Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION NOVEMBER 2015

STATUS OF THE GRF

HIGHLIGHTS

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

GRF tax revenue continued to track Office of Budget and Management (OBM) estimates very closely in October. The total for the month was above estimate by 0.2%. For the first four months of FY 2016, the total was below estimate, but by less than 1%. The spending side of the budget is providing cushion, with program expenditures well below estimate.

The unemployment rate in Ohio decreased to 4.5% in September and remains below the national rate. Ohio private sector employment grew by 5,400 in September, but employment in government fell by 14,000.

Through October 2015, GRF sources totaled $11.76 billion:

- Revenue from the personal income tax was $65.2 million below estimate;
- Sales and use tax receipts were $67.3 million above estimate.

Through October 2015, GRF uses totaled $13.38 billion:

- Program expenditures were $390.3 million below estimate, due primarily to Medicaid ($178.9 million) and a timing-related negative variance in primary and secondary education ($253.1 million);
- These variances were partially offset by a timing-related positive variance in property tax reimbursements ($112.2 million).

VOLUME 39, NUMBER 3

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of October 2015
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 2, 2015)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$107,334	$107,900	-$566	-0.5%
Nonauto Sales and Use	$749,569	$751,800	-$2,231	-0.3%
Total Sales and Use Taxes	**$856,903**	**$859,700**	**-$2,797**	**-0.3%**
Personal Income	$649,336	$661,600	-$12,264	-1.9%
Corporate Franchise	$3,286	$0	$3,286	---
Financial Institution	-$3,033	-$1,500	-$1,533	-102.2%
Public Utility	$2,254	$6,400	-$4,146	-64.8%
Kilowatt-Hour Excise	$31,054	$30,000	$1,054	3.5%
Natural Gas Consumption (MCF)	$510	$500	$10	2.0%
Commercial Activity Tax	$43,926	$45,400	-$1,474	-3.2%
Petroleum Activity Tax	$0	$0	$0	---
Foreign Insurance	$149,356	$151,700	-$2,344	-1.5%
Domestic Insurance	$338	$0	$338	---
Business and Property	$1	$0	$1	---
Cigarette	$96,646	$78,700	$17,946	22.8%
Alcoholic Beverage	$8,917	$3,800	$5,117	134.7%
Liquor Gallonage	$3,615	$3,400	$215	6.3%
Estate	$327	$0	$327	---
Total Tax Revenue	**$1,843,435**	**$1,839,700**	**$3,735**	**0.2%**
NONTAX REVENUE				
Earnings on Investments	$7,918	$5,450	$2,468	45.3%
Licenses and Fees	$842	$2,018	-$1,175	-58.3%
Other Revenue	$30,007	$2,468	$27,539	1115.6%
Total Nontax Revenue	**$38,768**	**$9,936**	**$28,832**	**290.2%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$9,612	$0	$9,612	---
Total Transfers In	**$9,612**	**$0**	**$9,612**	**---**
TOTAL STATE SOURCES	**$1,891,815**	**$1,849,636**	**$42,179**	**2.3%**
Federal Grants	$1,397,623	$1,009,315	$388,308	38.5%
TOTAL GRF SOURCES	**$3,289,438**	**$2,858,951**	**$430,487**	**15.1%**

*Estimates of the Office of Budget and Management as of September 2015.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2016 as of October 31, 2015
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 2, 2015)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2015	Percent Change
TAX REVENUE						
Auto Sales	$471,963	$455,200	$16,763	3.7%	$467,409	1.0%
Nonauto Sales and Use	$2,999,206	$2,948,700	$50,506	1.7%	$2,860,994	4.8%
Total Sales and Use Taxes	**$3,471,169**	**$3,403,900**	**$67,269**	**2.0%**	**$3,328,403**	**4.3%**
Personal Income	$2,730,488	$2,795,700	-$65,212	-2.3%	$2,726,935	0.1%
Corporate Franchise	$5,649	$0	$5,649	---	$4,657	21.3%
Financial Institution	-$3,493	-$1,200	-$2,293	-191.1%	-$2,024	-72.6%
Public Utility	$30,448	$31,600	-$1,152	-3.6%	$14,651	107.8%
Kilowatt-Hour Excise	$125,833	$123,800	$2,033	1.6%	$104,402	20.5%
Natural Gas Consumption (MCF)	$12,570	$12,600	-$30	-0.2%	$13,714	-8.3%
Commercial Activity Tax	$327,491	$359,600	-$32,109	-8.9%	$239,791	36.6%
Petroleum Activity Tax	$1,350	$1,500	-$150	-10.0%	$0	---
Foreign Insurance	$154,878	$155,800	-$922	-0.6%	$154,695	0.1%
Domestic Insurance	$344	$4,900	-$4,556	-93.0%	$7,708	-95.5%
Business and Property	$29	$0	$29	---	$20	48.4%
Cigarette	$297,281	$285,000	$12,281	4.3%	$232,681	27.8%
Alcoholic Beverage	$20,958	$18,400	$2,558	13.9%	$18,115	15.7%
Liquor Gallonage	$14,948	$14,600	$348	2.4%	$14,341	4.2%
Estate	$475	$0	$475	---	$2,038	-76.7%
Total Tax Revenue	**$7,190,419**	**$7,206,200**	**-$15,781**	**-0.2%**	**$6,860,127**	**4.8%**
NONTAX REVENUE						
Earnings on Investments	$7,927	$5,450	$2,477	45.4%	$10	76912.3%
Licenses and Fees	$8,754	$10,660	-$1,907	-17.9%	$8,375	4.5%
Other Revenue	$33,894	$21,648	$12,246	56.6%	$18,856	79.7%
Total Nontax Revenue	**$50,574**	**$37,758**	**$12,816**	**33.9%**	**$27,242**	**85.6%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$174,676	$177,300	-$2,624	-1.5%	$10,585	1550.2%
Total Transfers In	**$174,676**	**$177,300**	**-$2,624**	**-1.5%**	**$10,585**	**1550.2%**
TOTAL STATE SOURCES	**$7,415,669**	**$7,421,258**	**-$5,589**	**-0.1%**	**$6,897,954**	**7.5%**
Federal Grants	$4,348,683	$4,308,841	$39,842	0.9%	$3,325,618	30.8%
TOTAL GRF SOURCES	**$11,764,352**	**$11,730,100**	**$34,252**	**0.3%**	**$10,223,572**	**15.1%**

*Estimates of the Office of Budget and Management as of September 2015.
Detail may not sum to total due to rounding.

REVENUES

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

Overview

FY 2016 GRF sources were $34.3 million above estimate.

Through October, FY 2016 GRF sources[1] were $34.3 million above the estimate released by OBM in September 2015. Among GRF categories, federal grant and nontax revenues were $39.8 million and $12.8 million above estimates, respectively. Those positive variances were partially offset by shortfalls of $15.8 million for GRF tax receipts and $2.6 million for transfers in. Tables 1 and 2 show GRF sources for the month of October and for FY 2016 through October, respectively.

GRF sources of $3.29 billion for the month of October were $430.5 million above estimate, with positive results for all GRF categories. Federal grants came in $388.3 million above estimate. Additionally, nontax revenue was $28.8 million above projections, transfers in were $9.6 million above estimates, and GRF tax revenue had a positive variance of $3.7 million.

FY 2016 GRF tax receipts were $15.8 million below estimate.

Regarding tax revenues, the cigarette tax was above anticipated receipts by $17.9 million. Also, the alcoholic beverage tax, the corporate franchise tax, and the kilowatt-hour tax were above estimates by $5.1 million, $3.3 million, and $1.1 million, respectively. On the other hand, the personal income tax, the public utility tax, the sales and use tax, and the foreign insurance tax had negative variances of $12.3 million, $4.1 million, $2.8 million, and $2.3 million, respectively; the commercial activity tax (CAT) and the financial institutions tax each had a shortfall of $1.5 million.

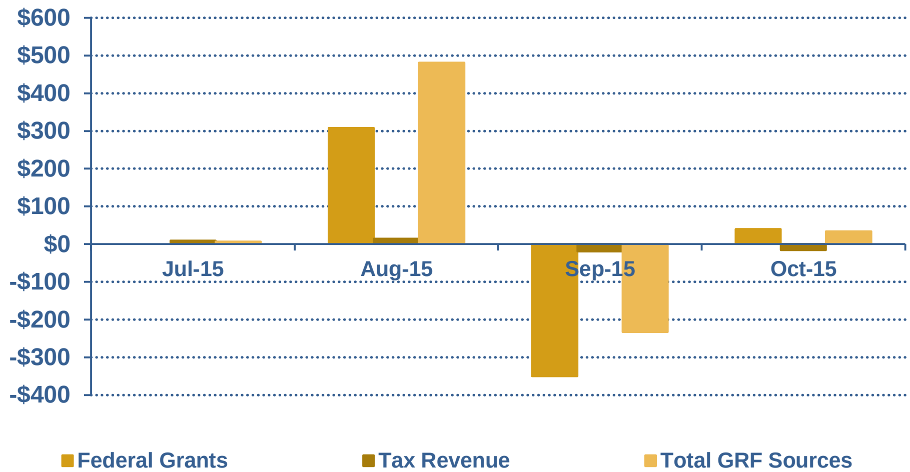
Chart 1 below shows FY 2016 cumulative variances against estimates for federal grants, tax revenue, and total GRF sources. As shown in Table 2, total GRF sources and federal grants were above estimates, but GRF tax receipts were below projected revenues, due to poor results from the personal income tax and the CAT which were below anticipated receipts by $65.2 million and $32.1 million. However, the sales and use tax and the cigarette tax, the other two most important tax sources, were above estimates by $67.3 million and $12.3 million.

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

Also, the corporate franchise tax,[2] the alcoholic beverage tax, and the kilowatt-hour tax were ahead of projections by $5.6 million, $2.6 million, and $2.0 million, respectively. Negative variances were recorded for the domestic insurance tax ($4.6 million), the financial institutions tax ($2.3 million), and the public utility tax ($1.2 million). Variances for the remaining tax sources were relatively small.

FY 2016 federal grants were $39.8 million above estimate.

Chart 1: Cumulative Variances of GRF Sources in FY 2016 (Variance from Estimates, in millions)



Compared to FY 2015, FY 2016 GRF sources were higher for all categories, including federal grants ($1.02 billion), tax receipts ($330.3 million), transfers in ($164.1 million), and nontax revenues ($23.3 million), for a total increase of $1.54 billion through October. The increase in federal grants is due, in part, to an accounting change related to Medicaid expenditures: in this fiscal year, expenditures for individuals that became eligible for Medicaid through the Affordable Care Act are made from the GRF, though such expenditures were debited from the Health Care Federal Fund (Fund 3F00), a non-GRF fund, in FY 2015.

FY 2016 GRF sources were $1.54 billion higher than FY 2015 GRF sources.

Receipts from the sales and use tax, the CAT, the cigarette tax, and the personal income tax, increased $142.8 million, $87.7 million, $64.6 million, and $3.6 million, respectively. The increases in sales and use tax and income tax receipts reflect a generally improving economy over last year, though growth in income tax revenue is restrained due to a reduction in tax rates provided in H.B. 64 (the budget act for the current biennium). Revenue growth for the CAT and the cigarette tax are due,

[2] This tax was eliminated in 2013, and though GRF receipts are not anticipated from the corporate franchise tax, adjustments to tax filings in previous years are likely to result in nonzero revenue in FY 2016.

similarly, to changes enacted in H.B. 64, which increased the share of CAT receipts credited to the GRF from 50% to 75%,[3] and raised the cigarette tax rate from $1.25 per pack of 20 cigarettes to $1.60 per pack. The budget act also credited all kilowatt-hour excise tax revenue to the GRF, instead of 88% of the receipts in prior law. This change boosted FY 2016 revenue from that tax, which grew by $21.4 million, when compared to the corresponding period in FY 2015. The public utility tax was another tax with strong growth, as FY 2016 revenue grew $15.8 million from the corresponding period last year (when a large tax refund was issued in September 2014). On the other hand, FY 2016 revenue from the domestic insurance tax decreased $7.4 million compared to receipts in the corresponding period last year.

Personal Income Tax

FY 2016 GRF income tax receipts were $65.2 million below estimate.

For the third time this fiscal year, and for the second consecutive month, the personal income tax experienced a revenue shortfall. A positive variance of $16.1 million in August 2015 partially reversed a shortfall of $19.1 million in July. Then, the personal income tax fell $49.9 million below estimate in September, followed by a shortfall of $12.3 million in October, which increased the fiscal year's negative variance to $65.2 million from $52.9 million through the first fiscal quarter. Personal income tax revenues this month were also $22.7 million (3.4%) below those of October 2014. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund (LGF). Gross collections are the sum of employer withholding, quarterly estimated payments,[4] trust payments, payments associated with annual returns, and miscellaneous payments.

The negative personal income tax variance in October was driven by $24.6 million higher than estimated refunds. Also, employer withholding was $2.5 million below estimate, and the shortfall for payments due with annual returns was $2.7 million. Those negative

[3] Correspondingly, H.B. 64 reduced the share of CAT revenue credited to the School District Tangible Property Tax Replacement Fund (Fund 7047) from 35% to 20%, and the share credited to the Local Government Tangible Property Tax Replacement Fund (Fund 7081) from 15% to 5%. These changes were effective July 1, 2015.

[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. Most estimated payments are made by high-income taxpayers.

variances were partially offset by positive variances of $16.0 million and $1.8 million for quarterly estimated payments and trust payments, respectively.

For the fiscal year through October, except for trust payments which were above estimate by $4.4 million, most income tax components were below estimates. Miscellaneous receipts experienced a negative variance of $8.1 million, employer withholding and quarterly estimated payments were each below estimate by $2.7 million, and annual return payments had a shortfall of $2.0 million. Overall, gross collections were below estimate by $11.1 million. Like the monthly variance, the year-to-date variance was driven primarily by refunds, which were $55.6 million higher than anticipated. The table below summarizes year-to-date FY 2016 income tax revenue variances from estimates and annual changes by component.

FY 2016 Year-to-Date Income Tax Revenue Variances and Changes by Component

Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2015	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	-$2.7	-0.1%	$25.9	1.0%
Quarterly Estimated Payments	-$2.7	-0.9%	$5.5	2.0%
Trust Payments	$4.4	40.8%	$4.1	36.7%
Annual Return Payments	-$2.0	-2.0%	$2.8	3.0%
Miscellaneous Payments	-$8.1	-30.3%	-$9.0	-32.4%
Gross Collections	-$11.1	-0.4%	$29.3	1.0%
Less Refunds	$55.6	43.5%	$18.3	11.1%
Less LGF Distribution	-$1.5	-1.2%	$7.4	6.4%
Income Tax Revenue	-$65.2	-2.3%	$3.6	0.1%

FY 2016 GRF income tax receipts were $3.6 million above FY 2015 revenue.

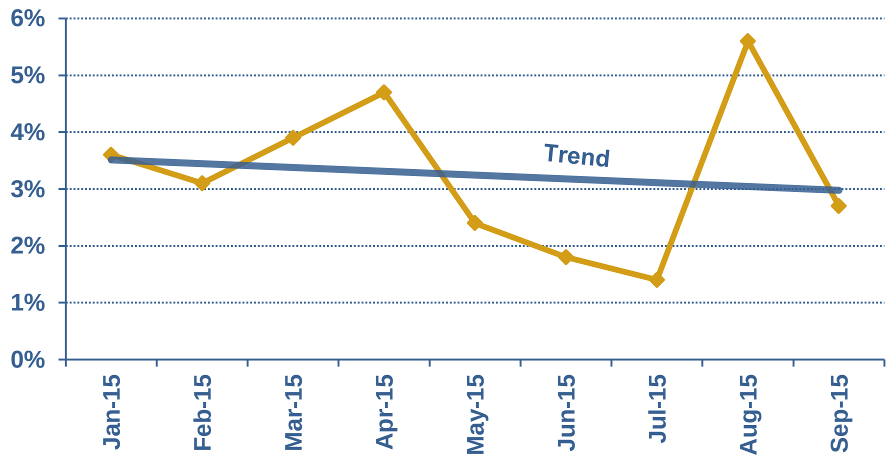
Through October, FY 2016 GRF receipts from the personal income tax were $3.6 million above receipts in the corresponding period in FY 2015. Employer withholding grew $25.9 million this fiscal year when compared to last. Quarterly estimated payments, trust payments, and annual return payments increased by $5.5 million, $4.1 million, and $2.8 million, respectively. However, miscellaneous receipts were $9.0 million lower than in FY 2015 through October. Though gross collections increased $29.3 million relative to FY 2015, both refunds and distributions to the LGF were also higher, by $18.3 million and $7.4 million.

FY 2016 sales and use tax receipts were $67.3 million above estimate.

The budget act reduced income tax rates for all brackets by 6.3%, for taxable years beginning in 2015. The Department of Taxation issued new withholding tables, reflecting a 3.1% reduction in withholding rates previously in effect for 2014, to be used for payrolls that end on or after August 1, 2015. These changes imply that percentage growth in withholding receipts will understate actual payroll growth in future months, and more generally they will restrain any growth in revenue from the tax.

Chart 2 illustrates the trend in employer withholding receipts in 2015. It shows receipts growth was affected in the latest months by both the recent reduction of withholding rate and somewhat weaker payroll growth.

Chart 2: Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Sales and Use Tax

GRF receipts from the sales and use tax of $856.9 million in October 2015 were $2.8 million (0.3%) below estimate and $7.6 million (0.9%) below receipts in October 2014. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[5] 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. Through October, FY 2016 GRF sales and use tax receipts totaled

[5] The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

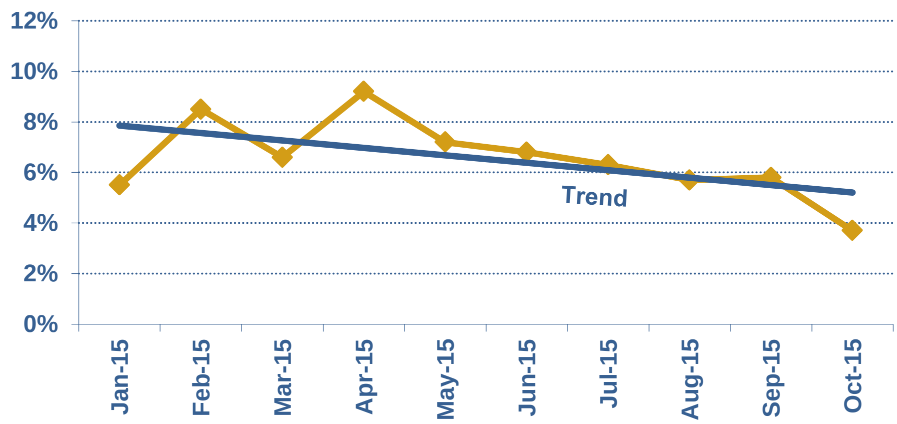
$3.47 billion, $67.3 million (2.0%) above estimate, with good performances from both the nonauto tax and the auto tax. Total sales and use tax receipts were also $142.8 million (4.3%) above receipts in the corresponding period in FY 2015.

Nonauto Sales and Use Tax

For the second consecutive month, the nonauto sales and use tax was below estimate. In September, this tax had a shortfall of $1.8 million; GRF receipts of $749.6 million in October were $2.2 million (0.3%) below estimate but $15.6 million (2.1%) above revenue in October 2014. Through October, FY 2016 GRF receipts of $3.0 billion from the nonauto sales and use tax were $50.5 million (1.7%) above estimate, and $138.2 million (4.8%) above FY 2015 receipts through October. Chart 3 shows increases in nonauto sales and use tax monthly receipts against prior year receipts in the same month, but the rate of growth has gradually declined.

FY 2016 nonauto sales and use tax receipts were $50.5 million above estimate.

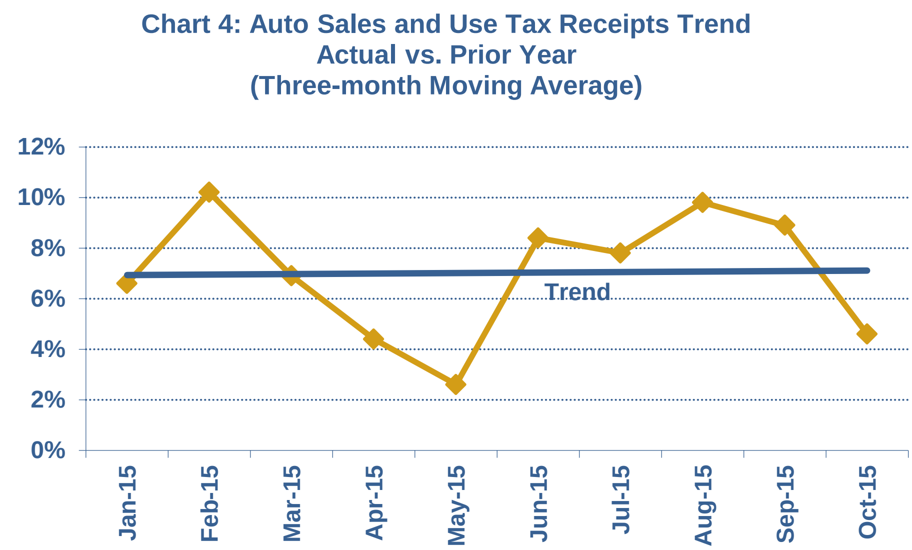
Chart 3: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

GRF receipts from the auto sales and use tax of $107.3 million in October were $0.6 million (0.5%) below estimate, and $23.2 million (17.8%) below receipts in October 2014. Through October in FY 2016, the auto sales and use tax has performed well, with GRF receipts totaling $472.0 million, above estimate by $16.8 million (3.7%). Year-to-date revenue was also $4.6 million (1.0%) above receipts in FY 2015 through October. Chart 4 below compares FY 2016 monthly auto sales and use tax receipts with year-ago receipts in the same period.

FY 2016 auto sales and use tax receipts were $16.8 million above estimate.



Light vehicle sales nationwide, at 18.1 million units (at a seasonally adjusted annual rate), in October were again very strong, nearly matching the sales pace of the preceding month. Monthly sales were approximately 13.6% higher than a year earlier. Low gas prices, improved credit access, and job growth have driven light vehicle sales all year. So far, light vehicle sales are averaging 17.3 million units in 2015, on an annualized basis, about 5.7% higher than in 2014, with sales of light trucks growing about 12%, but auto sales declining almost 1.5%.

Commercial Activity and Petroleum Activity Taxes

FY 2016 GRF CAT receipts were $32.1 million below estimate.

GRF receipts from the CAT were $43.9 million in October 2015, $1.5 million (3.2%) below estimate, but $13.6 million (45.0%) above revenue in October 2014. For the fiscal year through October, CAT revenues to the GRF totaled $327.5 million, $32.1 million (8.9%) below estimate. This weakness in revenue was due, in part, to increased credit claims against the CAT this year. GRF receipts from the CAT were $87.7 million (36.6%) above receipts in the corresponding period of FY 2015 primarily because of the increase in the GRF share of CAT receipts enacted in H.B. 64.

Beginning July 1, 2014, the CAT as applied to receipts from the sale or exchange of motor fuel was replaced by the petroleum activity tax (PAT). No receipts were expected or received from the PAT in October. Through October, FY 2016 revenue from the PAT of $1.3 million was $0.1 million (10.0%) below estimate. No GRF revenue was recorded for this tax in the first four months of FY 2015.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $96.6 million in October 2015 were $17.9 million (22.8%) above estimate. This monthly performance reversed the negative variance of $5.7 million experienced in the first fiscal quarter. Through October, total tax receipts of $297.3 million were $12.3 million (4.3%) above estimate. Revenue from the "floor tax"[6] was $14.6 million, receipts from cigarette sales were $260.3 million, and sales of other tobacco products (OTP) yielded $22.3 million. FY 2016 receipts increased $64.6 million (27.8%) from the corresponding period in FY 2015. Cigarette revenue increased by $51.1 million, while receipts from OTP decreased by $1.1 million; there were no receipts during FY 2015 from the floor tax. Generally, cigarette tax receipts experience a downward trend, while revenue from OTP is closely tied to price increases of those products. However, H.B. 64 increased the cigarette tax from $1.25 to $1.60 per pack of 20 cigarettes, a 28% increase, and thus monthly cigarette revenue is very likely to be higher in FY 2016 when compared to FY 2015.

FY 2016 cigarette tax receipts were $12.3 million above estimate.

[6] The "floor tax" is the additional $0.35 tax paid by tobacco dealers for cigarettes in inventory (for which the old tax rate had been paid) when the new went into effect on July 1, 2015. Smokers may have purchased more cigarettes than anticipated ahead of the rate increase and thus depleted cigarette stocks.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of October 2015
($ in thousands)
(Actual based on OAKS reports run November 6, 2015)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$812,923	$1,012,745	-$199,823	-19.7%
Higher Education	$197,733	$197,167	$566	0.3%
Other Education	$6,146	$7,999	-$1,853	-23.2%
Total Education	$1,016,802	$1,217,912	-$201,110	-16.5%
Medicaid	$1,452,805	$1,475,823	-$23,018	-1.6%
Health and Human Services	$143,566	$167,448	-$23,882	-14.3%
Total Welfare and Human Services	$1,596,371	$1,643,272	-$46,900	-2.9%
Justice and Public Protection	$184,354	$180,541	$3,813	2.1%
General Government	$34,598	$38,704	-$4,106	-10.6%
Total Government Operations	$218,952	$219,245	-$293	-0.1%
Property Tax Reimbursements	$372,437	$306,479	$65,958	21.5%
Capital Outlay	$0	$0	$0	---
Debt Service	$71,930	$71,943	-$13	0.0%
Total Other Expenditures	$444,367	$378,422	$65,945	17.4%
Total Program Expenditures	**$3,276,492**	**$3,458,850**	**-$182,358**	**-5.3%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$12,224	$14,700	-$2,476	-16.8%
Total Transfers Out	$12,224	$14,700	-$2,476	-16.8%
TOTAL GRF USES	**$3,288,717**	**$3,473,550**	**-$184,834**	**-5.3%**

*October 2015 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 2016 as of October 31, 2015
($ in thousands)
(Actual based on OAKS reports run November 6, 2015)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2015**	**Percent Change**
Primary and Secondary Education	$2,603,326	$2,856,411	-$253,085	-8.9%	$2,867,665	-9.2%
Higher Education	$744,342	$750,897	-$6,554	-0.9%	$719,026	3.5%
Other Education	$30,702	$30,728	-$26	-0.1%	$25,270	21.5%
Total Education	$3,378,370	$3,638,036	-$259,665	-7.1%	$3,611,961	-6.5%
Medicaid	$6,199,230	$6,378,166	-$178,936	-2.8%	$5,418,056	14.4%
Health and Human Services	$467,697	$517,734	-$50,038	-9.7%	$481,989	-3.0%
Total Welfare and Human Services	$6,666,927	$6,895,900	-$228,974	-3.3%	$5,900,045	13.0%
Justice and Public Protection	$734,491	$740,123	-$5,632	-0.8%	$662,435	10.9%
General Government	$141,954	$144,030	-$2,075	-1.4%	$124,858	13.7%
Total Government Operations	$876,446	$884,153	-$7,707	-0.9%	$787,292	11.3%
Property Tax Reimbursements	$836,009	$723,830	$112,179	15.5%	$760,978	9.9%
Capital Outlay	$0	$0	$0	---	$0	---
Debt Service	$835,506	$841,664	-$6,158	-0.7%	$820,069	1.9%
Total Other Expenditures	$1,671,516	$1,565,494	$106,021	6.8%	$1,581,047	5.7%
Total Program Expenditures	**$12,593,258**	**$12,983,584**	**-$390,325**	**-3.0%**	**$11,880,345**	**6.0%**
TRANSFERS						
Budget Stabilization	$425,500	$425,500	$0	0.0%	$0	---
Other Transfers Out	$358,700	$362,031	-$3,331	-0.9%	$563,007	-36.3%
Total Transfers Out	$784,200	$787,531	-$3,331	-0.4%	$563,007	39.3%
TOTAL GRF USES	**$13,377,458**	**$13,771,115**	**-$393,656**	**-2.9%**	**$12,443,352**	**7.5%**

*October 2015 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on November 6, 2015)

	Month of October 2015				Year to Date Through October 2015			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,713,403**	**$1,821,761**	**-$108,358**	**-5.9%**	**$7,461,557**	**$7,808,634**	**-$347,076**	**-4.4%**
GRF	$1,407,238	$1,429,796	-$22,558	-1.6%	$5,997,095	$6,175,864	-$178,768	-2.9%
Non-GRF	$306,165	$391,965	-$85,800	-21.9%	$1,464,462	$1,632,770	-$168,308	-10.3%
Developmental Disabilities	**$179,583**	**$187,601**	**-$8,018**	**-4.3%**	**$772,133**	**$800,965**	**-$28,833**	**-3.6%**
GRF	$41,182	$41,001	$181	0.4%	$168,374	$166,489	$1,885	1.1%
Non-GRF	$138,401	$146,600	-$8,199	-5.6%	$603,759	$634,476	-$30,718	-4.8%
Job and Family Services	**$10,730**	**$14,196**	**-$3,467**	**-24.4%**	**$71,131**	**$71,058**	**$73**	**0.1%**
GRF	$3,619	$4,411	-$792	-17.9%	$30,466	$32,333	-$1,867	-5.8%
Non-GRF	$7,110	$9,786	-$2,675	-27.3%	$40,665	$38,724	$1,940	5.0%
Health	**$456**	**$679**	**-$223**	**-32.8%**	**$2,215**	**$2,690**	**-$475**	**-17.7%**
GRF	$248	$263	-$14	-5.4%	$1,156	$1,154	$2	0.2%
Non-GRF	$208	$416	-$209	-50.1%	$1,059	$1,536	-$477	-31.0%
Aging	**$3,394**	**$2,484**	**$910**	**36.7%**	**$7,881**	**$8,581**	**-$700**	**-8.2%**
GRF	$392	$265	$127	48.1%	$1,364	$1,110	$254	22.9%
Non-GRF	$3,002	$2,219	$783	35.3%	$6,517	$7,472	-$954	-12.8%
Mental Health and Addiction	**$125**	**$274**	**-$150**	**-54.6%**	**$1,343**	**$2,554**	**-$1,211**	**-47.4%**
GRF	$125	$87	$37	42.7%	$775	$1,217	-$442	-36.3%
Non-GRF	$0	$187	-$187	-100.0%	$568	$1,337	-$769	-57.5%
Total GRF	**$1,452,805**	**$1,475,823**	**-$23,018**	**-1.6%**	**$6,199,230**	**$6,378,166**	**-$178,936**	**-2.8%**
Total Non-GRF	**$454,886**	**$551,173**	**-$96,287**	**-17.5%**	**$2,117,029**	**$2,316,316**	**-$199,286**	**-8.6%**
Total All Funds	**$1,907,691**	**$2,026,996**	**-$119,305**	**-5.9%**	**$8,316,259**	**$8,694,482**	**-$378,222**	**-4.4%**

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

Table 6: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on November 6, 2015)

	October				Year to Date Through October			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$849,656	$849,993	-$337	0.0%	$3,359,878	$3,430,594	-$70,716	-2.1%
Nursing Facilities	$112,077	$115,924	-$3,847	-3.3%	$451,490	$473,613	-$22,124	-4.7%
DDD Services	$176,534	$183,338	-$6,804	-3.7%	$751,700	$774,891	-$23,191	-3.0%
Hospitals	$76,550	$104,264	-$27,714	-26.6%	$956,745	$1,088,331	-$131,586	-12.1%
Behavioral Health	$81,404	$84,860	-$3,456	-4.1%	$350,992	$374,849	-$23,856	-6.4%
Administration	$62,447	$136,766	-$74,318	-54.3%	$257,202	$390,755	-$133,553	-34.2%
Aging Waivers	$29,582	$24,825	$4,757	19.2%	$104,542	$108,901	-$4,358	-4.0%
Prescription Drugs	$34,383	$34,658	-$275	-0.8%	$157,028	$157,337	-$310	-0.2%
Medicare Buy-In	$36,608	$36,784	-$175	-0.5%	$146,199	$146,575	-$376	-0.3%
Physicians	$20,453	$18,917	$1,535	8.1%	$91,983	$112,749	-$20,766	-18.4%
Medicare Part D	$24,108	$51,359	-$27,251	-53.1%	$96,606	$97,266	-$661	-0.7%
Home Care Waivers	$9,620	$12,512	-$2,892	-23.1%	$42,614	$56,003	-$13,390	-23.9%
ACA Expansion	$322,072	$291,620	$30,452	10.4%	$1,234,009	$1,105,335	$128,674	11.6%
All Other	$72,198	$81,179	-$8,981	-11.1%	$315,271	$377,281	-$62,009	-16.4%
Total All Funds	**$1,907,691**	**$2,026,996**	**-$119,305**	**-5.9%**	**$8,316,260**	**$8,694,482**	**-$378,222**	**-4.4%**

* 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 year-to-date program expenditures were $390.3 million below estimate.

Tables 3 and 4 show GRF uses for the month of October and for FY 2016 through October, respectively. GRF uses were $3.29 billion in October, $184.8 million below the estimate released by OBM in October 2015. GRF uses mainly consist of program expenditures but also include transfers out. Through October, FY 2016 GRF program expenditures totaled $12.59 billion, $390.3 million below estimate; GRF transfers out totaled $784.2 million, $3.3 million below estimate; and GRF uses as a whole totaled $13.38 billion, $393.7 million below their year-to-date estimate.

Among the ten program categories, Primary and Secondary Education had the largest negative variances in both the month of October and the fiscal year through October. Primary and Secondary Education's year-to-date negative variance was $253.1 million, of which $199.8 million occurred in the month of October. Medicaid and Health and Human Services also had negative year-to-date variances of $178.9 million and $50.0 million, respectively. These negative variances were partially offset by a positive year-to-date variance of $112.2 million in the Property Tax Reimbursements category, of which $66.0 million occurred in October. The variances for these four categories are discussed below.

Primary and Secondary Education

GRF expenditures from the Primary and Secondary Education program category were $812.9 million for the month of October, $199.8 million (19.7%) below estimate. Through October, Primary and Secondary Education expenditures totaled $2.60 billion, $253.1 million (8.9%) below estimate. These variances were largely due to timing.

The Ohio Department of Education (ODE) is the only agency that is included in this program category. Expenditures from ODE's GRF appropriation item 200550, Foundation Funding, were $192.7 million below estimate in October, increasing this item's negative year-to-date variance to $210.9 million. Item 200550 is the main funding source for school foundation payments. ODE originally thought the first of two school payments for November would post to the state of Ohio's accounting system on the last business day of October. The payment posted in early November, so the line item incurred a negative variance for October and will almost certainly yield a positive variance in November, but year-to-date expenditures will likely be in line with OBM estimates by the close of November.

Two other items in the ODE budget that are not related to school funding payments had notable year-to-date variances. GRF item 200437, Student Assessments, was $18.8 million below its four-month estimate. On the other hand, year-to-date expenditures from GRF item 200511, Auxiliary Services, were above estimate by $33.0 million. Both of these variances are due to timing-related issues.

Medicaid

GRF Medicaid year-to-date expenditures were $178.9 million below estimate.

For the first four months of FY 2016, GRF Medicaid expenditures totaled $6.20 billion, which was $178.9 million (2.8%) below estimate. While the GRF is the primary funding source for Medicaid, various non-GRF funds also help support Medicaid. Non-GRF Medicaid expenditures totaled $2.12 billion for the first four months of FY 2016, $199.3 million (8.6%) below an estimate provided by the Ohio Department of Medicaid (ODM). Across all funds, Medicaid expenditures totaled $8.32 billion, $378.2 million (4.4%) below their year-to-date estimate. Medicaid is a joint federal-state program. The federal and state shares of Medicaid expenditures are about 64% and 36%, respectively. Both GRF and non-GRF Medicaid expenditures contain federal and state moneys.

ODM is primarily responsible for administering Medicaid, with the assistance of five other state agencies – Developmental Disabilities, Job and Family Services, Health, Aging, and Mental Health and Addiction Services. Table 5 details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Ohio Medicaid. As seen from the table, ODM, the largest agency within this program category, also had the largest annual variance. For the first four months of FY 2016, ODM's GRF expenditures totaled $6.0 billion, which was $178.8 million (2.9%) below estimate, and its non-GRF expenditures totaled $1.46 billion, which was $168.3 million (10.3%) below estimate. Across all funds, ODM's expenditures were $347.1 million (4.4%) below their annual estimate. GRF and non-GRF Medicaid expenditures from the Department of Developmental Disabilities (DDD), the second largest agency within this program category, totaled $772.1 million for the first four months of FY 2016, which was $28.8 million (3.6%) below estimate. Together, ODM and DDD account for about 99% of the Medicaid expenditure total.

Table 6 details all-funds Medicaid expenditures by payment category. As seen from the table, Administration had the largest negative year-to-date variance of $133.6 million (34.2%), followed by Hospitals ($131.6 million, 12.1%), Managed Care ($70.7 million, 2.1%), All Other ($62.0 million, 16.4%), Behavioral Health ($23.9 million, 6.4%), DDD Services ($23.2 million, 3.0%), and Nursing Facilities ($22.1 million, 4.7%). The negative variance for Administration is partly due to the contract for ODM's new eligibility determination system, Ohio Benefits, costing less than was budgeted. Additionally, ODM has not spent last year's encumbrance for Administration. For Hospitals, ODM forecasted an increasing cost per claim but has not seen the projected increase to date, resulting in a negative variance. Managed Care had a negative variance in part due to the Aged, Blind, and Disabled caseload coming in 7% under projection. Also worth noting, the Physicians category had a negative variance ($20.8 million, 18.4%) because a planned payment had not yet been made to the new Physician Supplemental Upper Payment Limit Program at the Ohio State University Wexner Medical Center.

The ACA Expansion category, which is managed care only, has the largest positive annual variance at $128.7 million (11.6%). This variance is due to two reasons: (1) higher than anticipated caseload and (2) some individuals currently enrolled into the ACA Expansion category may later be determined to be eligible under another category of coverage instead. If these individuals are recategorized, their costs would shift in future months.

Health and Human Services

GRF expenditures for Health and Human Services were $143.6 million in October, $23.9 million (14.3%) below estimate. This monthly variance increased the program category's negative year-to-date variance to $50.0 million (9.7%). The Ohio Department of Job and Family Services (ODJFS) had the largest negative variance, $26.8 million, among the agencies in this category. Sixteen of ODJFS's 20 GRF appropriation items were below their year-to-date estimates. Item 600410, TANF State/Maintenance of Effort, was $12.5 million below its four-month estimate. This item is used to meet Ohio's maintenance of effort requirement in order to receive federal grant money for cash assistance programs. Items 600413, Child Care State/Maintenance of Effort, and 600535, Early Care and Education, had negative variances of $4.1 million and $2.4 million, respectively. These two items are used for publicly funded child care services.

The Ohio Department of Mental Health and Addiction Services (ODMHAS) and the Ohio Department of Health (ODH) accounted for $12.0 million and $8.3 million, respectively, of the category's total negative variance. ODMHAS had several line items that were significantly below their OBM estimates including item 336421, Continuum of Care Services ($4.1 million); item 336423, Addiction Services Partnership with Corrections ($2.8 million); and item 336504, Community Innovations ($2.5 million). Nineteen of ODH's 23 line items had negative variances, of which the largest were for item 440418, Immunizations, and item 440416, Mothers and Children Safety Net Services. These two line items were below their OBM estimate by $1.3 million and $1.1 million, respectively. These variances were related to the timing of ODH's vaccine purchases and its subsidy payments to local agencies.

Property Tax Reimbursements

Expenditures for Property Tax Reimbursements were $372.4 million in October, $66.0 million (21.5%) above the monthly estimate. The October variance increased the program category's positive year-to-date variance from $46.2 million to $112.2 million (15.5%) through the first four months of FY 2016. Funds provided under this program category are used to reimburse school districts and other local governments for losses incurred as a result of the 10% and 2.5% "rollback" reductions in real property taxes and as a result of the "homestead exemption" reduction in real property taxes. The reimbursement payments are made twice per year, one based on the February property tax settlement and one based on the August property tax settlement. The payments based on the August 2015 property tax settlement will be made in the first six months of FY 2016. Funds are disbursed when county auditors request the payments. Approximately 82 of 88 counties had received their semiannual reimbursements by the end of October, more than OBM had originally anticipated.

ISSUE UPDATES

State Spending in Ohio's 88 Counties Totaled $34.4 billion in FY 2015

– Tom Wert, Budget Analyst, 614-466-0520

A total of $34.4 billion was spent on programs and projects in Ohio's 88 counties in FY 2015. Of the total, $32.3 billion (93.8%) was spent on subsidies that support health and human services, K-12 and higher education, transportation and infrastructure, distributions to political subdivisions to offset or supplement the costs of certain public services, justice and corrections, and loans and grants for economic development. Spending on just two categories – health and human services and K-12 and higher education – accounted for $29.4 billion (85.4%) of overall subsidy spending statewide in FY 2015. The remainder of almost $2.2 billion (6.2%) in state spending was used for capital projects to acquire, construct, or improve physical assets such as land, buildings, and infrastructure.

In general, urban counties with large populations received more total state funds than rural counties with fewer residents. Rural counties, however, generally saw more state spending per capita than the more populous counties. The five counties receiving the most total state spending include Cuyahoga, with just over $4.3 billion, followed by Franklin (just under $4.3 billion), Hamilton (approximately $2.6 billion), Summit (approximately $1.8 billion), and Montgomery (just over $1.7 billion). On a per capita basis, Athens County topped the list receiving about $5,900 per resident. Other counties in the top five in state spending per capita include Pike ($4,500), Vinton ($4,400), Scioto ($4,350), and Gallia ($4,150). Details for state spending in all of Ohio's 88 counties are available in LSC's State Spending by County Report for FY 2015, available on LSC's website at www.lsc.ohio.gov under the "Publications" button.

Top Five Counties in State Spending, FY 2015

By Total State Spending			By State Spending Per Capita		
Rank	County	State Spending	Rank	County	State Spending
1	Cuyahoga	$4,319,940,800	1	Athens	$5,882
2	Franklin	$4,276,189,952	2	Pike	$4,493
3	Hamilton	$2,589,665,199	3	Vinton	$4,414
4	Summit	$1,765,258,918	4	Scioto	$4,354
5	Montgomery	$1,717,903,025	5	Gallia	$4,143

ODE Awards Early Childhood Education Expansion Funding for FY 2016

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

On October 13, 2015, the Ohio Department of Education (ODE) announced the first round of recipients of early childhood education expansion funding for FY 2016. ODE awarded new funding for 2,930 children to 103 providers in 43 different counties. This first round of new funding was targeted to high need areas in each of 12 regions according to a school district's percentage of economically disadvantaged kindergartners, performance on Ohio's Kindergarten Readiness Assessment, and the percentage of third grade students below the state's reading assessment standards. The list of expansion funding recipients can be found by searching "early childhood education expansion funding" at www.education.ohio.gov. H.B. 64 increased the appropriation for the program by $15 million in FY 2016 to $60.3 million. This increase could fund an additional 3,675 children. ODE plans to fill the remaining slots in the program by contacting eligible providers in school districts with the next highest need. H.B. 64 increases the appropriation for FY 2017 by another $10 million to $70.3 million, funding an additional 2,450 slots next fiscal year.

Early childhood education grants provide a state funding allocation of $4,000 per child to support programs that provide educational services for three- and four-year-old children from families with incomes below 200% of the federal poverty level ($40,180 annually for a family of three). Beginning in FY 2017, the funding is limited to four-year-old children, and ODE is required to develop a joint process with the Ohio Department of Job and Family Services (ODJFS) to synchronize early childhood education program eligibility, applications, attendance tracking, and payments with those of the publicly funded childcare program. Early childhood education programs must provide services for children for at least 12.5 hours per week and offer curricula that meet the early learning program standards developed by ODE. Additionally, the programs must require teachers to obtain a certain amount of professional development, report child progress, administer diagnostic assessments, and participate in Ohio's Step Up to Quality Program.

Controlling Board Shifts FY 2017 State Match Land-Grant Funding for Central State University to Maximize Federal Funding

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

In August, the Controlling Board approved a shift into FY 2016 of over $1.6 million in FY 2017 GRF funding for Central State University's (CSU's) required 75% state match as an 1890 land-grant institution. This shift increased the FY 2016 appropriations for this purpose to a total of over $3.8 million, allowing CSU the opportunity to receive up to $5.1 million in federal funds in federal fiscal year (FFY) 2016. According to CSU, the land-grant funds will enable the university to create 55 jobs through a statewide agricultural research and extension network that will serve farmers and the urban core on issues related to sustainable agriculture, nutrition, and water resources. Any unused appropriation approved in the request will be returned to FY 2017 in a future Controlling Board request once the federal award is confirmed.

In February 2014, CSU officially became an 1890 land-grant institution, joining 18 other historically black colleges and universities throughout the country. As mentioned above, CSU's designation as an 1890 land-grant institution authorizes the university to use state and federal funds to develop a research and extension network. CSU states that its research program will expand the university's capacity as a research institution and complement the existing research being done through its International Center for Water Resources Management and College of Science and Engineering. CSU will also collaborate with the Ohio State University, Ohio's 1862 land-grant institution, to develop grant proposals and establish co-location extension offices. Further, the CSU extension program will place personnel in ten Ohio counties and additional field specialists on campus. It will also reestablish the CSU farm, which includes 500 acres of crops and forestland, and provide services related to soil and water quality and Geographic Information Systems to farmers all over the region.

Ohio Department of Transportation Awards $2.41 billion in Highway Construction Contracts During FY 2015

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

The Ohio Department of Transportation (ODOT) awarded approximately $2.41 billion in highway construction contracts in FY 2015, according to the Department's *Financial and Statistical Report* for the fiscal year. The table below breaks down the contract awards by type of work. Note that, as only construction-related contracts are listed in the table, contracts for preliminary engineering work or right-of-way acquisition are not accounted for in this $2.41 billion figure.

ODOT Highway Construction Contract Awards by Project Type, FY 2015

Work Type	Amount ($ millions)	% of Total
Major New	$755.4	31.3%
Pavement	$700.2	29.1%
Bridge/Culvert	$339.8	14.1%
Local Government/Local Let	$330.4	13.7%
Miscellaneous Highway	$284.5	11.8%
Total Contracts	**$2,410.3**	**100.0%**

Source: *ODOT Financial and Statistical Report, FY 2015*

Major New projects are large highway construction projects that are approved by the Transportation Review Advisory Council (TRAC), and accounted for the largest portion of contracts in FY 2015, at $755.4 million (31.3%) of the total. The amount awarded for pavement work was $700.2 million, while the amount awarded for bridge and culvert repair and construction contracts was $339.8 million. Almost all of the $330.4 million listed under the category of Local Government/Local Let was funding provided by ODOT for contracts let by political subdivisions, although a small amount was for ODOT projects (mostly interstates) that run through municipalities. Contract awards for Miscellaneous Highway projects, such as guardrail installation, pavement marking, mowing, noise walls, and other spot improvements totaled $284.5 million.

Attorney General Announces Allocation of $11.5 million from Rock Salt Settlement

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

On October 1, 2015, the Ohio Attorney General announced the allocation of the $11.5 million that the state received from settling a rock salt pricing dispute with Cargill and Morton Salt. The two companies, who made no admission of liability as part of the settlement agreement, were the subject of an antitrust lawsuit filed by the state in 2012 alleging the two had divided the Ohio rock salt market between them, and agreed not to compete against each other, which drove up the price for rock salt.

Of the total settlement, the largest component – $6.8 million – will be distributed to a mix of 846 counties, cities, villages, townships, school districts, and state-assisted colleges and universities throughout Ohio. Almost 60%, or close to $4.0 million, of that amount will be distributed to 301 public entities in ten counties (see the table below). In order to be eligible for a share of the settlement, a public entity had to have purchased salt from either company between July 1, 2008 and June 30, 2015.

A smaller component of the settlement – $1.9 million – will be distributed to certain state agencies, $1.7 million of which will go to ODOT, the largest single purchaser of rock salt in Ohio.

Of the settlement's remainder, $1.6 million will be used for attorney fees, investigative expenses, and expert witness costs and $1.15 million will be deposited pursuant to current law into the Attorney General Antitrust Fund (Fund 4200). The Attorney General uses the money appropriated from this fund to pay the operating expenses of the Antitrust Section, which enforces both state and federal antitrust laws.

Ten Largest Total Rock Salt Settlement Payments by County (Total: $3,972,925)			
County (# of Recipients)	Total Payments	County (# of Recipients)	Total Payments
Cuyahoga (60)	$1,185,986	Lucas (16)	$309,617
Summit (35)	$577,655	Montgomery (26)	$246,658
Franklin (22)	$358,216	Lake (26)	$221,995
Hamilton (40)	$344,461	Mahoning (22)	$206,809
Stark (31)	$327,137	Lorain (23)	$194,391

U.S. Department of Justice Awards Attorney General $1.3 million Anti-Methamphetamine Program Grant

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

On September 29, 2015, the U.S. Department of Justice awarded the Ohio Attorney General's Bureau of Criminal Investigation (BCI) a $1.3 million anti-methamphetamine grant.[7] The grant was one of seven competitive awards totaling $6.1 million from the Community Oriented Policing Services (COPS) Anti-Methamphetamine Program. This program provides funds to state law enforcement agencies to investigate illicit activities related to the manufacture and distribution of methamphetamine. Each grant is for 24 months and requires no state match.

BCI qualified for the grant because of the state's activities related to locating and investigating illicit operations, including the use of multijurisdictional task forces, and the high number of seizures (precursor chemicals, finished methamphetamine, laboratories, and laboratory dumps). It is permitted to use the funds for equipment (for example, customized response vehicles and chemical identification units), training supplies, and overtime and other approved personnel costs.

The table below compares methamphetamine activity in Ohio with its surrounding states and nationally from calendar year (CY) 2010-CY 2014. It uses data from the U.S. Drug Enforcement Administration that tracks clandestine methamphetamine laboratory incidents (seizures of laboratories, dumpsites, chemicals/glass/equipment). Ohio's total number of incidents peaked at 1,157 in CY 2013 then dropped by close to 20% (to 939 incidents) in CY 2014. Indiana was consistently over 1,000 total incidents in each year. Kentucky's incident total dramatically decreased over the five-year period. Nationally, the number of incidents has been more or less trending steadily downward.

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[7] Methamphetamine is a cheap and addictive nervous system stimulant that has street names like crank, speed, ice, or crystal.

Total Methamphetamine Clandestine Laboratory Incidents for Ohio, Surrounding States, and Nationwide, CY 2010-CY 2014					
Unit of Government	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014
Ohio	375	352	802	1,157	939
Indiana	1,229	1,437	1,698	1,796	1,471
Michigan	864	437	754	609	750
Pennsylvania	38	10	127	208	211
West Virginia	207	92	132	67	16
Kentucky	1,359	1,745	999	476	468
U.S. Total	**15,220**	**13,423**	**13,441**	**12,050**	**9,338**

Commission on Fatherhood Awarded Grant to Help Low-Income Fathers

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

The Ohio Commission on Fatherhood (OCF) was awarded nearly $10 million to fund its "New Beginnings for New Fathers" program to help new and expectant low-income fathers aged 16-24 receive job training, parenting classes, and healthy relationship education. The grant, from the U.S. Department of Health and Human Services (HHS), will allow OCF to reach approximately 4,000 fathers and 120 couples over five years. To achieve this, OCF will provide $1.26 million ($315,000 per organization) each federal fiscal year to Action for Children in Franklin County, Passages Connecting Fathers and Families in Cuyahoga County, Talbert House in Hamilton County, and Urban Light Ministries in Clark and Montgomery counties. Also, OCF has hired two additional employees and contracted with Ohio University to provide project evaluation services. The table below provides a breakdown of the allocation OCF will receive from HHS for each year of the program.

Ohio OCF Grant Allocation for "New Beginnings for New Fathers" Program	
Federal Fiscal Year	Amount
2016*	$1,937,865
2017	$1,981,305
2018	$1,990,258
2019	$1,999,775
2020	$1,999,920
Total	**$9,909,123**

* OCF has already received its FFY 2016 allocation in full.

OCF, part of ODJFS, has a mission to enhance the well-being of Ohio's children by providing opportunities for fathers to become better parents, partners, and providers. About two out of five Ohio children live in homes without fathers, making them five times more likely to live in poverty, three times more likely to fail in school, and twice as likely to commit a crime. OCF promotes fatherhood engagement by funding fatherhood programs statewide, providing training to social service workers, engaging the community, and making policy recommendations.

Developmental Disabilities Allocates 3,000 New Medicaid Waivers

– Genevieve Davison, LSC Fellow, 614-387-1274

In August 2015, the Department of Developmental Disabilities (DDD) finalized an allocation process for just over 3,000 new, state-funded[8] home and community-based Medicaid waivers. The new waivers will be distributed to county boards of developmental disabilities over the course of the biennium to bring down the waiting list for waiver services, and to give individuals living in Intermediate Care Facilities (ICFs) the option to live in the community. The waivers will be allocated as follows: 1,864 waivers will go to individuals currently on the waiting list for Medicaid waivers, 400 waivers will be diversion waivers and will be offered to individuals who are considering moving into an ICF, and 800 waivers will be used as exit waivers to help individuals currently in an ICF who wish to move into the community.

The allocation of the waiting list waivers is designed first to move toward bringing the number of waivers provided in each county up to the statewide median,[9] although waiver increases in each county are capped at 30% or 50% based on per capita income. The remaining waiting list waivers will be distributed proportionately based on county population with each county receiving at least three.[10] The 400 diversion waivers will be offered to individuals who are eligible for ICF placement and are considering moving into an ICF. For the exit waivers, a third party will interview individuals living in ICFs who are on the waiting list to determine if they want to enroll in a waiver.

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[8] The FY 2016-FY 2017 biennial budget provides about $97.3 million in combined state and matching federal dollars to fund the new waivers.

[9] Median of combined number of Individual Options, Self-Empowerment Life Funding (SELF), and Transitions waivers per capita is 16.42.

[10] For a complete list of waiting list waiver allocations by county, go to http://dodd.ohio.gov/OurFuture/Documents/WaiverAllocation.pdf.

Tracking the Economy

– *Thomas Kilbane, Economist, 614-728-3218*

Overview

Real GDP (inflation-adjusted gross domestic product) growth slowed in the third quarter, putting the U.S. economy on pace for another year in the 2% annual growth range. Consumer spending continues to push the economy forward. U.S. auto sales are experiencing the best extended success in over a decade. Nationwide job growth picked up in October, adding the most jobs in any month so far this year (271,000). Ohio's unemployment rate continued dropping, this time to 4.5%, amid another decline in Ohio's labor force. Ohio has enjoyed a strong year in the real estate market, with the number of homes sold and average sales price both up substantially (by 11.0% and 4.2%, respectively) from the same period in 2014.

The National Economy

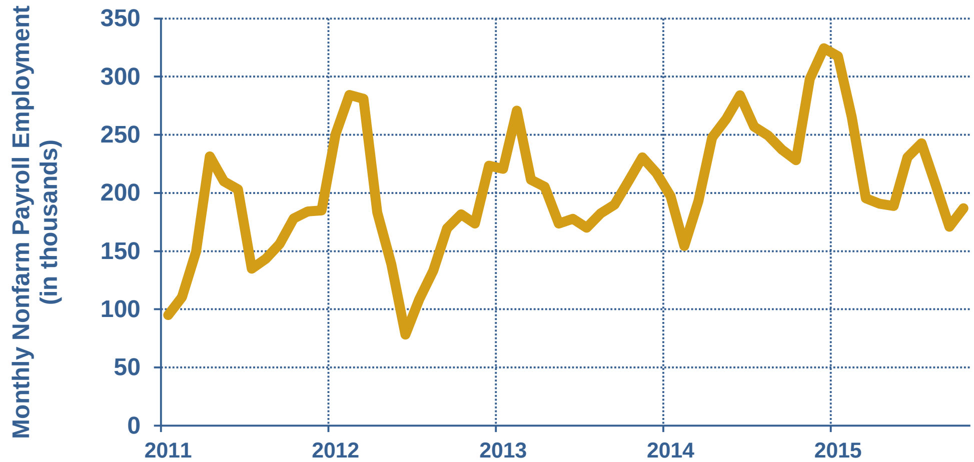
Employment and Unemployment

In October, nonfarm payroll employment nationwide increased 271,000 according to initial estimates from the U.S. Bureau of Labor Statistics (BLS). The number represents a big rebound from August and September when job gains averaged only 145,000 per month. More jobs were added in October than any other month so far in 2015. Overall, job growth in 2015 has still been slower than 2014 (see Chart 5), but the October report staves off fear, at least temporarily, of a more serious employment slowdown. Among industry sectors, retail (43,800), professional and business services (78,000), and health care and social assistance (56,700) added the most jobs, as private service-providing industries (241,000 total) led the private goods-producing industries (27,000 total). Overall, the U.S. economy has added a net total of 2.8 million jobs over the past 12 months.

The U.S. economy added more jobs in October than in any other month in 2015.

The national unemployment rate dropped slightly to 5.0% in October from 5.1% in September. The rate was the lowest since 2008. The labor force participation rate remained unchanged at 62.4%. The U.S. has not had a lower labor force participation rate since 1977. Average hourly earnings of all employees on private, nonagricultural payrolls rose slightly (0.4%) from September. Hourly earnings have risen 2.5% over the last 12 months.

Chart 5: U.S. Monthly Employment Change
(Three-Month Moving Average)



Through the first three quarters of 2015, the U.S. economy has continued to grow at a 2% annualized pace.

Production and Inventories

Real GDP grew at an annualized rate of 1.5% during the third quarter, according to the "advance" estimate[11] done by the U.S. Bureau of Economic Analysis (BEA). That is down from 3.9% in the second quarter. Real GDP is one of the broadest measures of the output of an economy. The slower growth of real GDP primarily reflected a change in inventory levels as final sales in the U.S. were steadier in comparison. Other components of the real GDP slowdown were decelerations in exports, fixed investment, and state and local government spending, among others. Overall through the first three quarters of 2015, the U.S. economy has continued to grow at a 2% annualized pace.

Inventories of manufactured goods decreased 0.4% in September according to the U.S. Census Bureau. Inventories have decreased in the last three months through September. At the same time, shipments of manufactured goods were down 0.4%. Shipments have decreased in five of the last six months. Declines were mostly attributable to refineries, possibly reflecting lower oil prices.

Industrial production decreased 0.2% in September according to the Federal Reserve's industrial production index. The drop was led by output in the mining industry and production of construction supplies. It was the second straight month that industrial production declined.

[11] Advance estimates done by the BEA are made with only partial data available and are subject to further revision upon receipt of more complete data.

Real Estate

Reports of real estate construction and sales were mixed in September. Housing starts were just over 1.2 million units in September, at a seasonally adjusted annual rate. Unadjusted year-to-date housing starts are up 12% through September compared to the same period one year ago. However, sales of new homes slowed in September according to the U.S. Census Bureau. After averaging a seasonally adjusted annual rate of 509,000 new single-family homes sold from January through August of this year, preliminary estimates for September put the annualized rate at 468,000 for the month.

Year-to-date new home sales are still up considerably (17.6%) over the same period in 2014, and existing home sales, while still far below the mid-2000s peak, are also up (7.8%) from a year earlier according to the National Association of Realtors. Both 15-year and 30-year fixed-rate mortgage rates continued their declines through late October after peaking in July, according to the Freddie Mac Primary Mortgage Market Survey. Lower borrowing costs this year have made home purchases more affordable.

Consumer Spending

Consumer spending continues to be a driving positive influence for the U.S. economy. In September, real personal spending increased 0.2%. For the third quarter, it grew at an annualized rate of 3.2%, after growing at 3.6% in the second quarter. However, personal income growth slowed in September, growing at just 0.1% after growing 0.4% in each of the last five months.

Auto sales remain one of the strongest components of consumer spending. Sales of light vehicles in October reached 18.1 million units at a seasonally adjusted annual rate for the second straight month. Prior to September, the industry had not seen these monthly sales heights since 2005. Trucks and small SUVs continue to see increased demand amid low gasoline prices.

Auto sales reached the highest pace since 2005 for the second straight month.

Monetary Policy

In a statement at the conclusion of its October 27-28 meeting, the Federal Open Market Committee (FOMC) reaffirmed its view that the current federal funds rate,[12] near zero, remains appropriate, and discussed

[12] The federal funds rate is the short-term interest rate at which depository institutions lend reserve balances to other depository institutions overnight. The FOMC sets a target rate and the Federal Reserve uses monetary tools with the goal of moving the actual rate to the target.

what it will be looking for preceding the committee's next meeting in December to determine the appropriateness of an increase to the federal funds rate target range. The Federal Reserve's statutory mandate from Congress requires it to seek maximum employment, stable prices, and moderate long-term interest rates. The Committee stated it will be looking for further improvement in the labor market and reasonable confidence that inflation will move back to its stated 2% (annual rate) objective over the medium term. In the past, the FOMC had expressed the possibility of an impending rate rise, though official statements at the conclusion of previous meetings had not discussed the potential timing so explicitly. During testimony to the U.S. House Financial Services Committee in early November, FOMC Chair Janet Yellen described the raising of rates at the December meeting a "live possibility."

Inflation

The price index for personal consumption expenditures (PCE) decreased 0.1% in September, after no change in August. The PCE index is the measure of inflation that the Federal Reserve Bank uses to track progress toward its dual mandate. The price index of PCE excluding food and energy increased 0.1% (an annual rate of 1.2%).

Another popular measure of inflation, the consumer price index for all urban consumers (CPI-U), fell 0.2% in September. Gasoline prices were again the main reason for the decrease. The gasoline index fell 9.0% in September and is now down 29.6% from 12 months ago. Core CPI (index for all items less food and energy) was up 0.2% in September. On the producer side, the producer price index for final demand (PPI) fell 0.5% in September. Two-thirds of the decrease was attributable to prices for final demand goods, and the other one-third to prices for final demand services.

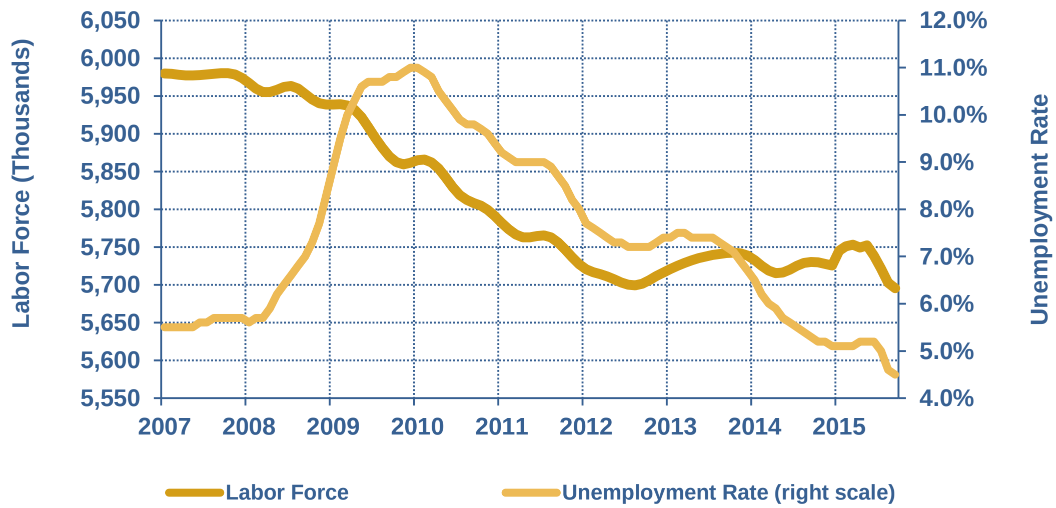
The employment cost index (ECI) was up 0.6% for the quarter ending September 30, 2015 (an annual rate of 2.4%). ECI measures the change in the cost of labor, including wages, benefits, and bonuses, free from the influence of employment shifts.

The Ohio Economy

Employment and Unemployment

Ohio's unemployment rate continued dropping in September to 4.5% (from a revised 4.6% in August), hitting another new low since 2001. During the month, total nonfarm payroll employment decreased by 8,600 (0.2%) from August. Job growth estimates from August also were revised downward, from 14,600 to 13,000. The unemployment rate can drop even while Ohio loses jobs if the total number of people in the labor force also declines. Ohio's labor force lost an estimated 7,000 workers in September, bringing the 12-month total loss from September 2014 to 35,000. The labor force participation rate has been declining nationwide (0.3 percentage point from September 2014), but at a faster pace of late in Ohio (0.7 percentage point).

Chart 6: Ohio Labor Force and Unemployment Rate



Modest job growth in Ohio's private sector (5,400, 0.1% from August) partially offset the losses in local government during the month. Ohio local governments were estimated to have lost 15,100 jobs in September, though they remain up 0.4% from 12 months ago. Ohio's manufacturing sector had a rough month for jobs, losing an estimated 3,900 (0.6% from August), while the leisure and hospitality industry remained strong, adding another 6,600 jobs in the month bringing job growth in the industry over the last 12 months up to 3.4%. Real estate and rental and leasing also saw 2,000 (3.2%) jobs added from August to September possibly in response to what has been a hot summer real estate market.

Regional Economy

The Federal Reserve Bank of Cleveland's most recent report on regional economic activity described economic expansion at a modest pace during the six weeks since their last report,[13] which was similar to most regional reports in other areas of the country over the same period. The report noted that:

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[13] The Federal Reserve Bank of Cleveland releases the Fourth District Beige Book eight times each year prior to the FOMC meetings. The Federal Reserve Bank of Cleveland's District includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia. Information in the latest report was collected on or prior to October 5, 2015.

- Manufacturing demand remained steady overall. Noted factors suppressing demand were slowdowns in the energy sector and developing markets abroad. The strong dollar restraining manufacturing activity was a common theme across most Federal Reserve districts including Cleveland's. Helping offset those factors was strong demand in the motor vehicle, aerospace, and construction sectors of manufacturing.
- Late summer retail sales, including motor vehicles, were up compared to the same period a year ago. SUVs and light trucks continue to be popular as low fuel prices become more entrenched.
- Real estate sales are higher than last year for both residential and nonresidential units. A potential rise in interest rates, seen as a risk, may slow the residential portion of real estate construction but was expected by some to have little impact on commercial building. Another challenge for the industry is a shortage of qualified labor, which has pushed labor costs up.
- On the back of improving auto and residential real estate markets, auto lending and home equity products expanded. There was also a modest increase in demand during the period for commercial real estate loans.
- Amidst dropping wellhead prices for oil and natural gas, the number of drilling rigs operating in the Marcellus and Utica shales continued to decline, now down almost 50% below the peak of last year. Related investments made by the railroads to serve fracking in the region may now lead to some defaults. Despite the slowdown in the energy sector, total production remains very high.

The average sale price of an Ohio home is 4.2% higher in 2015 than it was in 2014.

Home Sales

Ohio home sales continued a strong year in September. The number of homes sold in Ohio in September was 13,200, down from the summer season high, but 11.5% higher than the 11,838 sold in September 2014. The average sale price was up 3.5% as well. The September 2015 average Ohio home sale price was $156,811 compared to $151,491 in 2014. The year-to-date number of homes sold is 11.0% higher, and the average sale price is 4.2% higher, than during the same period in 2014.