,941
Hilliard City Schools	Franklin	Latham Park Water Quality Field Trip	$3,800
Portage Park District	Portage	Storm Water Quality Demonstration Project	$2,796
Oregon City Schools	Lucas	Augmented Reality Watershed Project	$2,526
Miami Valley School	Miami	Hydroponic & Vertical Farming Education Program	$2,200

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

– Phil Cummins, Senior Economist

Overview

Economic activity appears to have picked up recently. In November, payroll employment growth nationwide was the strongest since January, and the country's unemployment rate returned to a 50-year low. Inflation-adjusted gross domestic product (real GDP) continued to grow in this year's third quarter, rising at a 2.1% annual rate. Industrial production fell in October in part due to a major labor strike. Inflation generally remains low.

In Ohio, payroll employment fell in October and remained below a peak reached last January. The statewide unemployment rate was 4.2%, higher than the nationwide average for the past 3½ years. Manufacturing contacts in the region reported that activity increased slightly in the six weeks to mid-November, according to a Federal Reserve System report, the Beige Book. Statewide home sales picked up slightly in this year's first ten months.

Earlier this year the nation's central bank lowered its short-term interest rate target by three-quarters of a percentage point in three quarter-point increments, returning the rate to its level in the 2018 second quarter. The Federal Reserve's Open Market Committee, which sets monetary policy, met December 10-11 and left the interest rate target unchanged.

The National Economy

Total nonfarm payroll employment nationwide rose by 266,000 in November, the largest increase since January. The average nationwide unemployment rate fell last month to 3.5%, matching the 50-year low reached in September. U.S. nonfarm payroll employment is shown in Chart 5, and average unemployment in Chart 6.

Employment rose in November in health care (+45,000), leisure and hospitality (+45,000), professional and technical services (+31,000), transportation and warehousing (+16,000), and finance (+13,000). Manufacturing employment rose 54,000 in November after falling 43,000 in October, mostly due to the auto workers strike at General Motors plants. On balance, factory employment growth this year has been slow. Most employment growth this year has been in the service sector. Mining employment fell in November (-7,000) and was 19% lower than the peak for recent years in 2014.

In November, 5.8 million people were counted as unemployed, near the bottom of a range in which unemployment has fluctuated for more than a year. Of these, 1.2 million had been looking for work for more than six months, near the lowest level since 2007. Those working included 4.3 million part-time workers who preferred full-time work but whose hours had been reduced or who had been unable to find full-time jobs, also near lows since 2007.

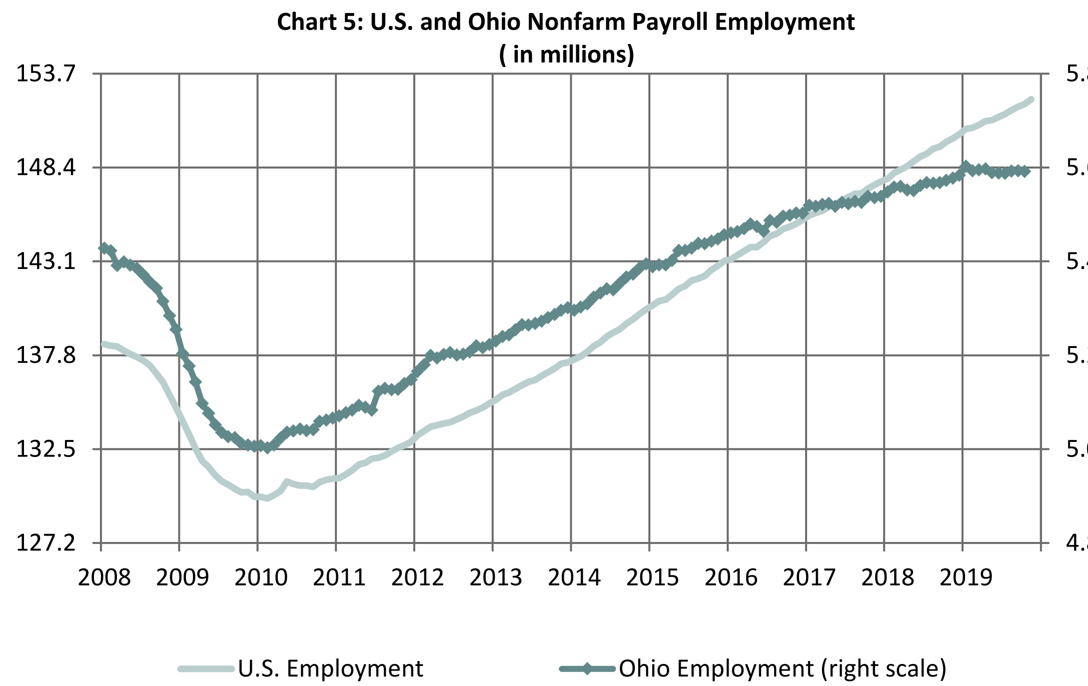
The nation's real GDP, one of the broadest measures of economic activity, rose at a 2.1% annual rate in this year's third quarter, revised upward from 1.9% initially reported, based on more data. Real GDP rose at a 2.6% rate in the first half of the year and by 2.9% in 2018. The main driver of real GDP growth in the latest quarter continued to be consumer spending. Monthly data indicate that outlays by consumers rose further in October, though durable goods purchases fell. Light motor vehicle sales strengthened in November, but the sales rate in the fourth quarter to date remained below the third quarter pace. Residential fixed investment rose in the third quarter, after declining for six consecutive quarters. Lower mortgage interest rates this year have made homes more affordable. But private nonresidential fixed investment fell for the second consecutive quarter, due in substantial part to cutbacks in mining exploration and well drilling, and in spending on civilian aircraft. Cuts in mining and well drilling were likely due to low crude oil and natural gas prices. The drop in outlays for aircraft plausibly was related to grounding of Boeing's 737 MAX jet.

Industrial production declined 0.8% in October, mainly because of a United Automobile Workers strike at General Motors, settled in late October. Factory output fell 0.6% from September to October, and mining and utility output also were lower. Both total industrial production and manufacturing reached peaks in December 2018 and remained lower throughout this year's first ten months.

Inflation picked up in October, measured by the consumer price index (CPI). The CPI rose 0.4% from September, the largest one-month change since March, as gasoline and other energy prices rose. However, the uptick in the all-items CPI followed no change in September. The index for all items was 1.8% higher than a year earlier. A sub-index that excludes volatile food and energy prices was 2.3% higher in October than a year ago, near the upper end of the range in which this inflation measure has fluctuated during the past decade. A related index, the personal consumption expenditures price index excluding food and energy, was 1.6% higher in October than a year earlier, below a 2% inflation objective set by the Federal Reserve.

The Ohio Economy

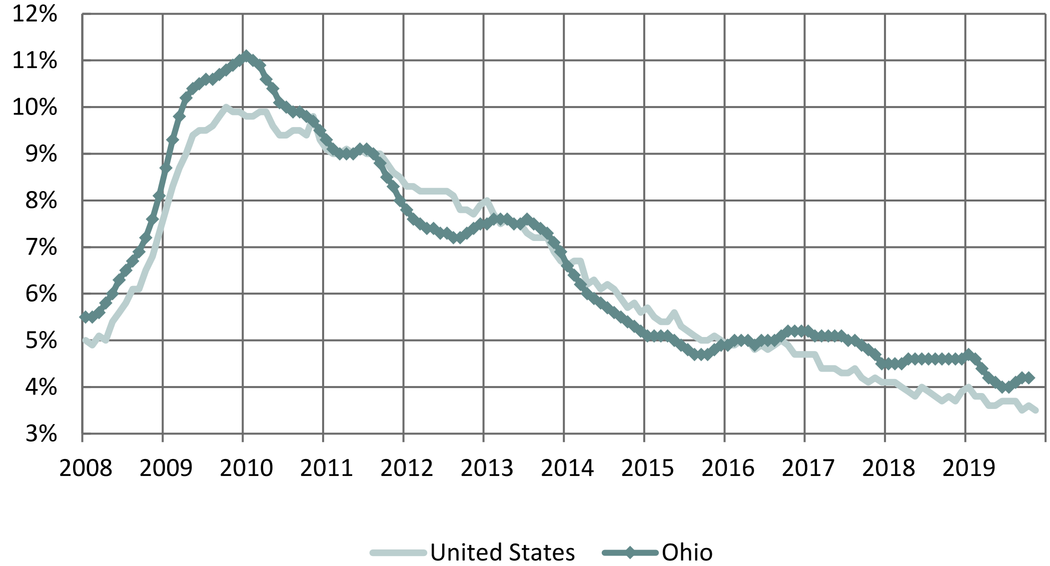
The state's total nonfarm payroll employment, seasonally adjusted, declined by 1,000 in October from the revised total in September, following a 400 jobs increase in September and a 4,700 jobs increase in August. Employment gains in the government sector (+3,000) were offset by job losses in goods-producing industries (-3,200) and private-service providing industries (-800). Gains occurred in health care, leisure and hospitality, and local government. Job losses were widespread among other industries. Ohio total nonfarm payroll employment is shown in Chart 5, in comparison with nationwide employment.



Compared to October of last year, the state's nonfarm payroll employment was 19,600 or 0.4% higher. Employment in private service-providing industries and government increased by 23,600 and 6,400, respectively. Employment in goods-producing industries decreased by 10,400, mostly (-8,600) in construction. Year-over-year employment gains were led by educational and health services, leisure and hospitality, professional and business services, local government, financial activities, and state government.

In October, Ohio's unemployment rate was 4.2%, unchanged from September, but down from 4.6% in October of last year. The state's unemployment rate in October was higher than the U.S. unemployment rate. The U.S. unemployment rate was 3.6% in October, an increase from 3.5% in September, but a decrease from 3.8% in October of last year. The number of unemployed Ohioans was 246,000 in October, an increase of 3,000 from September. The number of unemployed Ohioans decreased by 19,000 compared to October of last year. Ohio's statewide unemployment rate is shown in Chart 6, compared with the U.S. unemployment rate.

Chart 6: U.S. and Ohio Unemployment Rates
% of Labor Force



The region's economic activity expanded at a modest pace, according to a Federal Reserve Bank of Cleveland report.[14] Retailers noted that the labor market remained tight. Wages continued to grow modestly. Sales in the retail sector increased slightly compared to the previous months. Auto dealers reported sales of light vehicles remained solid. Manufacturing activity increased slightly, but some manufacturing contacts cited slower growth in western and central Europe and trade tensions with China as restraining demand. Residential and nonresidential construction demand increased. Professional and business services reported strong demand while the freight sector continued to weaken.

In October, the number of existing homes sold in Ohio increased by 2.3% compared to October 2018, according to the Ohio Association of Realtors. From January through October of this year, existing home unit sales were 0.4% higher than in the corresponding months of 2018. The statewide sales price of homes sold in the first ten months of this year averaged $194,300 or 6.0% higher than a year earlier.

[14] The report is derived from the latest Federal Reserve System Beige Book that summarizes information collected from outside contacts on or before November 18, 2019. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.