Budget Footnotes

A Newsletter of the Ohio Legislative Service Commission — July 2017

Status of the GRF

Highlights

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

June GRF tax revenue was $8.5 million below the Office of Budget and Management's (OBM) August 2016 estimate, a smaller negative variance than any yet in calendar year 2017. FY 2017 presented significant fiscal challenges, with GRF tax revenue ending the year $849.2 million (3.7%) below the August estimate, and having increased by a meager $66.1 million (0.3%) from FY 2016. The challenge was mitigated somewhat by negative variances on the expenditure side of the budget. Medicaid had the largest negative variance. GRF Medicaid expenditures were $1.10 billion (5.9%) below the August estimate for the fiscal year.

The GRF finished the fiscal year with a cash balance of $557.1 million to meet the year-end encumbrance and ending fund balance requirements. There was no surplus money to be transferred to the Budget Stabilization Fund, which stood at $2.034 billion as of June 30, 2017.

Simplified GRF Cash Statement, as of June 30, 2017 ($ in millions)	
Beginning Cash Balance	**$1,193.3**
Plus Actual Revenues, Transfers in, and Receivables	$34,178.1
Less Actual Expenditures and Transfers Out	$34,814.3
Ending Cash Balance	**$557.1**
Year-end Encumbrances	$388.5
Budget Stabilization Fund (BSF) Balance	**$2,034.1**
Combined GRF and BSF Unobligated Ending Balance	**$2,202.6**

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Next Issue:
September 2017

Have a great summer!

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of June 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 5, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$127,972	$131,200	-$3,228	-2.5%
Nonauto Sales and Use	$807,320	$780,400	$26,920	3.4%
Total Sales and Use Taxes	**$935,291**	**$911,600**	**$23,691**	**2.6%**
Personal Income	$789,072	$799,500	-$10,428	-1.3%
Corporate Franchise	-$4,860	$0	-$4,860	---
Financial Institution	$26,789	$30,700	-$3,911	-12.7%
Public Utility	$433	$800	-$367	-45.9%
Kilowatt-Hour Excise	$21,187	$20,400	$787	3.9%
Natural Gas Consumption (MCF)	$5	$0	$5	---
Commercial Activity Tax	$16,199	$6,600	$9,599	145.4%
Petroleum Activity Tax	$1,376	$1,100	$276	25.1%
Foreign Insurance	-$23,539	-$1,300	-$22,239	-1710.7%
Domestic Insurance	$261,832	$272,300	-$10,468	-3.8%
Business and Property	$2	$0	$2	---
Cigarette	$157,811	$148,700	$9,111	6.1%
Alcoholic Beverage	$5,276	$5,100	$176	3.5%
Liquor Gallonage	$4,069	$4,000	$69	1.7%
Estate	$88	$0	$88	---
Total Tax Revenue	**$2,191,031**	**$2,199,500**	**-$8,469**	**-0.4%**
NONTAX REVENUE				
Earnings on Investments	$11,363	$9,100	$2,263	24.9%
Licenses and Fees	$755	$570	$185	32.5%
Other Revenue	$1,819	$6,275	-$4,456	-71.0%
Total Nontax Revenue	**$13,937**	**$15,945**	**-$2,008**	**-12.6%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$247,918	$267,500	-$19,582	-7.3%
Total Transfers In	**$247,918**	**$267,500**	**-$19,582**	**-7.3%**
TOTAL STATE SOURCES	**$2,452,886**	**$2,482,945**	**-$30,059**	**-1.2%**
Federal Grants	$1,010,667	$1,011,099	-$433	0.0%
TOTAL GRF SOURCES	**$3,463,553**	**$3,494,044**	**-$30,491**	**-0.9%**

*Estimates of the Office of Budget and Management as of August 2016.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2017 as of June 30, 2017
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 5, 2017)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2016	Percent Change
TAX REVENUE						
Auto Sales	$1,393,968	$1,400,000	-$6,032	-0.4%	$1,346,315	3.5%
Nonauto Sales and Use	$9,220,607	$9,407,600	-$186,993	-2.0%	$9,001,684	2.4%
Total Sales and Use Taxes	**$10,614,575**	**$10,807,600**	**-$193,025**	**-1.8%**	**$10,347,999**	**2.6%**
Personal Income	$7,606,452	$8,260,000	-$653,548	-7.9%	$7,799,334	-2.5%
Corporate Franchise	-$1,211	$0	-$1,211	---	$33,234	-103.6%
Financial Institution	$187,309	$223,000	-$35,691	-16.0%	$213,451	-12.2%
Public Utility	$106,902	$103,500	$3,402	3.3%	$103,253	3.5%
Kilowatt-Hour Excise	$347,436	$332,200	$15,236	4.6%	$338,007	2.8%
Natural Gas Consumption (MCF)	$61,790	$66,000	-$4,210	-6.4%	$60,725	1.8%
Commercial Activity Tax	$1,301,539	$1,287,000	$14,539	1.1%	$1,255,325	3.7%
Petroleum Activity Tax	$6,390	$6,000	$390	6.5%	$6,888	-7.2%
Foreign Insurance	$301,542	$301,500	$42	0.0%	$293,526	2.7%
Domestic Insurance	$268,567	$278,000	-$9,433	-3.4%	$258,276	4.0%
Business and Property	-$676	$0	-$676	---	$102	-764.4%
Cigarette	$980,506	$970,000	$10,506	1.1%	$1,007,643	-2.7%
Alcoholic Beverage	$57,220	$55,000	$2,220	4.0%	$54,446	5.1%
Liquor Gallonage	$46,460	$45,000	$1,460	3.2%	$45,130	2.9%
Estate	$756	$0	$756	---	$2,154	-64.9%
Total Tax Revenue	**$21,885,556**	**$22,734,800**	**-$849,244**	**-3.7%**	**$21,819,492**	**0.3%**
NONTAX REVENUE						
Earnings on Investments	$48,732	$35,000	$13,732	39.2%	$35,169	38.6%
Licenses and Fees	$59,600	$57,000	$2,600	4.6%	$56,380	5.7%
Other Revenue	$69,230	$70,800	-$1,570	-2.2%	$52,526	31.8%
Total Nontax Revenue	**$177,563**	**$162,800**	**$14,763**	**9.1%**	**$144,076**	**23.2%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$355,937	$309,100	$46,837	15.2%	$322,243	10.5%
Total Transfers In	**$355,937**	**$309,100**	**$46,837**	**15.2%**	**$322,243**	**10.5%**
TOTAL STATE SOURCES	**$22,419,056**	**$23,206,700**	**-$787,644**	**-3.4%**	**$22,285,810**	**0.6%**
Federal Grants	$11,761,183	$12,682,980	-$921,797	-7.3%	$11,645,735	1.0%
TOTAL GRF SOURCES	**$34,180,239**	**$35,889,680**	**-$1,709,442**	**-4.8%**	**$33,931,545**	**0.7%**

*Estimates of the Office of Budget and Management as of August 2016.

Detail may not sum to total due to rounding.

FY 2017 GRF tax revenue was $849.2 million below the August estimate.

Total GRF sources were $1.7 billion below the August estimate in FY 2017.

REVENUES

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

Overview

A June shortfall of $30.5 million (0.9%) relative to OBM's August estimate[1] concluded another dismal fiscal year for GRF sources.[2] Through June, FY 2017 GRF sources of $34.18 billion were $1.71 billion (4.8%) below estimate with deficits from both state sources and federal grants. FY 2017 GRF tax sources of $21.89 billion fell short of estimates by $849.2 million (3.7%), driven down by a negative variance of $653.5 million (7.9%) for the personal income tax (PIT). That shortfall in GRF tax sources was partially offset by positive variances of $46.8 million (15.2%) for transfers into the GRF and $14.8 million (9.1%) for nontax revenue, resulting in a state-sources deficit of $787.6 million (3.4%) for the fiscal year. Federal grants, which have been generally below estimate throughout FY 2017, finished the year with a negative variance of $921.8 million (7.3%). Federal grant revenue is primarily related to the level of spending in the Medicaid program, which was lower than expected.[3] Tables 1 and 2 above, show GRF sources for June and for FY 2017 through June, respectively.

In June, the sales and use tax and the commercial activity tax (CAT) were above anticipated levels by $23.7 million and $9.6 million. The cigarette tax also experienced a positive variance of $9.1 million. Those positive variances were more than offset by shortfalls of $32.7 million for the insurance taxes, $10.4 million for the PIT, and $8.8 million for taxes on financial institutions, including $4.9 million for the corporate franchise tax (CFT) which was eliminated at the end of

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[1] OBM revised downward its August estimates of GRF tax revenue in January by $592 million, but did not publish monthly estimates based on the revised numbers. Therefore, variances in this article compare to the August estimates.

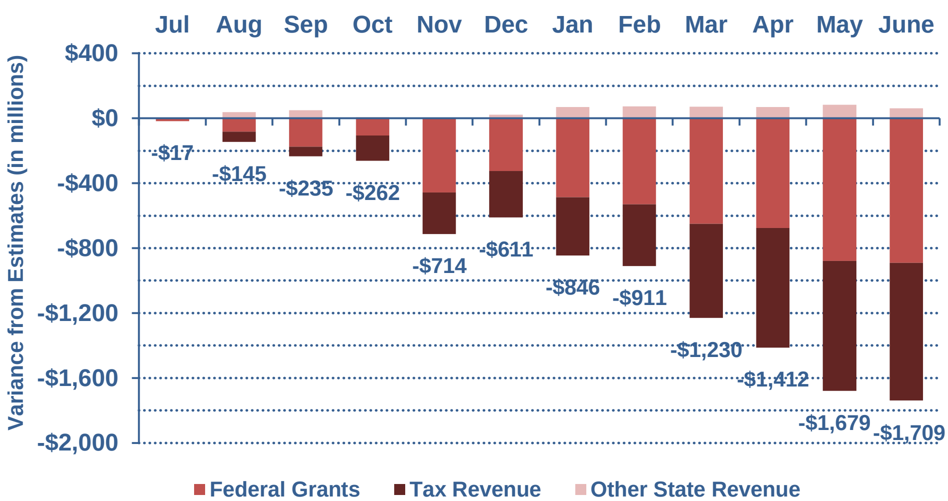
[2] GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants, which are typically federal reimbursements for Medicaid and other programs. GRF sources also had a bad year in FY 2016, ending with a shortfall of $788.6 million.

[3] GRF Medicaid expenditures were $1.10 billion below estimate in FY 2017. See the "**Expenditures**" section for more details.

2013[4] and $3.9 million for the financial institutions tax (FIT). Regarding the remaining GRF state sources in June, transfers in were $19.6 million below estimate and nontax revenue was $2.0 million below projected receipts.

Total GRF sources were below estimate in all months of FY 2017 but December 2016. The chart below illustrates the cumulative performance of total GRF sources relative to estimates through each month of FY 2017, broken down by its largest components. Despite a small positive contribution from the "other state revenue" component, the cumulative sources shortfall from estimate grew in nearly every month of FY 2017 to total $1.71 billion, as labeled in the far right column.

Chart 1: GRF Source FY 2017 Cumulative Performance by Component



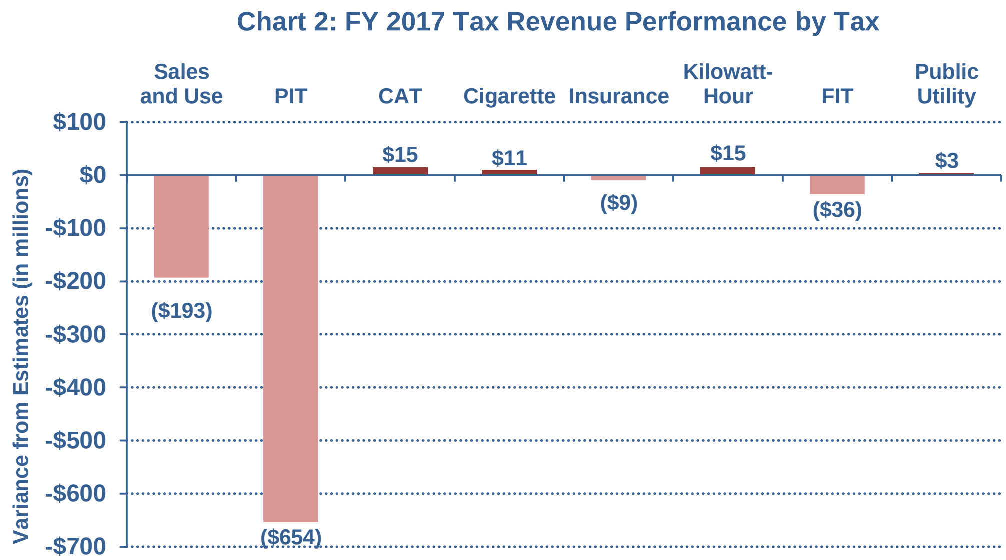
Federal grants were $921.8 million below the August estimate in FY 2017.

GRF tax sources finished the fiscal year with their largest negative variance since FY 2009 when tax revenues were $950.9 million (5.3%) below estimate. That underperformance resulted from a deep economic recession. The latest one, however, occurred during a period of economic growth. The two largest sources, the sales and use tax ($193.0 million) and the PIT ($653.5 million), contributed nearly the entire tax shortfall of $849.2 million, while positive variances were roughly equal to negative variances for the remaining taxes. The chart below illustrates the fiscal year performance of each tax that was expected to contribute over

[4] The estate tax, another tax that was eliminated on January 1, 2013, provided $4.0 million in revenue in FY 2017, of which the state GRF received $0.8 million (20%), with the remainder distributed to the municipality or township in which the decedent resided.

GRF tax revenue had its largest fiscal year negative variance since the last economic recession.

$100 million in revenue to the GRF this fiscal year, organized from left to right by total expected contribution.



Compared to FY 2016, FY 2017 GRF tax receipts were $66.1 million (0.3%) higher. Sales taxes, the CAT, the insurance taxes, and the kilowatt-hour tax grew by $266.6 million, $46.2 million, $18.3 million, and $9.4 million, respectively. On the other hand, revenue fell for the PIT ($192.9 million), the CFT ($34.4 million), the cigarette tax ($27.1 million), and the FIT ($26.1 million), among others.

Sales and Use Tax

The sales and use tax underperformed by $193.0 million in FY 2017.

Total GRF sales and use tax receipts of $10.61 billion in FY 2017 were $193.0 million (1.8%) below estimate but $266.6 million (2.6%) above FY 2016 receipts. Both the auto and the nonauto portions of the tax underperformed. This tax source struggled most of the fiscal year, but the sales and use tax had a good month in June. GRF sales and use tax revenue in June of $935.3 million was $23.7 million (2.6%) above estimate, only the second time in FY 2017 the tax exceeded anticipated revenue.

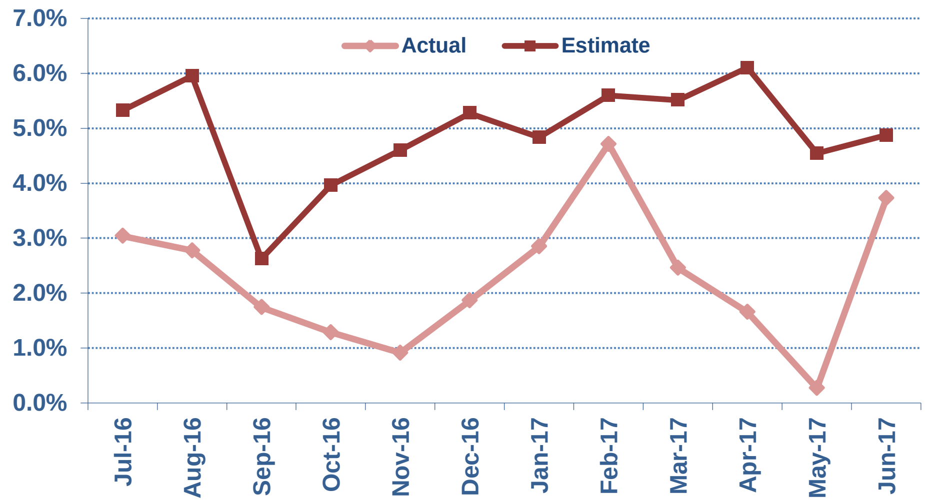
For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.[5] In FY 2017, the nonauto portion accounted for 87% of the total sales and use tax collected, while auto collections were just 13%.

Nonauto Sales and Use Tax

The nonauto portion of the sales and use tax was weak in FY 2017, coming in above estimated monthly collections just twice, in December and June. The positive variance in December 2016 was $6.5 million (0.8%), and through December, the nonauto sales and use tax was $95.5 million (2.0%) below projections. June nonauto sales and use tax receipts of $807.3 million were $26.9 million (3.4%) above estimate, and $72.3 million (9.8%) above receipts in June 2016. For the fiscal year as a whole, GRF receipts from the tax totaled $9.22 billion, $187.0 million (2.0%) below estimate, but were $218.9 million (2.4%) above FY 2016 receipts, a historically weak growth rate on a year ago basis.[6] The chart below illustrates that FY 2017 revenue from the tax grew, but at a very uneven pace.

FY 2017 nonauto sales and use tax revenue was $187.0 million below estimate.

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



[5] Taxes arising from leases are paid immediately upon the lease signing. The clerks of court generally make auto sales and use tax payments on Mondays for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts mostly, but not perfectly, reflect vehicles sold and titled during the month.

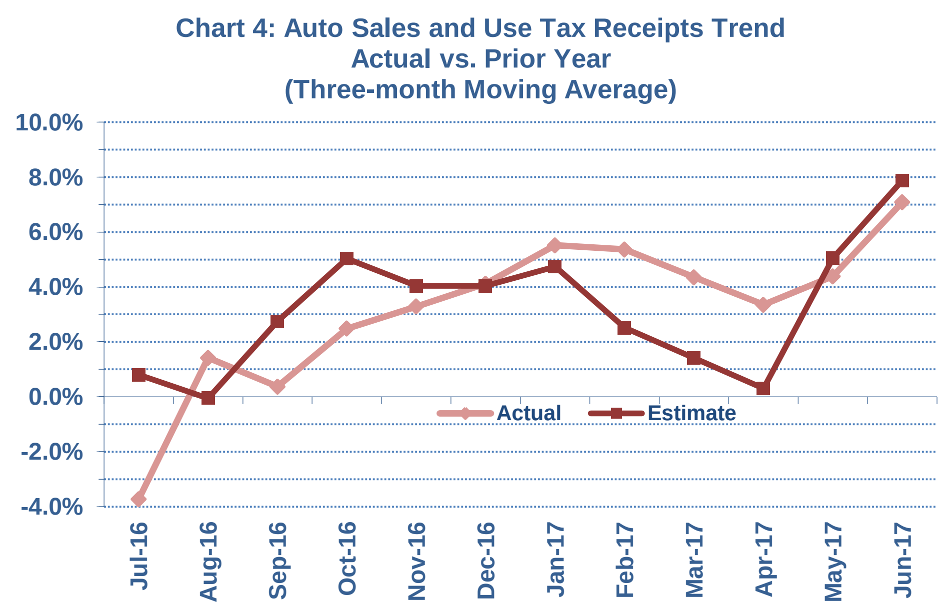
[6] Excluding the recession years of FY 2009 and FY 2010, the last time nonauto sales and use tax growth was below 2.5% was in FY 2007 (1.1%).

FY 2017 nonauto sales and use tax receipts included $808.6 million from the tax on Medicaid health insuring corporations (MHICs), whose collections made up about 9% of nonauto sales and use tax collections this fiscal year. This portion of the nonauto sales and use tax is generally correlated to GRF Medicaid spending. After several years of double digit growth, revenue from MHICs grew only about 1.5% in FY 2016 and 5.1% in FY 2017. Excluding MHICs receipts, nonauto sales and use tax receipts would have grown about 2.0% over FY 2016. Starting July 1, 2017, the tax will be eliminated; federal rules require Ohio to discontinue applying the sales tax to MHICs.

FY 2017 auto sales and use tax revenue was $6.0 million below estimate.

Auto Sales and Use Tax

Revenue from the auto portion of the sales and use tax, $128.0 million in June, was below its estimate by $3.2 million (2.5%). This monthly negative variance was the eighth time in FY 2017 the tax failed to meet estimates. Overall, FY 2017 auto sales tax receipts of $1.39 billion were $6.0 million (0.4%) below anticipated receipts, and $47.7 million (3.5%) above receipts in FY 2016. As seen in the chart below, year-over-year growth in auto sales tax collections has accelerated in the last few months.



In 2017, new vehicle sales have been unable to match their year-ago pace. While nationwide sales of all light vehicles are down slightly in FY 2017 compared to FY 2016, the dropoff has occurred in the car market. Sales of light trucks in FY 2017 have actually been higher than one year ago. For example, light truck sales in June were 6% higher than their year-ago pace, while car sales reached their slowest pace since 2011 and were more than 14% lower than their year-ago pace.

A big reason for the growth of revenue from the auto sales and use tax has been this changing makeup of light vehicle sales. This changing sales mix has pushed the average tax paid per sale higher, helping to maintain revenue as the number of new vehicles sold and titled in Ohio slows. Still-low gasoline prices should provide some support for light-truck sales moving forward, but inventories are growing and overall sales are likely to decline in the next few months.

Personal Income Tax

PIT GRF revenue of $789.1 million in June was again below estimate, this time by $10.4 million, concluding FY 2017 underperformance. Except for July when the PIT was $2.0 million above estimate, this tax source was below estimate the remainder of the fiscal year. PIT revenue is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[7] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections, however, a larger than expected amount of refunds has also greatly affected the tax performance in FY 2017.

FY 2017 PIT revenue to the GRF was $653.5 million below the August estimate.

For June, monthly employer withholding and miscellaneous receipts were above projections by $6.6 million (1.0%) and $1.2 million (14.1%), respectively. However, the remainder of PIT components fell below estimates, including shortfalls of $6.4 million (4.9%) for estimated payments, $1.8 million (26.1%) for trusts payments, and $1.0 million (7.6%) for taxes due with annual returns. In addition, refunds were $10.4 million (41.1%) more than anticipated.

FY 2017 GRF revenue from the PIT totaled $7.61 billion, which was $653.5 million (7.9%) less than was expected. Through June, the PIT revenue shortfall was led by refunds, which were $386.3 million (24.4%) higher than expected, and employer withholdings, which were $235.3 million (2.7%) below estimate. Taxes due with annual return payments, trust payments, and miscellaneous payments experienced

[7] 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.

shortfalls of $33.2 million (4.7%), $15.4 million (22.0%) and $7.3 million (7.0%), respectively. FY 2017 revenues from each component of the PIT relative to estimates and to revenue received in FY 2016 are detailed in the table below. All components have underperformed estimates with the exception of quarterly estimated payments.

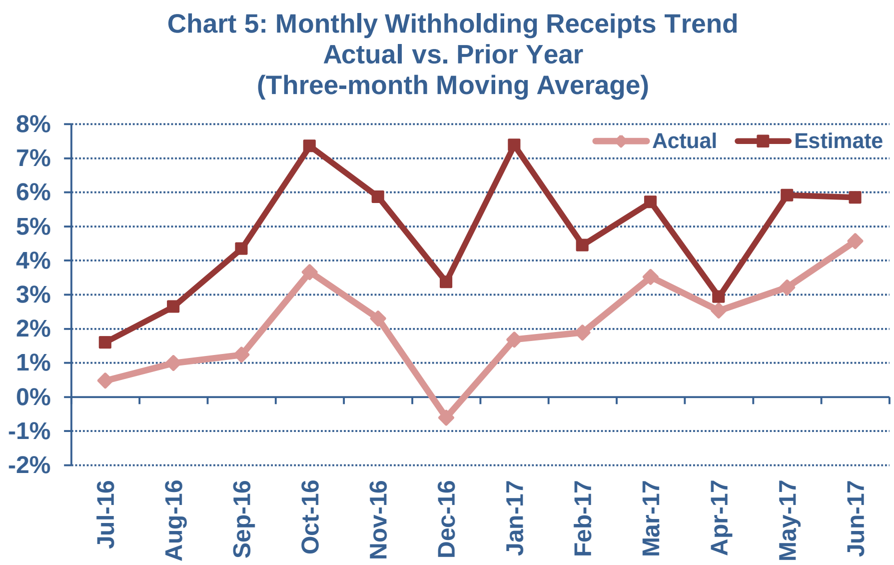
FY 2017 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2016	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	-$235.3	-2.7%	$151.8	1.8%
Quarterly Estimated Payments	$8.0	1.1%	-$222.6	-23.2%
Trust Payments	-$15.4	-22.0%	-$13.4	-19.8%
Annual Return Payments	-$33.2	-4.7%	-$14.3	-2.1%
Miscellaneous Payments	-$7.3	-7.0%	-$4.4	-4.3%
Gross Collections	**-$283.3**	**-2.8%**	**-$102.9**	**-1.0%**
Less Refunds	$386.3	24.4%	$85.1	4.5%
Less LGF Distribution	-$16.0	-4.1%	$4.8	1.3%
GRF PIT Revenue	**-$653.5**	**-7.9%**	**-$192.9**	**-2.5%**

Employer withholding revenue has been trending upward in 2017.

Employer withholdings continue to grow year over year, but at a slower pace than expected. Year-over-year growth was depressed early in the fiscal year due to the implementation of policy changes,[8] but languished further in the last quarter of calendar year 2016 largely due to a decline in wages. According to the U.S. Bureau of Labor Statistics (BLS), the average weekly wage in Ohio declined 2.3% from the same quarter one year ago. Since then, withholdings recovered somewhat, though remained below estimate. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago.

[8] H.B. 64 of the 131st General Assembly reduced income tax rates by 6.3% leading to a 3.1% reduction in the PIT withholding rate. The change in withholding rate took effect in August 2015, depressing year-over-year withholding growth in July 2016.



Commercial Activity Tax and Petroleum Activity Taxes

GRF receipts from the CAT in June were $16.2 million, $9.6 million (145.4%) above estimate, and $13.1 million (429.1%) above receipts in June 2016. After three quarters of disappointing and below-estimate receipts, CAT receipts in the fourth fiscal quarter were 14.2% above estimate and 15.6% above revenue in the corresponding quarter in FY 2016. Through March, CAT GRF receipts were $28.0 million below estimates. However, for the fiscal year as a whole, GRF receipts of $1.30 billion were $14.5 million (1.1%) above projections, and $46.2 million (3.7%) above FY 2016 revenue. FY 2017 CAT net revenues got a boost from lower refunds ($32.7 million) than in the previous year. Gross collections totaled $1.86 billion, $28.9 million (1.6%) above FY 2016 collections. CAT net revenue credited to the School District Tangible Property Tax Replacement Fund (Fund 7047) was $347.1 million, while the share credited to the Local Government Tangible Property Tax Replacement Fund (Fund 7081) was $86.8 million.

FY 2017 CAT revenue was $14.5 million above estimate.

The petroleum activity tax (PAT) is applied to receipts from the sale or exchange of motor fuel at a rate of 0.65% on a motor fuel supplier's adjusted gross receipts. OBM estimated GRF revenue of $6.0 million for the PAT in FY 2017. GRF revenue from the tax was $6.4 million, thus resulting in a positive variance of $0.4 million (6.5%) for the fiscal year. FY 2017 GRF revenue was also $0.5 million (7.2%) below revenue in FY 2016. All-funds revenue from the PAT was $62.6 million. Of that total, $56.2 million was deposited in the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0).

Cigarette and Other Tobacco Products Tax

The cigarette and other tobacco products tax ended FY 2017 with a positive variance of $10.5 million.

June GRF revenue of $157.8 million from the cigarette and other tobacco products tax was $9.1 million (6.1%) above estimate and $5.9 million (3.9%) above revenue in June 2016. For FY 2017 through June, receipts were $980.5 million, $10.5 million (1.1%) above estimate. Of the fiscal year revenue, $914.4 million was from cigarettes and $66.1 million was from sales of other tobacco products.

FY 2017 receipts from the cigarette and other tobacco products tax were down $27.1 million or 2.7% from FY 2016. Though receipts from the other tobacco products grew $2.7 million, cigarette receipts declined $31.6 million. However, the decline in cigarette revenue includes legislative changes[9] which provided a one-time boost to receipts in the early months of FY 2016. Excluding receipts of $18.3 million from the floor tax (see footnote) in FY 2016, FY 2017 receipts from sales of cigarettes were 1.7% lower than one year ago. Cigarette sales have trended downward long-term, generally at a slow pace.

Utility-Related Taxes

Utility-related taxes finished FY 2017 with a combined positive variance of $14.4 million.

Utility-related taxes include the public utility tax, the natural gas distribution tax or MCF, and the kilowatt-hour tax. All receipts from these taxes are credited to the GRF.

The public utility excise tax is levied on gross receipts. Tax revenues from this tax totaled $106.9 million in FY 2017, $3.4 million (3.3%) more than the estimate, and $3.6 million (3.5%) more than in FY 2016. Taxes paid by natural gas companies account for most tax receipts from the public utility excise tax, and were 95% of the total in FY 2017. Other classes of utilities that pay this tax include pipelines, waterworks, water transportation, and heating. Companies that pay the public utility excise tax do not pay the CAT.

The MCF tax is levied based on the quantity of natural gas distributed to end users in Ohio. Receipts from this tax were $61.8 million in FY 2017, $4.2 million (6.4%) below estimate, but $1.1 million (1.8%) more than in FY 2016.

FY 2017 receipts from the kilowatt-hour tax that were retained by the GRF were $347.4 million, $15.2 million (4.6%) above estimate, and $9.4 million (2.8%) higher than FY 2016 receipts. Total FY 2017 kilowatt-hour tax collections (revenues on an all-funds basis), net of refunds, were

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[9] H.B. 64 of the 131st General Assembly increased the cigarette tax rate effective July 1, 2015 and instituted a "floor tax" for cigarettes which were in inventory at the time the new rate went into effect.

$539.2 million, $11.9 million (2.3%) higher than total collections in FY 2016. The growth was primarily due to higher than expected sales of electricity. For accounting purposes, half of the share of GRF total tax revenue that is transferred to the Public Library Fund (PLF) is debited against this tax source. The other half is debited against the nonauto sales and use tax.

Foreign and Domestic Insurance Taxes

GRF foreign insurance tax receipts (paid by insurance companies whose headquarters are located outside of Ohio) were $301.5 million in FY 2017, about the same as the estimate, and $8.0 million (2.7%) above receipts in FY 2016. GRF domestic insurance tax receipts (paid by insurance companies whose headquarters are in Ohio) were $268.6 million in FY 2017, $9.4 million (3.4%) below estimate, and $10.3 million (4.0%) above the prior fiscal year receipts. Growth in revenue from the domestic tax in FY 2017 was due to larger premiums paid to domestic health insuring corporations related to Medicaid managed care and slightly smaller tax credits claimed by domestic insurers than were claimed in FY 2016.

Financial Institutions and Corporate Franchise Taxes

After good performances in FY 2016 in which the FIT and the CFT were $17.6 million and $33.3 million above estimates, both taxes reversed course in FY 2017. GRF receipts from the FIT this fiscal year totaled $187.3 million, $35.7 million (16.0%) below estimate and $26.1 million (12.2%) below receipts in FY 2016. The FIT did not perform well in FY 2017 due primarily to increased tax credit claims against the tax. Also, though GRF receipts were not anticipated from the CFT in FY 2017 (because H.B. 510 of the 129th General Assembly eliminated the tax at the end of 2013), adjustments to tax filings in previous years continue to affect GRF revenue, and this year resulted in net refunds to taxpayers of $1.2 million.

The FIT was $35.7 million below estimate in FY 2017.

Alcoholic Beverage and Liquor Gallonage Taxes

Combined revenue from the alcoholic beverage and liquor gallonage taxes was $103.7 million in FY 2017, 3.7% more than was projected by OBM and an increase of 4.1% from FY 2016. Growth was led by sales of wine and mixed beverages which brought in $13.2 million of revenue, 9.7% more than in FY 2016. Sales of beer and malt beverages netted $44.0 million of tax revenue in FY 2017, 3.8% more than in FY 2016. Finally, revenue from the liquor gallonage tax was $46.5 million in FY 2017, 2.9% higher than one year ago.

Over the last decade, the share of combined revenue coming from the liquor gallonage tax rose from 37.8% in FY 2007 to 44.8% in FY 2017. The share of revenue coming from wine and mixed beverages increased more modestly during that time, while the share from beer and malt beverages decreased.

Earnings on Investments

In FY 2017, GRF earnings on investments of $48.7 million were $13.7 million (39.2%) above estimate and $13.6 million (38.6%) above FY 2016 earnings. Earnings on investments grew due to an increase in the amount of available state cash for investment and slightly higher interest rates in FY 2017 than in FY 2016.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of June 2017
($ in thousands)
(Actual based on OAKS reports run July 5, 2017)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$358,935	$330,341	$28,594	8.7%
Higher Education	$180,625	$183,456	-$2,832	-1.5%
Other Education	$2,969	$3,518	-$549	-15.6%
Total Education	$542,529	$517,315	$25,213	4.9%
Medicaid	$1,330,263	$1,408,788	-$78,525	-5.6%
Health and Human Services	$37,355	$46,702	-$9,347	-20.0%
Total Welfare and Human Services	$1,367,618	$1,455,490	-$87,872	-6.0%
Justice and Public Protection	$147,587	$153,966	-$6,379	-4.1%
General Government	$26,784	$27,911	-$1,127	-4.0%
Total Government Operations	$174,370	$181,877	-$7,506	-4.1%
Property Tax Reimbursements	$39,943	$32,798	$7,145	21.8%
Debt Service	$30,910	$55,309	-$24,399	-44.1%
Total Other Expenditures	$70,853	$88,107	-$17,254	-19.6%
Total Program Expenditures	**$2,155,370**	**$2,242,789**	**-$87,419**	**-3.9%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$8,398	$100,000	-$91,602	-91.6%
Total Transfers Out	$8,398	$100,000	-$91,602	-91.6%
TOTAL GRF USES	**$2,163,768**	**$2,342,789**	**-$179,021**	**-7.6%**

*August 2016 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 2017 as of June 30, 2017
($ in thousands)
(Actual based on OAKS reports run July 5, 2017)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2016**	**Percent Change**
Primary and Secondary Education	$7,873,632	$7,913,147	-$39,515	-0.5%	$7,555,949	4.2%
Higher Education	$2,294,785	$2,307,632	-$12,847	-0.6%	$2,222,774	3.2%
Other Education	$72,235	$75,504	-$3,269	-4.3%	$68,153	6.0%
Total Education	$10,240,652	$10,296,284	-$55,632	-0.5%	$9,846,875	4.0%
Medicaid	$17,437,354	$18,537,250	-$1,099,896	-5.9%	$16,995,860	2.6%
Health and Human Services	$1,289,584	$1,371,423	-$81,839	-6.0%	$1,283,641	0.5%
Total Welfare and Human Services	$18,726,938	$19,908,672	-$1,181,734	-5.9%	$18,279,501	2.4%
Justice and Public Protection	$2,052,750	$2,095,599	-$42,849	-2.0%	$1,983,765	3.5%
General Government	$370,266	$394,809	-$24,543	-6.2%	$362,353	2.2%
Total Government Operations	$2,423,016	$2,490,409	-$67,392	-2.7%	$2,346,118	3.3%
Property Tax Reimbursements	$1,790,260	$1,822,100	-$31,840	-1.7%	$1,786,704	0.2%
Debt Service	$1,322,657	$1,376,147	-$53,491	-3.9%	$1,333,866	-0.8%
Total Other Expenditures	$3,112,917	$3,198,247	-$85,330	-2.7%	$3,120,570	-0.2%
Total Program Expenditures	**$34,503,523**	**$35,893,612**	**-$1,390,089**	**-3.9%**	**$33,593,065**	**2.7%**
TRANSFERS						
Budget Stabilization	$29,483	$29,483	$0	0.0%	$425,500	-93.1%
Other Transfers Out	$281,290	$388,393	-$107,103	-27.6%	$430,331	-34.6%
Total Transfers Out	$310,772	$417,875	-$107,103	-25.6%	$855,831	-63.7%
TOTAL GRF USES	**$34,814,295**	**$36,311,487**	**-$1,497,192**	**-4.1%**	**$34,448,896**	**1.1%**

*August 2016 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 July 3, 2017)

	Month of June 2017				Fiscal Year 2017			
Department	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid	**$1,873,133**	**$1,935,754**	**-$62,622**	**-3.2%**	**$22,799,456**	**$24,196,992**	**-$1,397,536**	**-5.8%**
GRF	$1,278,711	$1,372,044	-$93,333	-6.8%	$16,802,611	$17,879,506	-$1,076,894	-6.0%
Non-GRF	$594,422	$563,710	$30,711	5.4%	$5,996,845	$6,317,487	-$320,642	-5.1%
Developmental Disabilities	**$193,250**	**$212,029**	**-$18,778**	**-8.9%**	**$2,488,146**	**$2,635,170**	**-$147,024**	**-5.6%**
GRF	$42,314	$31,120	$11,194	36.0%	$552,509	$552,343	$166	0.0%
Non-GRF	$150,936	$180,909	-$29,973	-16.6%	$1,935,637	$2,082,827	-$147,190	-7.1%
Job and Family Services	**$20,059**	**$19,779**	**$280**	**1.4%**	**$220,930**	**$240,849**	**-$19,920**	**-8.3%**
GRF	$8,582	$5,035	$3,547	70.4%	$72,920	$96,685	-$23,764	-24.6%
Non-GRF	$11,477	$14,744	-$3,267	-22.2%	$148,009	$144,165	$3,845	2.7%
Health	**$3,736**	**$3,403**	**$333**	**9.8%**	**$27,492**	**$26,449**	**$1,043**	**3.9%**
GRF	$368	$307	$60	19.6%	$3,907	$3,305	$601	18.2%
Non-GRF	$3,369	$3,096	$273	8.8%	$23,585	$23,144	$442	1.9%
Aging	**$459**	**$514**	**-$55**	**-10.6%**	**$6,808**	**$7,306**	**-$497**	**-6.8%**
GRF	$288	$282	$6	2.3%	$3,656	$3,661	-$5	-0.1%
Non-GRF	$171	$232	-$61	-26.3%	$3,153	$3,645	-$492	-13.5%
Mental Health and Addiction	**$1,358**	**$171**	**$1,187**	**694.9%**	**$7,224**	**$4,342**	**$2,882**	**66.4%**
GRF	$0	$0	$0	---	$1,750	$1,750	$0	0.0%
Non-GRF	$1,358	$171	$1,187	694.9%	$5,473	$2,592	$2,882	111.2%
Total GRF	**$1,330,263**	**$1,408,788**	**-$78,525**	**-5.6%**	**$17,437,354**	**$18,537,250**	**-$1,099,896**	**-5.9%**
Total Non-GRF	**$761,732**	**$762,861**	**-$1,129**	**-0.1%**	**$8,112,702**	**$8,573,859**	**-$461,157**	**-5.4%**
Total All Funds	**$2,091,995**	**$2,171,649**	**-$79,654**	**-3.7%**	**$25,550,056**	**$27,111,109**	**-$1,561,053**	**-5.8%**

*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 July 3, 2017)

	June				Fiscal Year 2017			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$901,851	$931,883	-$30,031	-3.2%	$10,204,958	$10,989,397	-$784,438	-7.1%
Nursing Facilities	$127,359	$125,081	$2,278	1.8%	$1,529,801	$1,469,855	$59,946	4.1%
DDD Services	$182,147	$201,403	-$19,256	-9.6%	$2,407,335	$2,547,158	-$139,823	-5.5%
Hospitals	$75,978	$83,937	-$7,959	-9.5%	$2,112,596	$2,328,576	-$215,980	-9.3%
Behavioral Health	$72,816	$98,127	-$25,310	-25.8%	$1,147,031	$1,232,019	-$84,988	-6.9%
Administration	$101,755	$96,577	$5,179	5.4%	$934,983	$1,076,058	-$141,075	-13.1%
Aging Waivers	$28,880	$26,860	$2,020	7.5%	$349,702	$352,005	-$2,303	-0.7%
Prescription Drugs	$18,840	$34,236	-$15,397	-45.0%	$369,223	$446,150	-$76,927	-17.2%
Medicare Buy-In	$99,743	$41,603	$58,141	139.8%	$606,614	$478,695	$127,919	26.7%
Physicians	$7,382	$14,998	-$7,615	-50.8%	$161,108	$201,715	-$40,607	-20.1%
Medicare Part D	$40,786	$29,468	$11,318	38.4%	$418,595	$341,617	$76,978	22.5%
Home Care Waivers	$7,169	$13,646	-$6,477	-47.5%	$121,421	$172,684	-$51,263	-29.7%
ACA - Managed Care	$350,362	$400,372	-$50,010	-12.5%	$4,164,159	$4,533,913	-$369,754	-8.2%
All Other	$76,926	$73,459	$3,467	4.7%	$1,022,529	$941,266	$81,263	8.6%
Total All Funds	**$2,091,995**	**$2,171,649**	**-$79,654**	**-3.7%**	**$25,550,056**	**$27,111,109**	**-$1,561,053**	**-5.8%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES

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Overview

GRF program expenditures totaled $34.50 billion in FY 2017, $1.39 billion below the estimate released by OBM in August 2016 and $565.1 million below the updated estimate released by OBM in January 2017.[10] Although all program categories were below the August estimates for the fiscal year, Medicaid's negative variance of $1.10 billion was by far the main driver of the variance, representing 79.1% of the total.

FY 2017 GRF Medicaid expenditures were $1.10 billion below OBM's August 2016 estimate. Including Medicaid, GRF program expenditures as a whole were $1.39 billion below the annual estimate.

Program expenditures constitute the majority of GRF uses, but GRF uses also include transfers out. FY 2017 GRF transfers out were $310.8 million, $107.1 million below estimate. Most of this negative variance was due to a planned transfer of $100.0 million into the Public School Building Fund (Fund 7021) scheduled for June that did not occur. Including both program expenditures and transfers out, FY 2017 GRF uses totaled $34.81 billion, $1.50 billion (4.1%) below OBM's August 2016 estimate. Tables 3 and 4 show GRF uses for the month of June and for FY 2017, respectively.

Other than Medicaid, five program categories registered negative variances in excess of $30 million: Health and Human Services ($81.8 million), Debt Service ($53.5 million), Justice and Public Protection ($42.8 million), Primary and Secondary Education ($39.5 million), and Property Tax Reimbursements ($31.8 million). These negative variances will be briefly discussed below.

In addition, state agencies encumbered $388.5 million in GRF appropriations for expenditure in FY 2018. The **Encumbrances** section of this report provides additional information on FY 2017 year-end encumbrances.

Medicaid

Medicaid is primarily funded by the GRF, but also receives funding from various non-GRF funds. As a joint federal-state program, both GRF and non-GRF Medicaid expenditures contain federal and state moneys. In

[10] OBM revised FY 2017 disbursement estimates downward from $35.89 billion to $35.07 billion as part of its executive budget submission on January 30, 2017. However, the variance analyses for this **Expenditures** report continue to be based on those compiled by OBM in August 2016.

FY 2017 all-funds Medicaid expenditures were $1.56 billion below OBM's August 2016 estimate.

recent years, the federal government reimburses about two-thirds of Ohio's all-funds Medicaid expenditures.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM) and ODM's five "sister" agencies – Developmental Disabilities, Job and Family Services, Health, Aging, and Mental Health and Addiction Services. FY 2017 GRF Medicaid expenditures were $1.10 billion (5.9%) below estimate while non-GRF Medicaid expenditures were $461.2 million (5.4%) below estimate. Including both GRF and non-GRF, Medicaid expenditures totaled $25.55 billion in FY 2017, $1.56 billion (5.8%) below OBM's August 2016 estimate.

Table 6 details all-funds Medicaid expenditures by payment category. As seen from the table, year-to-date expenditures from ten of the 14 payment categories were below estimates. Managed Care and ACA – Managed Care are the largest payment categories and have the largest negative variances at $784.4 million and $369.8 million, respectively. Together, they account for close to 74% of Medicaid's total negative year-to-date variance. Of the approximately three million Ohioans enrolled in Medicaid, more than 80% of them receive services through managed care. Negative variances in Managed Care spending continue to be driven by lower than forecasted managed care rates. Actual rates (which are set at the beginning of each calendar year) for calendar years 2016 and 2017 were both below the rates used in the estimate.

The Medicare Buy-In payment category had the largest positive FY 2017 variance at $127.9 million. The Medicare Buy-in Program pays Medicare premiums, deductibles, and coinsurance for certain low-income Ohioans. The positive variance in this payment category has been driven by larger than anticipated increases in Medicare Part B premiums for both calendar years 2016 and 2017.

Health and Human Services

Spending in the Health and Human Services category totaled $1.29 billion in FY 2017, $81.8 million below the estimates made in August 2016. Over half of this variance ($47.8 million) was incurred by the Department of Job and Family Services (ODJFS). Spending from most of ODJFS's GRF appropriation items was below estimate. The largest variances were in items 600416, Information Technology Projects ($9.7 million), 600445, Unemployment Insurance Administration ($7.3 million), 600321, Program Support ($6.7 million), and 600523, Children and Families Subsidy ($5.7 million). Two other agencies with smaller, but significant negative variances were the Department of Mental Health and Addiction Services and the Department of Health, with FY 2017 variances of $16.6 million and $12.1 million, respectively.

Debt Service

The Debt Service program category had a FY 2017 negative variance of $53.5 million. About 45% of that variance ($24.4 million) occurred in June in the Ohio Facilities Construction Commission (OFCC) appropriation item 230908, Common Schools General Obligation Debt Service, which pays service on general obligation debt issued to fund projects overseen by the School Facilities Commission. OFCC's negative debt service variance for the year was $25.5 million. Two other agencies with significant negative FY 2017 variances in this category were the Public Works Commission and the Department of Higher Education (DHE), which ended the year $11.9 million and $11.5 million, respectively, below OBM's August 2016 estimate.

Other Program Categories

The Justice and Public Protection program category ended the year below estimate by $42.8 million. About 63% of this variance was from two appropriation items in the Department of Rehabilitation and Correction's budget each of which had variances of about $13.5 million. The first, item 501321, Institutional Operations, started the year with available appropriations of $1.03 billion, almost half of the appropriations available in the entire program category. This item funds the operations of the state's prisons. The second, item 505321, Institution Medical Services, funds the provision of medical services to inmates.

Although the Primary and Secondary Education program category was above estimate for much of the fiscal year and had a positive variance of $28.6 million in June, it ended the year with a negative variance of $39.5 million. Three line items accounted for most of this variance. Item 200408, Early Childhood Education, which provides funding to support education provided to low-income four-year-olds, was below estimate by $11.8 million. Also, items 200502, Pupil Transportation, and 200550, Foundation Funding, which both fund the state's primary financial support to public schools, were below estimate by $11.2 million and $6.4 million, respectively.

Finally, the Property Tax Reimbursements category was below estimate for the year by $31.8 million. This category provides funding to local governments to reimburse them for the homestead exemption and for rollbacks on levies approved prior to 2014. Reimbursements to school

Outstanding GRF encumbrances totaled $388.5 million at the end of FY 2017.

districts were below estimate for the year by $14.4 million and to other local governments by $17.5 million.

Encumbrances

As of June 30, 2017, state agencies encumbered a total of $388.5 million in GRF appropriations for expenditure in FY 2018. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they will lapse. An agency may encumber funds for purposes other than operating expenses beyond the five-month period, if approval is obtained from the Director of Budget and Management. Encumbrances for some grant and aid payments are encumbered for several months or sometimes years.

The table below summarizes the encumbrances by the fiscal year of the original appropriation. As seen from the table, the majority of the encumbrances were originally appropriated in FY 2017. However, small encumbrances remain from as early as FY 2007.

FY 2017 Year-End Encumbrances by Fiscal Year for Which Appropriations Were Originally Made

Fiscal Year	Amount (in thousands)	Percentage of Total
2007-2010	$490	0.1%
2011	$802	0.2%
2012	$162	0.0%
2013	$600	0.2%
2014	$478	0.1%
2015	$1,449	0.4%
2016	$21,798	5.6%
2017	$362,722	93.4%
Total	**$388,500**	**100.0%**

The encumbrance amounts vary greatly from agency to agency. As shown in the following table, the Ohio Department of Education (ODE) has the largest encumbrance amount at $121.9 million, 31.4% of the total. The next five agencies with the largest encumbrances are ODJFS at $64.3 million (16.5% of the total), the Department of Rehabilitation and Correction (DRC) at $45.0 million (11.6%), DHE at $30.1 million (7.8%), ODM at $30.1 million (7.7%), and the Development Services Agency (DSA) at $23.3 million (6.0%). Forty-one other agencies encumbered the remaining $73.8 million (19.0%).

FY 2017 Year-End Encumbrances by Agency		
Agency	**Amount (in thousands)**	**Percentage of Total**
Education	$121,858	31.4%
Job and Family Services	$64,295	16.5%
Rehabilitation and Correction	$44,997	11.6%
Higher Education	$30,130	7.8%
Medicaid	$30,077	7.7%
Development Services	$23,346	6.0%
All Other Agencies	$73,797	19.0%
Total	**$388,500**	**100.0%**

Education accounted for 31.4% of the total year-end GRF encumbrances.

Ohio Department of Education

ODE encumbered $121.9 million for expenditure in FY 2018. Three appropriation items with significant encumbrances are: (1) item 200550, Foundation Funding, at $58.3 million, (2) item 200437, Student Assessment, at $25.5 million, and (3) item 200408, Early Childhood Education, at $19.0 million. These three items' encumbrances account for $102.8 million (84.4%) of the total. The remaining $19.0 million was encumbered in various other items.

Funds encumbered in item 200550 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.

Funds encumbered in item 200437 will be used to pay contractors for scoring the state's standardized tests and other bills not yet received from vendors. Funds encumbered in item 200408 will mainly be used to pay providers who provide early childhood education services to children from lower income families.

Ohio Department of Job and Family Services

ODJFS encumbered a total of $64.3 million for expenditure in FY 2018. The encumbrances in six appropriation items account for $53.3 million (83.0%) of the total. These six items are: (1) item 655523, Medicaid Program Support – Local Transportation ($13.7 million), (2) item 600416, Information Technology Projects ($11.6 million), (3) item 655522, Medicaid Program Support – Local ($11.5 million), (4) item 600533, Child, Family, and Community Protective Services ($6.0 million), (5) item 600321, Program Support ($5.4 million), and (6) item 600445, Unemployment Insurance Administration ($5.1 million).

Job and Family Services accounted for 16.5% of the total year-end GRF encumbrances.

Funds encumbered in items 655523 and 655522 will mainly be used for the remaining state share of Medicaid subsidies to county departments of job and family services. Item 655523 pays the state's share of Medicaid costs for local transportation services and item 655522 pays the state's share of Medicaid costs for local administrative services. Funds encumbered in item 600416 will be used mainly for the development, implementation, and maintenance of information technology systems used by ODJFS. Funds encumbered in items 600533 will be used primarily to provide funding to county agencies for child protective services. The encumbrances in 600321 are mainly for contracts with vendors to provide administrative support for the Food Assistance Program. Finally, the encumbrances in 600445 are for administration of the unemployment compensation system in Ohio.

Department of Rehabilitation and Correction

DRC encumbered $45.0 million for expenditure in FY 2018, of which $28.3 million occurred in item 501321, Institutional Operations, and another $12.7 million in item 505321, Institution Medical Services. Funds were encumbered in item 501321 for a mix of purchased personal services, supplies, maintenance, repairs, equipment, materials, and other minor expenditures at DRC and institutions. Funds encumbered in item 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Department of Higher Education

DHE encumbered $30.1 million for expenditure in FY 2018. The majority ($22.7 million) of the total was encumbered in item 235438, Choose Ohio First Scholarship, to pay the state's obligations to scholarship recipients. Another $2.3 million was encumbered in item 235563, Ohio College Opportunity Grant; these funds will be used for need-based financial aid.

Ohio Department of Medicaid

ODM encumbered a total of $30.1 million for expenditure in FY 2018, including $22.0 million in item 651425, Medicaid Program Support – State, and $8.1 million in item 651525, Medicaid/Health Care Services. Funds encumbered in item 651425 will be used mainly to pay ODM's outstanding personal services and contract expenses for administering the Medicaid program in Ohio. Item 651525 is the primary funding source for Ohio Medicaid. Funds encumbered in this item will be used for subsidy payments to Medicaid providers.

Development Services Agency

DSA encumbered $23.3 million for expenditure in FY 2018. These encumbrances are largely attributable to various economic development incentive grants that have been awarded but not yet disbursed. Many of DSA's grant programs are operated on a reimbursement basis, whereby grant recipients do not receive money from the state until a project has been completed or certain conditions have been met. For example, a grantee may be awarded grants in FY 2017 but not receive them until FY 2018 or later.

Appropriation item 195453, Technology Programs and Grants, had the largest encumbrance at $12.2 million. These funds will be used to fund technology awards for small businesses and other entities. Item 195455, Appalachia Assistance, has the next largest encumbrance of $6.3 million. These encumbered funds will be used to provide financial assistance to projects in Ohio's Appalachian counties. In addition to these items, several other items within the DSA budget had smaller encumbrances.

Issue Updates

FY 2017 Operating and Capital Expenditures Total $68.27 billion

– Melaney Carter, Assistant Deputy Director, 614-466-6274

In FY 2017, the state of Ohio incurred a total of $68.27 billion in operating and capital expenditures. As seen from Table A, $62.86 billion (92.1%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $3.92 billion (5.7%) and $1.16 billion (1.7%), respectively, of the total. The remaining $329.7 million (0.5%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

Table A. FY 2017 Operating and Capital Expenditures by Budget

Budget	Amount	% of Total
Main Operating	$62,863,755,633	92.1%
Transportation	$3,920,417,746	5.7%
Capital	$1,159,429,127	1.7%
Workers' Compensation System	$329,701,851	0.5%
Total	**$68,273,304,356**	**100.0%**

Table B shows FY 2017 expenditures by the account category used in the state's accounting system. As seen from Table B, Subsidies and Shared Revenue is the largest spending area. In FY 2017, 87.7% ($30.26 billion) of total GRF expenditures were distributed as subsidies to Medicaid service providers, schools, colleges and universities, local governments, and various other entities. Across all funds, this category's expenditures totaled $46.02 billion (67.4%). The vast majority of the expenditures incurred under the Capital Item category – $3.61 billion (5.3%) across all funds – supported the construction and maintenance of roads and bridges in the state as well as the construction and renovation of public K-12 schools and colleges and universities. Capital Item expenditures are mainly funded by bond proceeds. FY 2017 debt service payments totaled $332.7 million (0.9%) for the GRF and $1.65 billion (2.4%) across all funds.

For FY 2017, state payroll costs (including both salaries and fringe benefits) amounted to $4.54 billion across all funds, of which $1.97 billion was supported by the GRF. In addition to Payroll, what commonly is referred to as the state government's operating expenses also include expenditures incurred under the Purchased Personal Services and Other, Supplies and Maintenance, and Equipment categories. For FY 2017, the state government's operating expenses totaled $7.90 billion across all funds, of which $2.90 billion came from the GRF. In percentage terms, these amounts represent 11.6% and 8.4% of the respective totals.

Table B. FY 2017 Operating and Capital Expenditures by Account Category

Account Category	GRF Only	% of Total	All Funds	% of Total
500 - Payroll	$1,971,403,113	5.7%	$4,542,659,155	6.7%
510 - Purchased Personal Services & Other	$460,960,448	1.3%	$1,497,343,839	2.2%
520 - Supplies and Maintenance	$444,841,473	1.3%	$1,668,371,125	2.4%
530 - Equipment	$19,468,748	0.1%	$188,663,584	0.3%
550 - Subsidies and Shared Revenue	$30,256,444,634	87.7%	$46,022,654,686	67.4%
560 - Goods and Services for Resale	$0	0.0%	$96,414,757	0.1%
570 - Capital Items	$63,991	0.0%	$3,610,235,941	5.3%
590 - Judgments, Settlements, & Bonds	$10,854,221	0.0%	$36,492,378	0.1%
591 - Debt Service	$322,729,144	0.9%	$1,653,467,400	2.4%
595 - Transfers & Non-expense	$1,016,757,277	2.9%	$8,957,001,492	13.1%
Total	**$34,503,523,048**	**100.0%**	**$68,273,304,356**	**100.0%**

State Board of Education Awards 345 High School Diplomas in Second Year of Adult Diploma Program

– Jason Glover, Budget Analyst, 614-466-8742

This spring, the State Board of Education awarded 345 high school diplomas to adults who participated in the second year of the Adult Diploma Program, 267 more than the 78 graduates in the program's first year. The program is designed to provide adults, ages 22 and older, with education to earn a high school diploma and skills training needed for a job in one of 20 in-demand career fields. Each participant worked with an advisor to create a customized plan that aligned with the student's career goals. The plans were competency-based, allowing the student to work at their own pace to master the necessary skills for the career they sought. Upon completion of the program, the participants also earned an industry-recognized credential or certificate. Twenty-eight Ohio technical centers and community colleges across the state delivered programming to 850 students participating in the second year of the program.

H.B. 64 appropriated $5.0 million in FY 2017 for the program in GRF line item 200572, Adult Diploma, in the Ohio Department of Education's budget. Payments to participating institutions for each student enrolled in an approved program of study are calculated according to a formula providing certain tiers of funding based on the number of hours of technical training required in the student's career pathway training program and the student's grade level upon initial enrollment into the program.

DHE Awards $1.7 Million in Ohio Means Internships and Co-ops (OMIC) Awards to Six Institutions of Higher Education

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

In May, the Department of Higher Education (DHE) awarded approximately $1.7 million under the Ohio Means Internships and Co-ops (OMIC) program to six public and private institutions of higher education. These six institutions collaborate with businesses and other educational institutions, such as Ohio Technical Centers (OTCs), to provide paid and credited internships to students and to encourage students to stay in Ohio after graduation. Institutions receiving awards are required to match with private funds at least 100% or 150% of the state award for undergraduate and graduate student placements, respectively. In FY 2017, the six institutions each received an award of $285,833.

The lead college or university receiving the award in each region and a brief description of each project are listed below.

- **Central Ohio Region (Ohio State University)**. Funds will allow the Central Ohio Lightweight Innovations for Tomorrow (LIFT) Workforce and Education Working Group to create internships in the advanced manufacturing sector and leverage Robotics and Advanced Manufacturing Training (RAMTEC) and Regionally Aligned Priorities in Delivering Skills (RAPIDS) investments matching postsecondary curriculum to industry needs.
- **Northeast Region (Stark State College)**. Funds will be used by participating institutions to support programs that will assist small- and medium- sized businesses, an employability skills toolkit, and regional marketing tools for internships.
- **Northwest Region (Bowling Green State University)**. Funds will allow participating institutions to focus on community or regional campus strategies to support internship credit transfer from community colleges to four-year institutions and to pilot internship business recruitment programs to target the regional insurance industry.
- **Southeast Region (Southern State Community College)**. Funds will focus on strengthening the partnerships between local, in-demand industries and participating institutions targeting a wide range of majors to attract students, especially first-generation students, to those industries.
- **Southwest Region (University of Cincinnati)**. Funds will be used to support development of the Innovation Corridor and to recruit first-generation and nontraditional students into opportunities in advanced manufacturing, aerospace engineering, consumer products, and brand development.

- **Western Region (University of Dayton)**. Institutions in this region will focus on recruiting small businesses into the OMIC program through conducting small industry-education partner meetings to develop and promote work-based learning.

Department of Agriculture Announces New Nutrient Management Tools

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

On May 17, 2017, the Ohio Department of Agriculture (AGR) announced two new nutrient management tools, the Ohio Applicator Forecast and the Ohio Agriculture Stewardship Program. The new tools are geared towards farmers and nutrient applicators with the goal of improving water quality by reducing nutrient runoff.

The Ohio Applicator Forecast takes snow accumulation, soil moisture content, and forecast precipitation and temperatures data provided by the National Weather Service into account when predicting potential runoff, giving farmers additional information when they are making nutrient application decisions. AGR's Division of Plant Health will oversee the forecast map. The Division is partially funded by license fees collected from dealers and applicators that are deposited into the Pesticide, Fertilizer, and Lime Program Fund (Fund 6690).

The Ohio Agricultural Stewardship Verification Program is designed to protect water quality in watersheds in the northwest area of the state. The soil and water conservation districts (SWCDs) in Henry and Wood counties will oversee this pilot program. To participate, farmers must develop nutrient management plans, maintain accurate soil tests, and follow best management practices that meet criteria set by AGR's Division of Soil and Water Conservation. State support for SWCDs comes from a combination of GRF and a portion of money generated by solid waste, construction and demolition debris, and scrap tire fees that is deposited into the Soil and Water Districts Assistance Fund (Fund 5BV0).

Both nutrient management tools are an outgrowth of water quality initiatives under AGR's Fertilizer Applicator Certification Program established by S.B. 150 of the 130th General Assembly. Under the requirements of this law, farmers that apply fertilizer other than manure to more than 50 acres must attend a fertilization training class offered by Ohio State University Extension and pay a $30 fertilizer applicator certification fee. Farmers and commercial fertilizer applicators must be certified by September 2017 and recertify every three years.

Department of Natural Resources Announces that More Than 21,000 Wild Turkeys Harvested During the Spring Hunting Season

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

On May 30, 2017, the Department of Natural Resources (DNR) released harvest totals for Ohio's spring wild turkey hunting season. Overall, hunters checked in more than 21,000 wild turkeys statewide, about 18.0% more than the spring 2016 harvest of nearly 17,800 birds. Tuscarawas County had the highest number of wild turkeys harvested (674), followed by Coshocton County (649) and Ashtabula County (648). The remaining top ten counties included Muskingum (612), Monroe (592), Gurnsey (564), Harrison (550), Washington (544), Meigs (533), and Belmont (532).

Wild turkeys were extirpated from Ohio by 1904 due to settlement, deforestation, and unregulated hunting. In the 1950s, wild turkeys were reintroduced by DNR's Division of Wildlife, and in 1966 the first modern day hunting seasons opened in nine counties. A 2013 population survey estimated the total number of wild turkeys in Ohio to be approximately 180,000. Today, male birds, called Toms or gobblers, can be hunted during the spring season in all 88 Ohio counties. DNR's wild turkey management programs are supported by the Wildlife Fund (Fund 7015), consisting primarily of revenues from the sale of hunting and fishing licenses and permits, as well as grants from the U.S. Fish and Wildlife Service awarded to the state based on land area and the number of hunting and fishing licenses sold each year. As of June 21, 2017, FY 2017 revenue deposited into Fund 7015 totaled more than $52.2 million.

Criminal Justice Services Awards $5.4 Million in Ohio Drug Law Enforcement Fund Grants

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

In May 2017, the Office of Criminal Justice Services (OCJS) awarded $5.4 million in Ohio Drug Law Enforcement Fund grants to 40 drug task forces across the state affiliated with a mix of counties (32), cities (6), and townships (2). The individual awards range from $9,736 up to $250,000. The grants help defray costs a drug task force organization incurs enforcing the state's drug and illegal drug activity laws. One of the goals is to reduce the impact of drug traffickers, pharmaceutical diversion, and other organized criminal activity on Ohio communities through multi-jurisdictional collaboration.

Each recipient is required to provide a local match of at least 25% of the task force's total project operating costs in the time period covered by the grant. The grant money is distributed from the Drug Law Enforcement Fund (Fund 5ET0), which receives its revenue from $3.40 of the $10 court fee that is required to be assessed for all offenders who are convicted of, or plead guilty to, a moving traffic violation. The following table shows those counties with one or more drug task force organizations that received awards for the 12-month grant period beginning July 1, 2017, the number of project awards per county, and the total amount of funding received.

Ohio Drug Law Enforcement Fund Grant Awards by County* (Total: $5,367,601)					
County	Award	County	Award	County	Award
Allen	$146,144	Hamilton (3)	$468,523	Montgomery	$64,061
Auglaize	$58,388	Hardin	$11,159	Ottawa	$97,765
Brown	$12,204	Jefferson	$14,236	Portage	$21,731
Butler	$41,576	Lake	$105,603	Richland	$250,000
Clermont	$178,324	Lawrence	$108,625	Ross	$197,814
Columbiana	$132,075	Licking	$239,730	Sandusky	$13,520
Cuyahoga (3)	$531,520	Logan	$12,287	Stark	$249,419
Defiance	$180,567	Lorain	$232,048	Summit	$250,000
Delaware	$156,108	Lucas	$44,647	Trumbull	$207,571
Fairfield	$200,502	Mahoning	$204,892	Tuscarawas	$23,221
Franklin	$250,000	Medina	$165,392	Warren	$192,854
Greene	$159,834	Monroe	$9,736	Wayne	$135,525

*Unless otherwise noted, the awarded amount will be used by one drug task force located in each of the listed counties. In the case of Cuyahoga and Hamilton counties, the awarded amount is the total amount of funding received by three separate drug task forces located in each of those counties.

ODM Reports Savings of $2.4 Million Each Month From MyCare Ohio

– Wendy Risner, Fiscal Supervisor, 614-644-9098

On April 25, 2017, the Ohio Department of Medicaid (ODM) released the third annual "MyCare Ohio Progress Report," which found that the program saved approximately $2.4 million per month during calendar years 2015 and 2016. This is largely due to the efforts of MyCare Ohio managed care plans to divert individuals from nursing facilities to home and community-based settings. On average, for each individual diverted, the program saves $2,800 per month. In addition to these savings, the capitation rates for MyCare Ohio participants decreased 6.8% from January 2015 to December 2016. During this same time period, average costs for traditional Medicaid fee-for-service participants have remained stable. The report also provides information regarding the timeliness of provider payments and participant satisfaction survey results. Overall, the report found that timeliness of payments and participant satisfaction have both improved over the three years that the program has been in operation.[11]

[11] The report in its entirety can be accessed here: Medicaid Reports Page.

MyCare Ohio is a five-year demonstration project that began operations in May 2014. ODM administers the program in partnership with the federal Centers for Medicare and Medicaid Services. Five MyCare Ohio managed care plans coordinate benefits for individuals that are eligible for both Medicare and Medicaid. The goal of the program is to improve access to care and quality of care, eliminate cost shifting between the two programs, and achieve cost savings through care coordination. The program covers 29 counties, including major metropolitan areas. Eligible individuals are those that are 18 and older, are Medicaid and Medicare eligible, and live in a participating county. As of April 2017, there were approximately 107,000 MyCare Ohio participants.

Medicaid Awards $727,000 for Nursing Facility LifeBio Pilot Study

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

On April 15, 2017, the Ohio Department of Medicaid (ODM) awarded the Ohio State University College of Medicine, Government Resource Center a $727,000 grant to support the LifeBio Pilot Study. The study will include 830 nursing facility residents and examine the benefits of a Person-Centered Care approach that helps facility staff to better know residents. The project will use volunteers to complete "About Me" interviews with residents to develop a "Life Story Summary" to be shared with direct care staff, including family information, schools attended, work, notable life events, hobbies, interests, personal accomplishments, and care-related preferences. The study will evaluate the impact of LifeBio intervention on residents and include sustainability recommendations to continue the project beyond the Pilot Study's conclusion on December 31, 2018.

The grant is funded with civil monetary penalties (CMP) from fines paid by nursing facilities that do not meet federal health and safety standards. States have discretion to use CMP funds for projects to improve resident outcomes in Medicare and Medicaid certified nursing facilities. ODM awards funds for quality improvement projects that are likely to produce results that may be used to benefit all Ohio nursing facility residents, result in sustainable improvement in residents' lives, use a data-driven approach to quality improvement, and incorporate research based methodologies. Including the LifeBio Pilot Study, ODM currently supports eight CMP grants.[12]

[12] More information on CMP grants can be found on ODM's website: http://www.medicaid.ohio.gov/RESOURCES/CMPGrantProjects.aspx.

Ohio EPA Awards $4.3 Million in Recycling and Litter Prevention Grants

– Robert Meeker, Budget Analyst, 614-466-3839

In April 2017, the Ohio Environmental Protection Agency announced the award of 49 competitive grants totaling $4.3 million to support recycling and litter prevention projects across the state. The total includes awards to communities, local governments, businesses, and nonprofit organizations from four distinct grant programs (see table below). The purpose of the grant programs, which are funded with a mix of money generated by fees on the disposal of construction and demolition debris and the sale of new tires, can briefly be summarized as follows:

- Market Development: purchase equipment and build infrastructure to develop markets for recyclable materials and related products.
- Community Development: support and expand community collection and processing of recyclable materials and litter prevention.
- Scrap Tire Grants: create infrastructure necessary for successful markets of scrap tire materials and related products.
- Litter Management Grants: fund community litter cleanup and tire amnesty collection activities.[13]

Individual awards range from a $2,000 Litter Management grant to Highland County Recycling and Litter Prevention to Scrap Tire grants of $350,000 to each of Full Circle Technologies (Lorain County) and Willig Tire Recycling (Crawford County).

Ohio EPA Recycling and Litter Prevention Grants by Program			
Grant Program	**Number of Awards**	**Range of Awards**	**Awards Total**
Market Development	9	$5,700 to $250,000	$1,663,374
Community Development	10	$34,400 to $250,000	$1,320,930
Scrap Tire	4	$98,000 to $350,000	$998,000
Litter Management	26	$2,000 to $38,000	$325,960
TOTAL	**49**	**$2,000 to $350,000**	**$4,308,264**

[13] Tire amnesty refers to opportunities for residents to dispose of scrap tires with a political subdivision at no charge to the resident.

TRACKING THE ECONOMY

– Thomas Kilbane, Economist, 614-728-3218

Overview

The United States added 222,000 jobs in June.

The economy continued to expand through this year's second quarter. Inflation-adjusted gross domestic product (real GDP) growth in the first quarter was revised upward again. Employment increased in June, but wage growth remains at a slowed pace from 2016. Consumer spending increased through May, however, motor vehicle sales slowed in June. Seasonally adjusted consumer prices decreased in May for the second time in the last three months, but the Federal Reserve still increased its target for short-term interest rates at the close of its June 13-14 meeting.

Ohio employment expanded in May as well, though the state unemployment rate (4.9% in May) remains stuck at a higher level than the nation (4.3% in May, 4.4% in June). Ohio homes continue to sell at a rapid pace despite a low inventory of existing homes for sale.

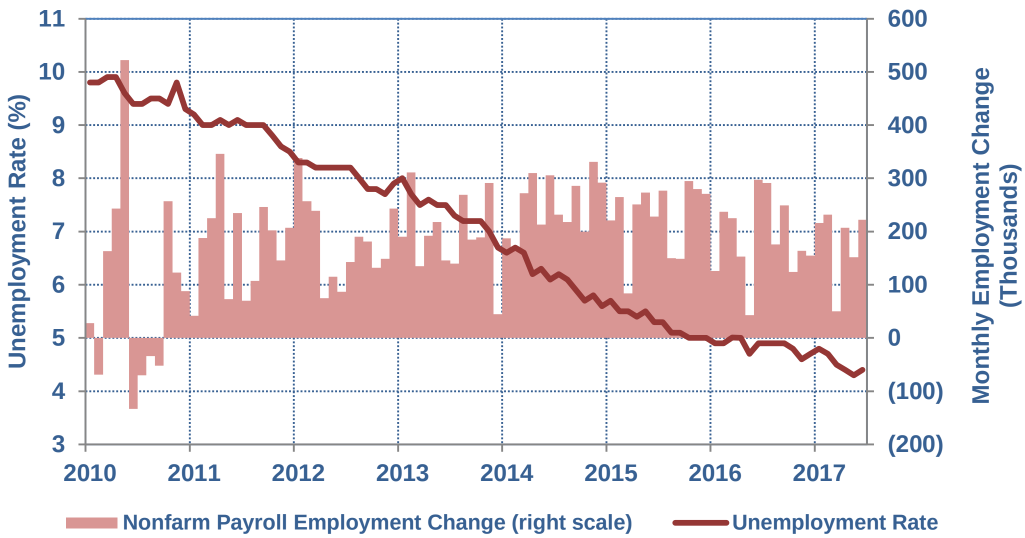
The National Economy

Employment and Unemployment

The U.S. added 222,000 jobs[14] in June, and previously reported employment increases during April and May were revised higher by a combined 47,000. All put together, the average monthly employment increase in 2017 is now 180,000, not far from the 187,000 averaged during 2016. June continued an extraordinary streak of 81 straight months with employment gains. Begun in October 2010, the streak is the longest in records kept since 1939.

[14] Nonfarm payroll, seasonally adjusted.

Chart 6: Unemployment Rate and Monthly Employment Change



Average hourly earnings[15] increased again in June as well, up to $26.25. The pace of growth in earnings has slowed a bit in 2017 however, averaging a monthly increase of 2.1% (annual rate), compared to an increase of 2.9% during 2016. The current pace of earnings growth is below historical rates at this point in the business cycle, providing one piece of evidence that there may still be more slack in the labor market than is indicated by the unemployment rate (up just a tick to 4.4% in June). By historical standards of a mature labor market, rates of underemployment[16] remain high, while rates of labor market participation[17] remain well below past peaks.

Growth in earnings has slowed in 2017 averaging a 2.1% increase (annual rate), compared to 2.9% during 2016.

Monetary Policy and Financial Markets

As was widely expected, the Federal Open Market Committee[18] announced a quarter-point increase to its short-term interest rate target at

[15] Private, nonfarm employees.

[16] One measure of underemployment is the number of workers who would prefer to work full time but are only employed part time for economic reasons.

[17] The labor market participation rate, defined as the percentage of civilians age 16 and over who are either currently employed or unemployed but looked for work in the last four weeks, was 62.8% in June and has been around that level since the beginning of 2014.

[18] The Federal Open Market Committee is the policy-setting body within the Federal Reserve.

the close of its June 13-14 meeting. After the increase, the federal funds rate[19] target is now between 1% and 1.25%. It was the second increase of the target range this year and the median projection of committee participants was for a third quarter-point increase of the range before the end of 2017.

Broad measures of U.S. equity stock markets increased again during the second quarter of 2017. The S&P 500 Index closed 2.6% higher on June 30 than it opened on April 1, and was up 13.7% during the nearly eight months since the presidential election. However, there are also signs of growing hesitancy among investors, such as a flattening yield curve[20] and rising prices for investments typically thought of as safe havens during a market decline.[21]

Inflation

Seasonally adjusted consumer prices decreased in May for the second time in the last three months.

Seasonally adjusted consumer prices decreased in May for the second time in the last three months. The decline was driven by a fall in the sales price of gasoline, by 6.4% on a seasonally adjusted basis during the month, according to the Bureau of Labor Statistics' consumer price index. However, year-over-year growth in core consumer prices, or those which exclude energy and food, continued to move further from the Federal Reserve's target in May. These prices increased 1.4% over the last 12 months according to the Bureau of Economic Analysis' price index of personal consumption expenditures. That was down from 1.8% in January and February, the highest peak since 2012.

A broad index of prices received by producers of goods and services to meet final demand was approximately the same in May as in April, on a seasonally adjusted basis. Prices received for services were higher during the month, while prices received for goods were sharply lower. Over the last 12 months though, price levels increased for both categories by over 2.0%.

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[19] The federal funds rate is the rate at which banks loan overnight deposits to each other, typically to meet reserve requirements.

[20] The yield curve refers to the difference in yield between similar fixed-income securities of differing maturity dates. The yield curve tends to be upward-sloping (yields increase for maturity dates further in the future). A flattening curve indicates an increasing relative preference for longer-term bonds, which normally implies skepticism of further economic expansion.

[21] "*Markets' Calm Unnerves Investors.*" Wall Street Journal, June 27, 2017.

Real Estate

Low nationwide inventory of homes for sale continues to push up prices. The inventory of existing homes for sale increased in each month of 2017 through May, but remained 8.4% below one year ago, according to data from the National Association of Realtors. Meanwhile, the median sales price of existing homes in May was 5.8% higher year-over-year. May sales of existing homes nationwide were greater than one year ago, but the Midwest lagged the other regions. New home sales in the region, as well as housing construction starts, both declined during the 12-month period. Housing starts were down nationwide in May, but year-to-date remained up 3.2% from the same period in 2016.

Production

Real GDP growth in the first quarter of 2017 was not as slow as first reported. Originally reported at a 0.7% annual pace of growth, it was revised upward upon a second and third estimate, now reported at 1.4%. With this upward revision, growth in the four quarters ended in the first quarter of 2017 was the fastest four-quarter real GDP growth (2.1%) since the period ended with the third quarter of 2015. Estimates of 2017 second quarter growth from the Federal Reserve Banks of Atlanta and New York are 2.7% and 1.9%, respectively.[22] The Bureau of Economic Analysis will release the first official advance estimate for the second quarter on July 28.

Real GDP growth in the first quarter of 2017 was revised upward to a 1.4% annual rate.

The Federal Reserve's measure of manufacturing production has been volatile in recent months, but production through the first five months of 2017 was estimated to have increased 0.7% from December, seasonally adjusted. Overall industrial production during the same period was up 1.2%, boosted by a 7.7% rise in mining.

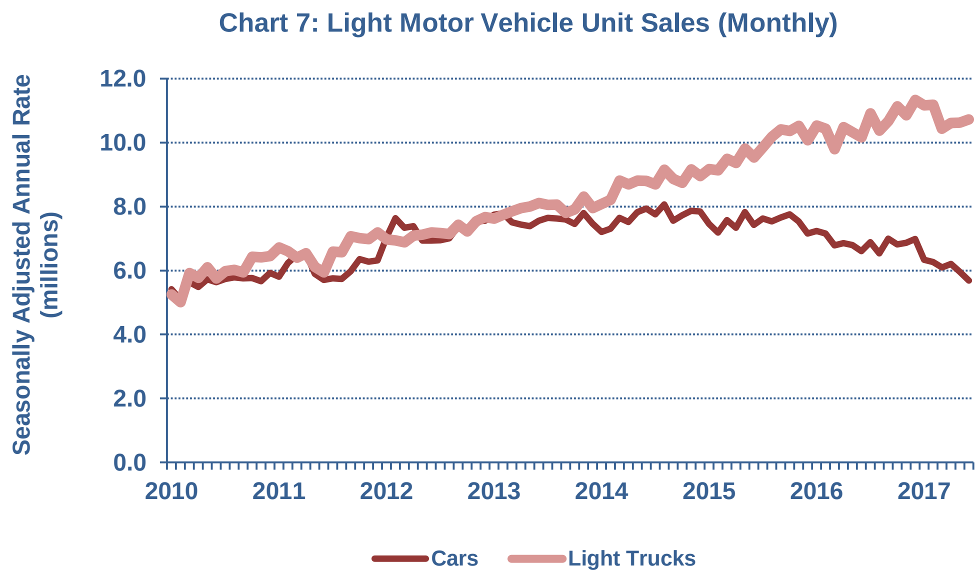
Consumer Spending

Real (price-adjusted) consumer spending increased slightly in May, the third straight month of growth. Over the past 12 months, spending grew 2.7%, with the fastest growth concentrated in durable goods. Recent spending growth has been supported by rising disposable income which increased at a 4.4% annual rate (with price and seasonal adjustments) in the four months ended in May. The prior four-month period, October through January, real disposable income decreased at a 0.4% annual rate.

[22] Estimates are as of July 6, and at annual rates of growth.

Nationwide unit sales of light vehicles dipped in June to its slowest monthly pace since October 2014.

Nationwide unit sales of light vehicles dipped in June to its slowest monthly pace since October 2014. During the interim, 2015 and 2016 both set records for annual unit sales, led in large part by soaring demand for light trucks. Sales of light trucks have remained at historically elevated levels in 2017, while the slowdown is almost entirely due to car sales (see chart below).



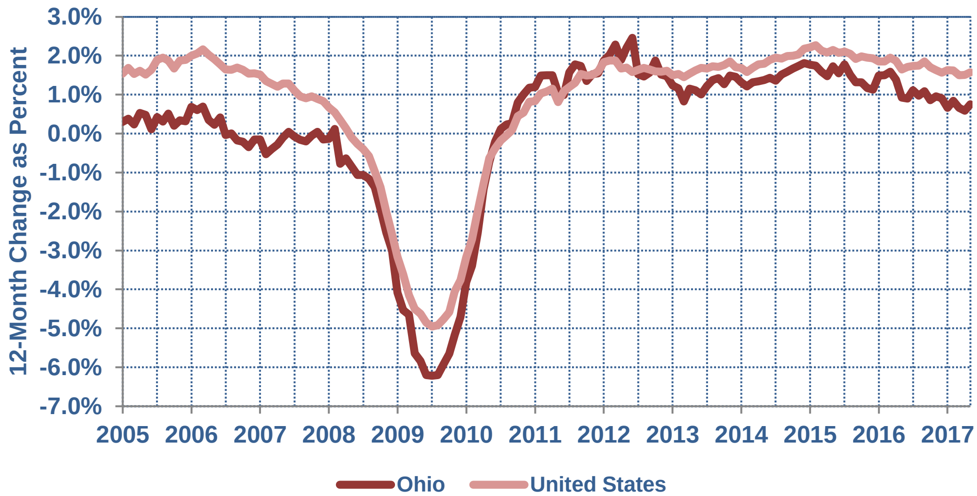
The Ohio Economy

Labor Market

Total nonfarm payroll employment in Ohio increased by 6,300 jobs in May, after decreases in each of March and April. Overall during 2017, employment continues to grow but at a slower pace. Average monthly net job gain during the first five months of 2017 was 2,300, while the average was 4,100 throughout the whole of 2016.

The chart below illustrates the pace of year-over-year job growth in Ohio and the U.S. since the beginning of 2005. Job growth has been sustained for an unusually long period, but has slowed since 2015. Ohio's year-over-year job growth dropped to its lowest level since 2010 in April, before bouncing back modestly in May.

Chart 8: 12-Month Nonfarm Employment Change



Total nonfarm payroll employment in Ohio increased by 6,300 jobs in May, after decreases in each of March and April.

Among private industry sectors in May, professional and business services (+7,000) and education and health services (+6,500) gained the most jobs, while leisure and hospitality (-6,000) lost the most. Arts, entertainment, and recreation, a subset of the leisure and hospitality sector, has lost jobs at the fastest pace over the last 12 months, down 4.1%.

The unemployment rate in Ohio dropped to 4.9% in May. The rate has been in the range between 4.9% and 5.1% since December of 2015, remaining fairly steady even as employment increased in part because of labor force growth. According to the Bureau of Labor Statistics, Ohio's labor force has increased over the last 12 months by more than in any other 12-month period since 1992.

State Personal Income

Ohio's personal income grew 1.0% (annual rate of 4.2%) from the fourth quarter of 2016 to the first quarter of 2017, an increased pace of growth from the two quarters prior. The first quarter growth rate ranked 27th among the states. The majority of the income growth came from net earnings (mostly made up of wages and salaries), which grew more than twice as fast in Ohio as dividends, interest, and rent during the quarter.

Home Sales

The number of Ohio homes sold in May was the highest ever for the month according to data kept since 1998 by the Ohio Association of Realtors (OAR). Average sales price for the year through May was 6.0% higher than the same period in 2016. In its monthly market report, OAR expressed hope that the high sales activity and price growth would draw more sellers into the market since inventory has been disappointingly low.