LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2019 | Issue: July 2019

Highlights

– *Ross Miller, Chief Economist*

FY 2019 GRF tax revenue grew by just over $1 billion (4.8%) from FY 2018, ending the year $651 million above the revised estimate published by the Office of Budget and Management (OBM) in February. June tax revenue contributed $34 million to the year's positive variance. GRF program expenditures were $297 million above estimate in June but nevertheless ended FY 2019 $591 million (1.8%) below estimate.

Both the revenue and the expenditure side of the state's budget, then, contributed to a healthy FY 2019 GRF ending cash balance of $1.54 billion. Various state agencies encumbered a total of $314.1 million for expenditures in FY 2020. In addition, $77.5 million was used, as authorized by H.B. 62 of the 133rd General Assembly, to fund the extra bi-weekly payroll that occurs in FY 2020. Every ten years or so there is a year with 27, instead of the typical 26, pay periods for state employees. The first payroll for FY 2020, which occurred on July 5, was charged against FY 2019 funds. Subtracting these two amounts from the cash balance results in an unobligated year-end balance of $1.15 billion. The recently enacted 17-day interim budget (S.B. 171) requires the FY 2019 GRF ending balance to remain in the GRF. All versions of H.B. 166, the pending main operating budget of the 133rd General Assembly, include various uses for this balance.

The Budget Stabilization Fund (BSF) balance was $2.69 billion at the end of FY 2019. The statutory target for FY 2020 is $2.87 billion, which is $178.7 million higher than the BSF's current balance.

Simplified GRF Cash Statement, as of June 30, 2019 ($ in millions)	
Beginning Cash Balance	$1,221.0
Plus Actual Revenues, Transfers In, and Receivables	$33,767.6
Less Actual Expenditures and Transfers Out	$33,450.6
Ending Cash Balance	$1,538.0
Year-end Encumbrances	$314.1
27th Payroll	$77.5
Unobligated Ending Cash Balance	$1,146.4
Budget Stabilization Fund Balance	$2,691.6
Combined GRF and BSF Unobligated Ending Balance	$3,837.9

Through June 2019, GRF sources totaled $33.77 billion:

- Revenue from the sales and use tax was $234.3 million above estimate;
- Personal income tax (PIT) receipts were $313.2 million above estimate;
- GRF receipts from the commercial activity tax (CAT) were $47.7 million above estimate;
- Receipts were above estimates for all other taxes, as well, except for kilowatt-hour excise and domestic insurance taxes. The latter two finished the year with small negative variances.

Through June 2019, GRF uses totaled $33.45 billion:

- Program expenditures were $591.3 million below estimate;
- Expenditures under the Medicaid program accounted for $537.8 million of the overall variance;
- Other program categories with expenditures significantly below estimate for the year included Health and Human Services ($41.8 million), Property Tax Reimbursements ($13.6 million), and Higher Education ($11.3 million);
- Two program categories, Primary and Secondary Education ($10.3 million) and Justice and Public Protection ($7.8 million) ended the year with spending above their estimates.

In this issue...

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Have a great summer!

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$117,773	$125,600	-$7,827	-6.2%
Nonauto Sales and Use	$793,941	$776,500	$17,441	2.2%
Total Sales and Use	*$911,714*	*$902,100*	*$9,614*	*1.1%*
Personal Income	$834,199	$819,400	$14,799	1.8%
Commercial Activity Tax	$18,601	$10,400	$8,201	78.9%
Cigarette	$137,183	$138,700	-$1,517	-1.1%
Kilowatt-Hour Excise	$19,902	$22,200	-$2,298	-10.4%
Foreign Insurance	-$7,852	-$12,000	$4,148	34.6%
Domestic Insurance	$260,770	$266,900	-$6,130	-2.3%
Financial Institution	$23,573	$23,200	$373	1.6%
Public Utility	$4,930	$900	$4,030	447.8%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$5,261	$5,100	$161	3.2%
Liquor Gallonage	$4,569	$4,300	$269	6.3%
Petroleum Activity Tax	$3,208	$1,400	$1,808	129.1%
Corporate Franchise	$500	$0	$500	---
Business and Property	$309	$0	$309	---
Estate	$37	$0	$37	---
Total Tax Revenue	**$2,216,906**	**$2,182,600**	**$34,306**	**1.6%**
Nontax Revenue				
Earnings on Investments	$32,142	$19,994	$12,149	60.8%
Licenses and Fees	$833	$537	$296	55.1%
Other Revenue	$2,419	$2,884	-$464	-16.1%
Total Nontax Revenue	**$35,394**	**$23,414**	**$11,980**	**51.2%**
Transfers In	**$162,151**	**$157,600**	**$4,551**	**2.9%**
Total State Sources	**$2,414,451**	**$2,363,614**	**$50,837**	**2.2%**
Federal Grants	**$831,661**	**$650,741**	**$180,920**	**27.8%**
Total GRF Sources	**$3,246,112**	**$3,014,355**	**$231,757**	**7.7%**

*Estimates of the Office of Budget and Management as of August 2018, except for the personal income, nonauto sales, and kilowatt-hour exercise taxes; the latter three were revised in February 2019.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2019 as of June 30, 2019
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 1, 2019)

State Sources	Actual	Estimate*	Variance	Percent	FY 2018**	Percent
Tax Revenue						
Auto Sales	$1,501,684	$1,455,000	$46,684	3.2%	$1,440,526	4.2%
Nonauto Sales and Use	$9,071,740	$8,884,100	$187,640	2.1%	$8,707,648	4.2%
Total Sales and Use	*$10,573,424*	*$10,339,100*	*$234,324*	*2.3%*	*$10,148,174*	*4.2%*
Personal Income	$8,910,214	$8,597,000	$313,214	3.6%	$8,411,020	5.9%
Commercial Activity Tax	$1,629,544	$1,581,800	$47,744	3.0%	$1,522,817	7.0%
Cigarette	$918,179	$917,000	$1,179	0.1%	$939,757	-2.3%
Kilowatt-Hour Excise	$343,635	$351,000	-$7,365	-2.1%	$342,353	0.4%
Foreign Insurance	$296,342	$275,000	$21,342	7.8%	$276,522	7.2%
Domestic Insurance	$276,048	$279,000	-$2,952	-1.1%	$278,449	-0.9%
Financial Institution	$202,443	$201,000	$1,443	0.7%	$201,067	0.7%
Public Utility	$143,161	$121,000	$22,161	18.3%	$119,242	20.1%
Natural Gas Consumption	$75,902	$66,500	$9,402	14.1%	$69,551	9.1%
Alcoholic Beverage	$56,250	$55,000	$1,250	2.3%	$55,673	1.0%
Liquor Gallonage	$50,342	$49,000	$1,342	2.7%	$48,139	4.6%
Petroleum Activity Tax	$11,608	$6,000	$5,608	93.5%	$7,844	48.0%
Corporate Franchise	$2,074	$0	$2,074	---	$2,185	-5.1%
Business and Property	$309	$0	$309	---	-$374	182.6%
Estate	$154	$0	$154	---	$213	-27.7%
Total Tax Revenue	**$23,489,630**	**$22,838,400**	**$651,230**	**2.9%**	**$22,422,632**	**4.8%**
Nontax Revenue						
Earnings on Investments	$114,807	$80,000	$34,807	43.5%	$64,463	78.1%
Licenses and Fees	$64,414	$57,917	$6,497	11.2%	$59,133	8.9%
Other Revenue	$87,156	$90,724	-$3,568	-3.9%	$266,418	-67.3%
Total Nontax Revenue	**$266,378**	**$228,641**	**$37,736**	**16.5%**	**$390,014**	**-31.7%**
Transfers In	**$247,888**	**$252,790**	**-$4,902**	**-1.9%**	**$188,623**	**31.4%**
Total State Sources	**$24,003,895**	**$23,319,831**	**$684,064**	**2.9%**	**$23,001,269**	**4.4%**
Federal Grants	**$9,763,899**	**$10,240,063**	**-$476,164**	**-4.7%**	**$9,469,932**	**3.1%**
Total GRF SOURCES	**$33,767,794**	**$33,559,895**	**$207,900**	**0.6%**	**$32,471,201**	**4.0%**

*Estimates of the Office of Budget and Management as of August 2018, except for the personal income, nonauto sales, and kilowatt-hour exercise taxes; the latter three were revised in February 2019.

**Cumulative totals through the same month in FY 2018.

Detail may not sum to total due to rounding.

Revenues[1]

– Jean Botomogno, Principal Economist

Overview

FY 2019 GRF sources of $33.77 billion through June were $207.9 million (0.6%) above revised OBM estimates of February 2019. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants. For the fiscal year, GRF tax sources totaled $23.49 billion. This amount was $651.2 million (2.9%) above projections, powered by positive variances of $313.2 million (3.6%) for the PIT and $234.3 million (2.3%) for the sales and use tax. In addition, nontax revenue was $37.7 million (16.5%) above estimate. On the other hand, a large shortfall of $476.2 million (4.7%) for federal grants[2] and a negative variance of $4.9 million (1.9%) for transfers in partially offset the positive variances.

As noted in the February issue of *Budget Footnotes*, the Tax Commissioner reduced Ohio employer withholding tax rates effective January 1, 2019; the reduced rates were estimated to decrease withholding revenue by $152.6 million for the remainder of FY 2019, with the GRF bearing $150.6 million of the revenue loss. OBM revised its monthly estimates of PIT revenue due to this change.[3] Tables 1 and 2 show GRF sources for the month of June and for FY 2019 through June, respectively, with revised estimates of PIT revenue that reflect the new withholding rates.

Regarding GRF tax sources in FY 2019, the PIT led the way with an excellent performance attributable largely to a strong 2019 tax filing season. The largest tax source, the sales and use tax, was helped by an increase in voluntary sales tax remittances by out-of-state remote sellers. In addition, the CAT and the cigarette and other tobacco products tax surpassed expectations by $47.7 million and $1.2 million, respectively. Most of the remaining tax sources were above estimates, including the public utility excise tax ($22.2 million), the foreign insurance tax ($21.3 million), the natural gas consumption tax ($9.4 million), and the petroleum activity tax (PAT, $5.6 million). The corporate franchise tax (CFT) produced $2.1 million in GRF revenue from prior-year adjustments to tax returns, though no receipts were expected. However, the kilowatt-hour tax and the domestic insurance tax experienced revenue shortfalls of $7.4 million and $3.0 million, respectively.

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[1] This report compares actual monthly and year-to-date (YTD) GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

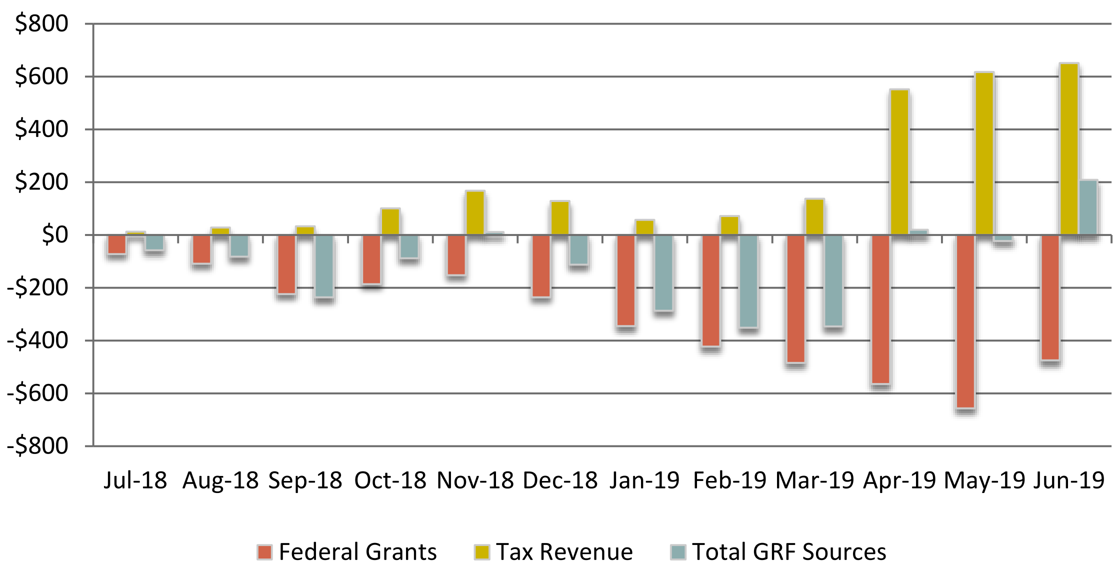
[2] Federal grants are primarily federal reimbursements for Medicaid. GRF Medicaid spending was $537.8 million below estimates in FY 2019. Unlike other GRF sources, a negative variance for federal grants is generally good for Ohio's overall fiscal situation.

[3] The remaining $2.0 million would reduce distributions to the Local Government Fund (LGF) and the Public Library Fund (PLF). For accounting purposes, GRF tax revenue distributions to the LGF are debited against income tax receipts, while 50% of distributions to the PLF are debited against the nonauto sales tax and 50% are debited against the kilowatt-hour tax. FY 2019 estimates for the sales and kilowatt-hour taxes were also adjusted slightly to account for the rate change.

Total GRF sources for the month of June of $3.25 billion were $231.8 million (7.7%) above projections, with positive variances for all GRF categories: $180.9 million for federal grants, $34.3 million for tax sources, $12.0 million for nontax revenue, and $4.6 million for transfers in. In June, the PIT, the sales and use tax, and the CAT exceeded their anticipated revenue by $14.8 million, $9.6 million, and $8.2 million, respectively. Also, the foreign insurance tax, the public utility tax, and the PAT experienced gains of $4.1 million, $4.0 million, and $1.8 million, respectively. The positive variances were partially offset by shortfalls for the domestic insurance tax ($6.1 million), the kilowatt-hour tax ($2.3 million), and the cigarette tax ($1.5 million).

Chart 1, below, shows cumulative variances of GRF sources through June.

Chart 1: Cumulative Variances of GRF Sources in FY 2019
(Variances from August Estimates, $ in millions)



FY 2019 GRF sources were $1.30 billion (4.0%) above the level of FY 2018 GRF sources, with GRF tax sources accounting for $1.07 billion of the total growth. Receipts from federal grants and transfers in increased $294.0 million (3.1%) and $59.3 million (31.4%). On the other hand, nontax revenue declined by $123.3 million (31.7%).[4] Through June, receipts increased substantially for the largest GRF tax sources: the sales and use tax ($425.3 million, 4.2%), the PIT ($499.2 million, 5.9%), and the CAT ($106.7 million, 7.0%). Revenue from the cigarette and other tobacco products tax, continuing its usual yearly downward trend, fell $21.6 million (2.3%).

Most months, *Budget Footnotes* reports revenue details only for the largest tax sources: the sales and use tax, the PIT, the CAT, and the cigarette tax. This year-end edition includes, in addition, details regarding the other tax sources and earnings on investments, the largest single component of the nontax revenue category.

[4] An outsize payment of unclaimed funds of over $200 million was made to the GRF in February 2018, which explains the large decline in receipts from nontax revenue this fiscal year.

Sales and Use Tax

The sales and use tax had a strong FY 2019 and was in positive territory throughout the fiscal year. Through June, FY 2019 receipts to the GRF from the sales and use tax totaled $10.57 billion. This amount was $234.3 million (2.3%) above estimate, with both the nonauto and the auto portions of the tax ahead of projections. FY 2019 total revenue was also $425.3 million (4.2%) above FY 2018 revenue.

For the month of June, GRF receipts of $911.7 million were $9.6 million (1.1%) above anticipated revenue. The nonauto sales tax posted a positive variance that was partially offset by a shortfall from the auto sales tax. Monthly sales and use tax receipts were $7.9 million (0.9%) below revenue in June 2018, the only month in FY 2019 revenue fell below prior-year receipts (excluding July 2018 when this comparison is affected by the last Medicaid health insuring corporation (MHIC) receipts in July 2017).

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

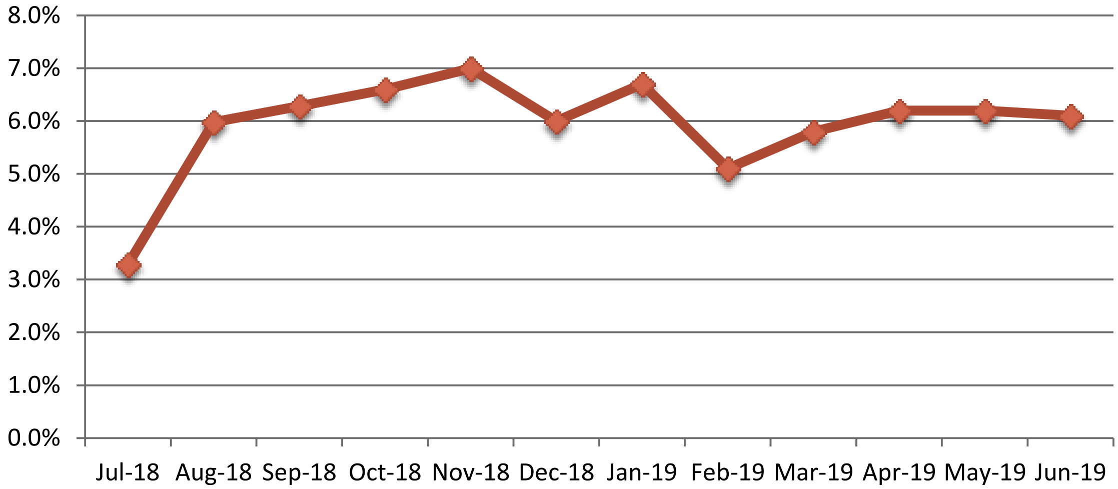
Nonauto Sales and Use Tax

FY 2019 nonauto sales and use tax receipts totaled $9.07 billion, an amount $187.6 million (2.1%) above estimate and $364.1 million (4.2%) above revenue in FY 2018. Nonauto sales and use tax GRF revenue of $793.9 million in June was above estimate by $17.4 million (2.2%). Monthly revenue was also $2.6 million (0.3%) above revenue in June 2018. Chart 2, below, shows year-over-year growth in nonauto sales tax collections.[5] Revenue growth for this tax has been solid, supported by employment and wage gains throughout FY 2019. Nonauto sales and use tax growth has also been supported by increased sales tax remittances by out-of-state sellers. Though the total amount of additional tax revenue is uncertain, Ohio has benefitted from an increase in voluntary collections by certain remote sellers in the wake of the U.S. Supreme Court decision in *South Dakota v. Wayfair* in June 2018.[6]

[5] Beginning July 1, 2017, the sales tax on MHICs was eliminated. Thus, the last payment of $71.7 million deposited in the GRF was made in July 2017 (reflecting taxable activity in June 2017). So, to adjust for changes to the existing tax base, this chart excludes monthly revenue from MHICs in July 2017 so that changes in nonauto sales and use tax revenue are on a comparable basis. On this basis, FY 2019 growth relative to FY 2018 was above 5.0%.

[6] Though the Court's decision applied only to South Dakota, it reversed federal law that prevented states from requiring out-of-state sellers to collect sales taxes on purchases by residents of the state. Certain sellers have decided to impose and remit sales taxes even though they may not yet be required to do so by state law.

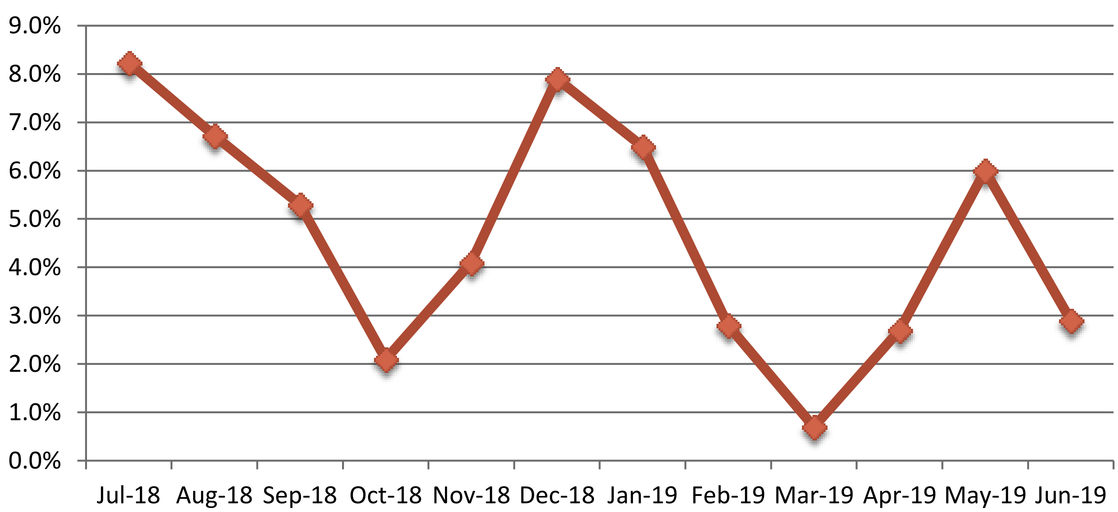
**Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year (With Tax Base Adjustment,
Three-month Moving Average)**



Auto Sales and Use Tax

Similarly to the nonauto tax source, the auto sales and use tax performed above expectations in FY 2019. GRF revenue from this source totaling $1.50 billion was $46.7 million (3.2%) above estimates, and also $61.2 million (4.2%) above receipts in FY 2018. However, for the month of June 2019, revenue from this tax was $117.8 million, $7.8 million (6.2%) below estimate, and $10.6 million (8.2%) below the amount received in the same month in 2018. Chart 3, below, shows year-over-year growth in auto sales tax collections. Relative to FY 2018, revenue growth has been uneven throughout the fiscal year but has remained positive. The rise in Ohio auto sales tax revenue relative to FY 2018 was mostly due to price increases for both new and used vehicles. The price increases represent the combined effects of inflation and a shift in consumer tastes toward more expensive models, especially light trucks and sport utility vehicles (SUVs).

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



Nationwide light vehicle (auto and light truck) sales have been slowing. The U.S. auto industry in the first half of 2019 posted six straight months of weaker overall sales compared to the same period in 2018, though sales of light trucks increased. This has pushed the average price of a new vehicle to a record $33,350, up nearly 4% from a year earlier in June.

Personal Income Tax

FY 2019 PIT GRF revenue of $8.91 billion was $313.2 million (3.6%) above the revised projections. Outsized tax receipts in April and May, nearly $400 million above estimates over the two-month period, guaranteed a positive yearly variance for this tax source. PIT revenue is comprised of gross collections minus refunds and distributions to the 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 (about 81% of gross collections in FY 2019). Larger than expected refunds could also greatly affect the monthly performance of the tax.

June GRF receipts of $834.2 million were $14.8 million (1.8%) above estimate, and $5.2 million (0.6%) above receipts in June 2018. Gross collections were above projections by $21.8 million, driven by quarterly estimated payments and annual returns payments which were $22.0 million and $2.7 million, respectively, above anticipated receipts. Those positive variances were partially offset by negative variances of $1.0 million for withholding and $1.7 million for miscellaneous payments. Gross collections' positive variance was reduced by higher than anticipated refunds and distributions to the LGF of $5.7 million and $1.3 million, respectively.

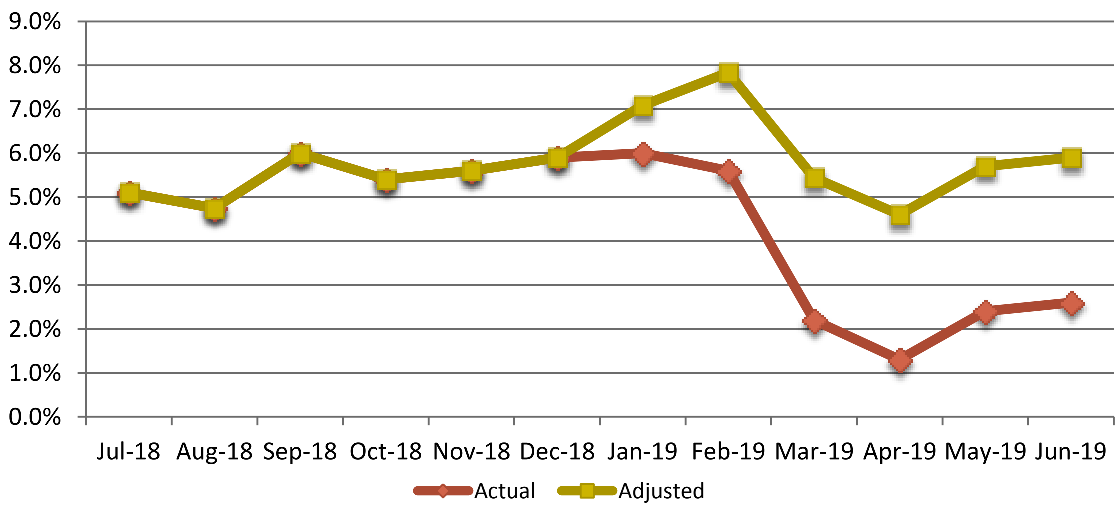
FY 2019 revenues from each component of the PIT relative to revised estimates and to revenue received in FY 2018 are detailed in the table below. FY 2019 gross collections were above estimate by $428.7 million, mostly from large positive variances for annual return payments and withholding receipts. Those positive variances were partially offset by shortfalls from quarterly estimated payments and miscellaneous payments; higher than projected refunds and distributions to the LGF reduced the positive variance for GRF revenue to the $313.2 million total. FY 2019 refunds and LGF distributions also increased compared to their amounts in the last year, while gross collections grew from FY 2018 by $635.3 million.

[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.

FY 2019 PIT Revenue Variance and Annual Change by Component				
	YTD Variance from Revised Estimate		Changes from FY 2018	
Category	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$143.5	1.6%	$372.0	4.2%
Quarterly Estimated Payments	-$126.4	-12.5%	-$121.3	-12.1%
Trust Payments	$19.3	25.5%	$18.6	24.3%
Annual Return Payments	$398.0	54.4%	$372.4	49.2%
Miscellaneous Payments	-$5.7	-5.9%	-$6.3	-6.5%
Gross Collections	$428.7	3.9%	$635.3	5.9%
Less Refunds	$104.9	5.4%	$117.9	6.2%
Less LGF Distribution	$10.7	2.7%	$18.2	4.7%
GRF PIT Revenue	$313.2	3.6%	$499.2	5.9%

Through June, FY 2019 employer withholding receipts[8] grew 4.2%; however, as a result of the January decrease in withholding rates, growth in monthly employer withholding averaged only 2.4% in calendar year (CY) 2019. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts in FY 2019 and estimated payroll growth adjusted for the decrease in withholding tax rates in January.

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



[8] Withholding receipts consist of monthly employer withholding (about 99% of the total) and annual employer withholding. For FY 2019, monthly employer withholding was 4.0% above such receipts in FY 2018. On the other hand, annual employer withholding grew 22.7%.

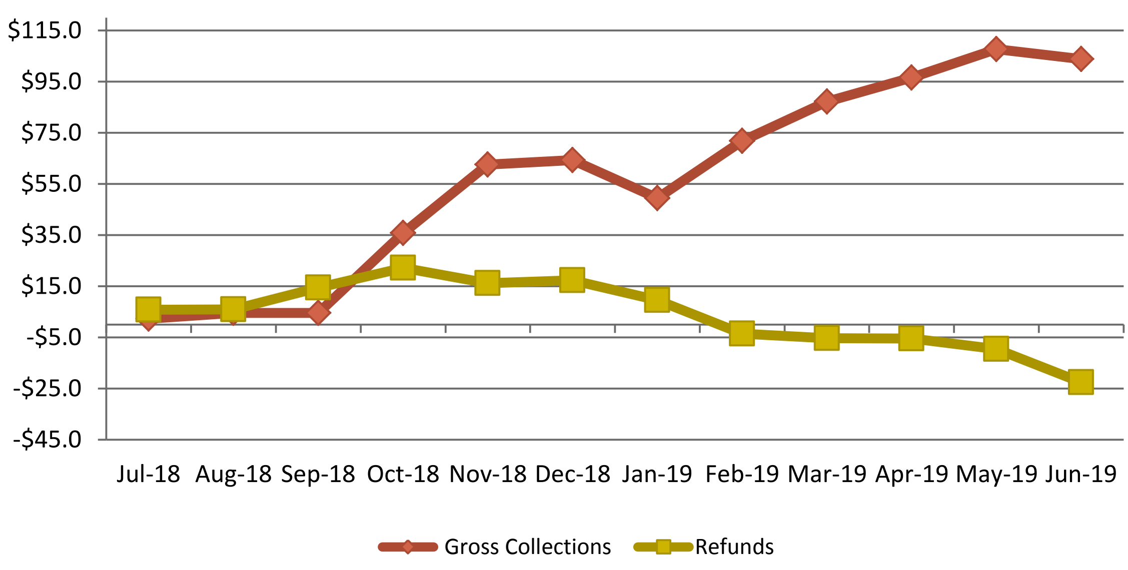
Commercial Activity and Petroleum Activity Taxes

GRF receipts from the CAT in June were $18.6 million, $8.2 million (78.9%) above estimate, and $7.7 million (70.9%) above revenue in June 2018. This performance increased the YTD positive variance of this tax source to $47.7 million (3.0%), up from $39.5 million through May. FY 2019 revenue from the CAT to the GRF totaled $1.63 billion, an amount $106.7 million (7.0%) above revenue in FY 2018.

Under continuing law, CAT receipts are deposited into the GRF (85%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2%). Through June, Fund 7047 and Fund 7081 received $249.2 million and $38.3 million, respectively. The distributions are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF.[9]

In FY 2019, gross collections (i.e., all funds revenue) increased $103.9 million (5.3%) relative to collections in FY 2018. On the other hand, refunds decreased by $22.6 million (14.2%) this fiscal year, resulting in a higher growth rate for GRF receipts. Chart 5, below, provides the cumulative growth in CAT gross collections and refunds this fiscal year relative to corresponding months in FY 2018.

Chart 5: Cumulative Growth in Collections and Refunds in FY 2019
(Relative to FY 2018, $ in millions)



The 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, with revenue from the tax shared between the GRF and the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0). All funds revenue from the PAT was $95.5 million in FY 2019, with $83.9 million of that total deposited in the highway fund.

[9] A cash transfer of $119.7 million was made from Fund 7047 to the GRF at the end of June 2019.

OBM estimated GRF revenue of $6.0 million for the PAT in FY 2019; receipts were almost double that amount, $11.6 million, or $5.6 million (93.5%) above projection. GRF revenue was also $3.8 million (48.0%) above revenue in FY 2018. The PAT's tax base depends on prices of motor fuel, which makes revenue forecasting for this tax difficult, as motor fuel prices have historically been volatile.

Cigarette and Other Tobacco Products Tax

FY 2019 revenue from the cigarette and other tobacco products (OTP) tax totaling $918.2 million was above estimate by $1.2 million (0.1%). This total included $842.0 million from the sale of cigarettes and $76.2 million from the sale of OTP. For the month of June, receipts from this source of $137.2 million were $1.5 million (1.1%) below estimate and also $6.3 million (4.4%) below revenue in June 2018.

FY 2019 receipts from this tax source fell $21.6 million (2.3%) relative to revenues in FY 2018. Receipts from cigarette sales fell $27.8 million (3.2%) while those from the sale of OTP increased $6.2 million (8.9%). On a yearly basis, revenue from the cigarette and OTP tax usually trends downward, generally at a slow pace; this is due to a decline of cigarette revenue, while receipts from the tax on OTP generally increase. The OTP tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base (about 8% of the total tax base) grows with OTP price increases.

Utility-Related Taxes

Utility-related taxes include the public utility tax, the natural gas distribution or MCF tax, and the kilowatt-hour tax. Receipts from these taxes are credited to the GRF. However, half the share of GRF total tax revenue transferred to the PLF is debited against the kilowatt-hour tax for accounting purposes (the other half is debited against the nonauto sales and use tax). Changes in consumption and prices are generally the main determinants of revenue from utility-related taxes.

The public utility tax is imposed on the gross intrastate receipts of some utilities. Companies subject to the tax pay 4.75% of gross receipts, except for pipeline companies which pay 6.75%. Revenues from this tax totaled $143.2 million in FY 2019, $22.2 million (18.3%) more than the estimate and $23.9 million (20.1%) above FY 2018 revenue. Taxes paid by natural gas companies account for most tax receipts from the public utility tax and were 98% of the total in FY 2019. Other classes of utilities that pay this tax include pipelines, waterworks, water transportation, and heating. Companies that pay the public utility 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 $75.9 million in FY 2019, $9.4 million (14.1%) above the estimate and $6.4 million (9.1%) above receipts the previous year.

The kilowatt-hour tax is levied on electric distribution companies with end-users in Ohio. The tax rate depends on the volume of electricity used by the customer. FY 2019 GRF receipts from the kilowatt-hour tax were $343.6 million, $7.4 million (2.1%) below estimate and $1.3 million (0.4%) above receipts in FY 2018. Total FY 2019 kilowatt-hour tax collections (revenues on an all funds basis), net of refunds, were $547.5 million, $10.4 million (1.9%) higher than total collections in FY 2018. Kilowatt-hour tax revenue has fallen in some recent years as electricity usage no longer grows reliably every year.

Foreign and Domestic Insurance Taxes

Insurance taxes are levied on premiums collected by insurance companies. GRF foreign insurance tax receipts (paid by insurance companies whose headquarters are located outside of Ohio) were $296.3 million in FY 2019, $21.3 million (7.8%) above estimate and $19.8 million (7.2%) above receipts in FY 2018. The positive variance in FY 2019 was due to both an increase in taxable premiums and to fewer tax credit claims.

GRF domestic insurance tax receipts (paid by insurance companies whose headquarters are in Ohio) were $276.0 million in FY 2019, $3.0 million (1.1%) below estimate and $2.4 million (0.9%) below receipts in FY 2018. Net revenue from this tax was also influenced by tax credits, but with the effects of credits operating in the opposite direction due to larger tax credit claims this fiscal year.

Financial Institutions and Corporate Franchise Taxes

The financial institutions tax (FIT) is levied on the “total Ohio equity capital” of financial institutions, which includes a firm’s common stock, perpetual preferred stock, surplus, retained earnings, treasury stock, and unearned employee stock ownership plan shares.

In FY 2019, GRF receipts from the FIT of $202.4 million were $1.4 million (0.7%) above estimate and above receipts in FY 2018 by a similar amount and percentage. Gross collections from the tax were 3.7% higher compared to FY 2018, so increases in credit claims restrained FY 2019 GRF revenue growth to only 0.7%. H.B. 510 of the 129th General Assembly eliminated the CFT at the end of 2013 and replaced that tax with the FIT. Unlike the CFT, the FIT has been a more stable revenue source. In the biennium just ended, the total yield of the tax was about $404 million. In the FY 2016-FY 2017 biennium, total receipts from the FIT were about $401 million.

Regarding the CFT, though GRF receipts were not anticipated from this tax, adjustments to tax filings in previous years continue to affect this tax source. These adjustments provided net revenue of $2.1 million, an amount slightly below the $2.2 million received in FY 2018.

Alcoholic Beverage and Liquor Gallonage Taxes

The alcoholic beverage tax applies to sales of beer, malt beverages, wine, and mixed alcoholic beverages. All beverages brewed or fermented from malt products and containing at least 0.5% alcohol by volume are included in the tax base. The tax is levied on a per-container rate depending on the type of beverage sold and tax rates vary greatly.

FY 2019 GRF revenue from the alcoholic beverage tax was $56.3 million, an amount $1.3 million (2.3%) above estimate for the year. Tax revenues for the most recent fiscal year were $0.6 million (1.0%) greater than in FY 2018. In FY 2019, revenue from the beer and malt beverages category was $41.9 million, a decrease of $1.0 million (2.3%) from FY 2018 receipts. During the same time period, revenue from the wine and mixed beverages category was $14.4 million, an increase of $1.6 million (12.5%) from FY 2018 revenue.

The liquor gallonage tax is levied at the rate of $3.38 per gallon of spirituous liquor. This is the equivalent of $0.67 per standard 750 milliliter bottle. Revenue from this tax is deposited into the GRF. GRF revenue from the liquor gallonage tax was $50.3 million in FY 2019, $1.3 million (2.7%) above estimate. Revenue was also $2.2 million (4.6%) above revenue in FY 2018. The shift in consumer demand for alcoholic beverages continues to favor liquor sales. Over the years, the share of combined revenue for all alcoholic beverages coming from the liquor tax rose from 38% in FY 2007 to 47% in FY 2019. 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

GRF revenue from investment earnings was $114.8 million during FY 2019, an amount $34.8 million (43.5%) above estimated revenue. Earnings on investments for the most recent fiscal year were $50.3 million (78.1%) greater than in FY 2018. Higher than anticipated state revenue collections and higher than anticipated average yields contributed to the increase over both the estimate and FY 2018 revenue.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of June 2019
($ in thousands)
(Actual based on OAKS reports run July 1, 2019)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$625,813	$631,711	-$5,898	-0.9%
Higher Education	$180,168	$179,731	$437	0.2%
Other Education	$3,436	$3,009	$427	14.2%
Total Education	**$809,416**	**$814,451**	**-$5,035**	**-0.6%**
Medicaid	$1,206,680	$950,907	$255,773	26.9%
Health and Human Services	$55,133	$45,759	$9,374	20.5%
Total Health and Human Services	**$1,261,813**	**$996,666**	**$265,147**	**26.6%**
Justice and Public Protection	$160,880	$151,515	$9,365	6.2%
General Government	$24,933	$29,102	-$4,169	-14.3%
Total Government Operations	**$185,813**	**$180,617**	**$5,195**	**2.9%**
Property Tax Reimbursements	$50,559	$18,398	$32,160	174.8%
Debt Service	$61,476	$61,758	-$282	-0.5%
Total Other Expenditures	**$112,035**	**$80,157**	**$31,878**	**39.8%**
Total Program Expenditures	**$2,369,077**	**$2,071,891**	**$297,186**	**14.3%**
Transfers Out	**$8,789**	**$500**	**$8,289**	**1657.8%**
Total GRF Uses	**$2,377,866**	**$2,072,391**	**$305,475**	**14.7%**

*August 2018 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 2019 as of June 30, 2019
($ in thousands)
(Actual based on OAKS reports run July 1, 2019)

Program Category	Actual	Estimate*	Variance	Percent	FY 2018**	Percent
Primary and Secondary Education	$8,143,715	$8,133,377	$10,337	0.1%	$7,993,783	1.9%
Higher Education	$2,292,590	$2,303,913	-$11,323	-0.5%	$2,304,821	-0.5%
Other Education	$70,726	$70,929	-$203	-0.3%	$69,789	1.3%
Total Education	**$10,507,031**	**$10,508,220**	**-$1,189**	**0.0%**	**$10,368,393**	**1.3%**
Medicaid	$15,052,848	$15,590,607	-$537,759	-3.4%	$14,482,515	3.9%
Health and Human Services	$1,272,017	$1,313,866	-$41,848	-3.2%	$1,251,797	1.6%
Total Health and Human Services	**$16,324,866**	**$16,904,473**	**-$579,607**	**-3.4%**	**$15,734,312**	**3.8%**
Justice and Public Protection	$2,222,454	$2,214,692	$7,762	0.4%	$2,130,377	4.3%
General Government	$391,270	$393,782	-$2,512	-0.6%	$347,880	12.5%
Total Government Operations	**$2,613,724**	**$2,608,474**	**$5,250**	**0.2%**	**$2,478,257**	**5.5%**
Property Tax Reimbursements	$1,801,184	$1,814,800	-$13,616	-0.8%	$1,802,419	-0.1%
Debt Service	$1,430,790	$1,432,963	-$2,172	-0.2%	$1,343,903	6.5%
Total Other Expenditures	**$3,231,974**	**$3,247,763**	**-$15,788**	**-0.5%**	**$3,146,322**	**2.7%**
Total Program Expenditures	**$32,677,595**	**$33,268,929**	**-$591,334**	**-1.8%**	**$31,727,284**	**3.0%**
Transfers Out	**$773,006**	**$761,233**	**$11,773**	**1.5%**	**$80,034**	**865.9%**
Total GRF Uses	**$33,450,601**	**$34,030,163**	**-$579,562**	**-1.7%**	**$31,807,318**	**5.2%**

*August 2018 estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2018.

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 1, 2019)

	Month of June 2019				Year to Date through June 2019			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,151,370	$905,395	$245,975	27.2%	$14,368,377	$14,913,006	-$544,629	-3.7%
Non-GRF	$881,762	$1,057,125	-$175,363	-16.6%	$9,327,423	$10,132,215	-$804,792	-7.9%
All Funds	$2,033,131	$1,962,520	$70,612	3.6%	$23,695,800	$25,045,221	-$1,349,421	-5.4%
Developmental Disabilities								
GRF	$49,985	$38,673	$11,312	29.2%	$591,759	$590,776	$984	0.2%
Non-GRF	$164,101	$176,257	-$12,156	-6.9%	$2,165,190	$2,402,896	-$237,706	-9.9%
All Funds	$214,085	$214,930	-$844	-0.4%	$2,756,949	$2,993,672	-$236,723	-7.9%
Job and Family Services								
GRF	$4,628	$6,496	-$1,868	-28.8%	$83,834	$78,449	$5,385	6.9%
Non-GRF	$13,587	$16,819	-$3,232	-19.2%	$184,050	$171,705	$12,345	7.2%
All Funds	$18,215	$23,315	-$5,100	-21.9%	$267,884	$250,154	$17,730	7.1%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$698	$342	$355	103.8%	$8,878	$8,377	$501	6.0%
Non-GRF	$4,459	$4,761	-$303	-6.4%	$34,472	$37,706	-$3,233	-8.6%
All Funds	$5,157	$5,104	$53	1.0%	$43,351	$46,083	-$2,732	-5.9%
All Departments:								
GRF	**$1,206,680**	**$950,907**	**$255,773**	**26.9%**	**$15,052,848**	**$15,590,607**	**-$537,759**	**-3.4%**
Non-GRF	**$1,063,908**	**$1,254,961**	**-$191,053**	**-15.2%**	**$11,711,135**	**$12,744,522**	**-$1,033,387**	**-8.1%**
All Funds	**$2,270,588**	**$2,205,868**	**$64,720**	**2.9%**	**$26,763,984**	**$28,335,129**	**-$1,571,146**	**-5.5%**

*September 2018 estimates from the Department of Medicaid.

Detail may not sum to total due to rounding.

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on July 1, 2019)

	Month of June 2019				Year to Date through June 2019			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,519,200**	**$1,453,488**	**$65,712**	**4.5%**	**$16,619,406**	**$17,440,735**	**-$821,329**	**-4.7%**
CFC†	$504,894	$508,628	-$3,733	-0.7%	$5,839,520	$6,047,244	-$207,725	-3.4%
Group VIII	$498,175	$392,460	$105,715	26.9%	$4,282,012	$4,630,976	-$348,964	-7.5%
ABD†	$228,721	$254,828	-$26,107	-10.2%	$2,772,017	$2,929,979	-$157,962	-5.4%
ABD Kids	$73,157	$85,931	-$12,774	-14.9%	$905,163	$982,762	-$77,599	-7.9%
MyCare	$214,253	$211,641	$2,612	1.2%	$2,583,938	$2,484,565	$99,373	4.0%
P4P & Insurer Fee†	$0	$0	$0		$236,757	$365,210	-$128,454	-35.2%
Fee-For-Service	**$557,609**	**$574,943**	**-$17,334**	**-3.0%**	**$8,026,827**	**$8,705,063**	**-$678,236**	**-7.8%**
ODM Services	$348,403	$365,184	-$16,781	-4.6%	$4,265,271	$4,675,607	-$410,336	-8.8%
DDD Services	$209,206	$209,759	-$553	-0.3%	$2,664,768	$2,895,128	-$230,360	-8.0%
Hospital - HCAP†	$0	$0	$0		$634,610	$635,291	-$680	-0.1%
Hospital - Other	$0	$0	$0		$462,178	$499,038	-$36,860	-7.4%
Premium Assistance	**$92,566**	**$99,271**	**-$6,705**	**-6.8%**	**$1,073,078**	**$1,164,016**	**-$90,938**	**-7.8%**
Medicare Buy-In	$54,141	$59,979	-$5,838	-9.7%	$616,507	$690,329	-$73,822	-10.7%
Medicare Part D	$38,425	$39,293	-$867	-2.2%	$456,571	$473,687	-$17,117	-3.6%
Administration	**$101,214**	**$78,166**	**$23,048**	**29.5%**	**$1,044,672**	**$1,025,315**	**$19,357**	**1.9%**
Total	**$2,270,588**	**$2,205,868**	**$64,720**	**2.9%**	**$26,763,984**	**$28,335,129**	**-$1,571,146**	**-5.5%**

*September 2018 estimates from the Department of Medicaid.

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

Detail may not sum to total due to rounding.

Expenditures[10]

– Melaney Carter, Assistant Director

– Ivy Chen, Principle Economist

Overview

GRF program expenditures totaled $32.68 billion in FY 2019, $591.3 million below the estimate released by OBM in August 2018. Seven of the nine program categories were below the OBM estimates for the fiscal year, but Medicaid's negative variance of $537.8 million was by far the most significant, representing 90.9% of the total negative variance in program expenditures.

Program expenditures constitute the majority of GRF uses, but GRF uses also include transfers out. FY 2019 GRF transfers out were $773.0 million, including a transfer of $657.5 million into the BSF at the beginning of the fiscal year. Transfers out were $11.8 million above estimate for the year. Including both program expenditures and transfers out, FY 2019 GRF uses totaled $33.45 billion, $579.6 million (1.7%) below OBM's August 2018 estimate. Tables 3 and 4 show GRF uses for the month of June and for FY 2019, respectively.

Other than Medicaid, three program categories registered negative variances in excess of $5 million: Health and Human Services ($41.8 million), Property Tax Reimbursements ($13.6 million), and Higher Education ($11.3 million). The two categories with positive FY 2019 variances were Primary and Secondary Education ($10.3 million) and Justice and Public Protection ($7.8 million). These variances will be briefly discussed below.

In addition, state agencies encumbered $314.1 million in GRF appropriations for expenditure in FY 2020, $7.8 million lower than the estimated year-end encumbrances of $321.9 million made by OBM in August 2018. The "**Encumbrances**" section of this report provides additional information on FY 2019 actual year-end encumbrances.

Medicaid

GRF Medicaid expenditures were $255.8 million (26.9%) above the monthly estimate for June but $537.8 million (3.4%) below estimates YTD. Non-GRF Medicaid expenditures were below both their monthly and YTD estimates, by $191.1 million (15.2%) and $1,033.4 million (8.1%), respectively. Including both the GRF and non-GRF, all funds Medicaid expenditures were $64.7 million (2.9%) above estimate in June but $1,571.1 million (5.5%) below estimate for the year. As a joint federal-state program, both GRF and non-GRF Medicaid expenditures contain federal and state dollars.

The positive GRF variance for the month of June is primarily due to a $181.0 million (approximately $20.0 million state share) managed care payment, which was made by the Ohio Department of Medicaid (ODM). The payment is due to an adjustment made to managed care companies' capitation rates primarily related to the Group VIII population. The rates managed

[10] This report compares actual monthly and YTD expenditures from the GRF to OBM's estimates. If a program category's actual expenditures were higher than estimate, that program category is deemed to have a positive variance. The program category is deemed to have a negative variance when its actual expenditures were lower than estimate.

care companies receive for this population increased from approximately $615 to $665 per month (about 8%) for CY 2019. The $181.0 million payment made in June includes retroactive adjustments made to the payments for the months of January through May.

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other “sister” agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they also account for the vast majority of variances in Medicaid expenditures. The other six agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining one percent of the total Medicaid budget. Unlike ODM and ODODD, the six “sister” agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for three of the four payment categories. Managed Care had the largest overall negative variance of $821.3 million (4.7%), followed by Fee For Service (FFS, $678.2 million, 7.8%) and Premium Assistance ($90.9 million, 7.8%). The fourth category, Administration, went from a negative YTD variance of $3.7 million at the end of May to end the year with a positive variance of $19.4 million.

Expenditures from all Managed Care categories were below their YTD estimates except for MyCare, which had a positive YTD variance of $99.4 million (4.0%). MyCare is a managed care program for Ohioans who are eligible for both Medicaid and Medicare. Group VIII had the largest negative YTD variance within the Managed Care category at $349.0 million (7.5%), followed by CFC (Covered Families and Children) at $207.7 million (3.4%), ABD (Aged, Blind, and Disabled) at $158.0 million (5.4%), and P4P & Insurer Fee (Pay for Performance and Health Insurer Fee) at $128.5 million (35.2%). The negative variances for Group VIII and CFC were mainly due to lower than expected caseloads. For FY 2019, the average monthly managed care caseloads for Group VIII and CFC were 8.7% (55,000) and 2.2% (34,000), respectively, below estimates. Finally, $67.5 million of the $128.5 million negative YTD variance in the P4P & Insurer Fee category was due to lower than expected payments in the Pay for Performance Program. The remaining $61.0 million was due to lower than anticipated Health Insurer Fee payments. The Health Insurer Fee – a source of funding for the marketplaces under the federal Affordable Care Act (ACA) – is a tax by the federal government on certain entities that provide health insurance. The tax applies to Medicaid managed care companies and is incorporated into Ohio’s Medicaid managed care capitation rates.

Expenditures from all FFS categories were below their YTD estimates. The ODM Services category accounted for $410.3 million (60.5%) of the total negative YTD variance in FFS. This variance was primarily due to lower than expected FFS caseloads. Beginning January 1, 2018, newly eligible individuals are removed from FFS and enrolled onto managed care shortly after receiving Medicaid benefits. Previously, when ODM prepared the estimates, newly eligible individuals could remain in the FFS system for several weeks while they decided which managed care plan in which to enroll. ODODD’s FFS expenditures (“DDD Services” in Table 6) were below estimate by $230.4 million (34.0% of the total FFS variance) YTD. Hospital-related payments accounted for the remainder ($37.5 million, 5.5%) of the FFS category’s total negative YTD variance.

Expenditures from Medicare Buy-In and Medicare Part D, the two premium assistance payment categories, have been below estimates all year long. The negative variances in both categories have grown somewhat most months. Medicare Buy-In helps certain Medicare eligible individuals who have limited income to pay Medicare premiums, deductibles, and coinsurance. Medicare Part D pays the federal government back ("claw back") the prescription drug costs for individuals who are eligible for both Medicaid and Medicare.

Health and Human Services

Spending in the Health and Human Services category totaled $1.27 billion in FY 2019, $41.8 million (3.2%) below the estimates made in August 2018. Over half of this variance ($28.2 million) was incurred by the Ohio Department of Job and Family Services (ODJFS). Spending from each of ODJFS's GRF appropriation items was either on or below estimate. The largest variances were in items 600521, Family Assistance – Local, ($7.3 million); 600416, Information Technology Projects ($6.2 million); 600423, Families and Children Programs ($3.6 million); 600321, Program Support ($3.2 million); and 600523, Family and Children Services ($3.1 million). ODJFS encumbered funds for expenditure in FY 2020 in all of these items. Two other agencies with smaller but significant negative variances were the Department of Health (ODH) and the Department of Mental Health and Addiction Services (OhioMHAS), with FY 2019 variances of $7.4 million and $5.7 million, respectively.

Property Tax Reimbursements

As expected, the Property Tax Reimbursements category finished the fiscal year with a negative variance of $13.6 million (0.8%), despite the fact that the category's June expenditures were $32.2 million (174.8%) above estimate. The category exhibited several significant positive and negative monthly variances during the fiscal year.

Higher Education

The Department of Higher Education (DHE) ended FY 2019 with a negative variance of $11.3 million (0.5%). This negative variance was dominated by negative variances of $5.0 million in item 235438, Choose Ohio First Scholarship, and $4.0 million in item 235563, Ohio College Opportunity Grant. These were also the two items with DHE's largest year-end encumbrances.

Primary and Secondary Education

Although the Primary and Secondary Education program category had negative monthly variances for the last three months of the fiscal year, it still ended the year $10.3 million above the OBM estimate. This positive variance was driven by a positive variance of $23.0 million in item 200550, Foundation Funding, which provides the state's primary financial support to public schools. Item 200437, Student Assessment, also had a positive variance for the fiscal year ($2.1 million). These positive variances were partially offset by negative variances in most of the Ohio Department of Education's (ODE's) other appropriation items, including items 200540, Special Education Enhancements, ($3.5 million); 200573, EdChoice Expansion, ($3.1 million); and 200408, Early Childhood Education, ($2.6 million).

Justice and Public Protection

The Justice and Public Protection program category ended the year above estimate by $7.8 million (0.4%). This variance was caused by a positive variance for the Department of Rehabilitation and Correction (DRC) of $14.8 million that was offset by negative variances in most of the other agencies in this category, especially a negative variance of $4.3 million for the Judiciary/Supreme Court (JSC). DRC's positive variance for the fiscal year came primarily from item 501321, Institutional Operations, which was above estimate by $17.9 million. This positive variance was partially offset by a negative variance of $3.2 million for item 505321, Institution Medical Services. JSC's negative variance occurred in item 005321, Operating Expenses – Judiciary/Supreme Court. Item 005321 is used to pay the operating expenses of the Ohio Supreme Court and the state's courts of appeal as well as the state's share of salaries in county courts.

Encumbrances

As of June 30, 2019, state agencies encumbered a total of $314.1 million in GRF appropriations for expenditure in FY 2020. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they lapse. An agency may encumber appropriations 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 2019. However, small encumbrances remain from as early as FY 2011.

FY 2019 Year-End Encumbrances by Fiscal Year for Which Appropriations Were Originally Made		
Fiscal Year	**Amount ($ in thousands)**	**Percentage of Total**
2011-2015	$563	0.2%
2016	$1,118	0.4%
2017	$5,221	1.7%
2018	$34,078	10.8%
2019	$273,161	87.0%
Total	**$314,141**	**100.0%**

The encumbrance amounts vary greatly from agency to agency. As shown in the following table, ODE has the largest encumbrance amount at $67.2 million, 21.4% of the total. ODJFS is a close second with an encumbrance of $64.1 million (20.4%). The next four agencies with the largest encumbrances are ODM at $34.7 million (11.1%), DHE at $33.8 million (10.8%), DRC at $28.7 million (9.1%), and the Development Services Agency (DSA) at $17.7 million (5.6%). Thirty-seven other agencies encumbered the remaining $68.0 million (21.6%).

FY 2019 Year-End Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Education	$67,181	21.4%
Job and Family Services	$64,140	20.4%
Medicaid	$34,735	11.1%
Higher Education	$33,777	10.8%
Rehabilitation and Corrections	$28,672	9.1%
Development	$17,668	5.6%
Other	$67,968	21.6%
Total	**$314,141**	**100.0%**

Ohio Department of Education

ODE encumbered $67.2 million for expenditure in FY 2020. Three appropriation items with significant encumbrances are: (1) item 200550, Foundation Funding, at $22.5 million, (2) item 200437, Student Assessment, at $15.3 million, and (3) item 200408, Early Childhood Education, at $15.2 million. These three items account for $53.1 million (79.0%) of ODE's total encumbrances. The remaining $14.1 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 costs related to the state's standardized tests. Funds encumbered in item 200408 will be used to pay providers for early childhood education services to children from lower income families.

Ohio Department of Job and Family Services

ODJFS encumbered $64.1 million for expenditure in FY 2020. Encumbrances in six appropriation items account for $54.0 million (84.2%) of the total. These six items are: (1) item 600416, Information Technology Projects, at $13.8 million, (2) item 655523, Medicaid Program Support – Local Transportation, at $12.8 million, (3) item 655522, Medicaid Program Support – Local, at $8.3 million, (4) item 600321, Program Support, at $7.0 million, (5) item 600521, Family Assistance – Local, at $6.1 million, and (6) item 600533, Child, Family, and Community Protective Services, at $5.9 million.

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 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 600321 are mainly for contracts with vendors to provide administrative support to ODJFS programs. Funds encumbered in item 600521 will be used to provide the state's share of county administration costs for public assistance programs. Finally, encumbrances in item 600533 will be used primarily to provide funding to county agencies for community protective services.

Ohio Department of Medicaid

ODM encumbered a total of $34.7 million for expenditure in FY 2020, including $30.7 million in item 651425, Medicaid Program Support – State, and $4.0 million in item 651525, Medicaid/Health Care Services. Funds encumbered in item 651425 will be used 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.

Department of Higher Education

DHE encumbered $33.8 million for expenditure in FY 2020. The majority ($30.0 million) of the total was encumbered in item 235438, Choose Ohio First Scholarship, to pay the state's obligations to scholarship recipients. Another $1.5 million was encumbered in item 235563, Ohio College Opportunity Grant; these funds will be used for need-based financial aid.

Department of Rehabilitation and Correction

DRC encumbered $28.7 million for expenditure in FY 2020, of which $16.5 million occurred in item 501321, Institutional Operations, and another $9.7 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 expenditures at DRC and institutions. Funds encumbered in item 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Development Services Agency

DSA encumbered $17.7 million for expenditure in FY 2020. Over half ($10.8 million) was encumbered in item 195453, Technology Programs and Grants. These funds will primarily provide the state match for the federal Manufacturing Extension Partnership Program.

Issue Updates

FY 2019 Operating and Capital Expenditures Total $71 Billion

– Melaney Carter, Assistant Director

In FY 2019, the state of Ohio incurred a total of $71.00 billion in operating and capital expenditures. As seen from Table A, $65.56 billion (92.3%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $3.95 billion (5.6%) and $1.16 billion (1.6%), respectively. The remaining $338.4 million (0.5%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

Table A. FY 2019 Operating and Capital Expenditures by Budget		
Budget	**Amount**	**% of Total**
Main Operating	$65,555,994,367	92.3%
Transportation	$3,945,220,179	5.6%
Capital	$1,163,301,188	1.6%
Workers' Compensation	$338,368,729	0.5%
Total	**$71,002,884,462**	**100.0%**

Table B shows FY 2019 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 2019, 86.2% ($28.16 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 $47.56 billion (67.0%).

The vast majority of the expenditures incurred under the Capital Item category – $3.48 billion (4.9%) 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 2019 debt service payments totaled $339.0 million (1.0%) for the GRF and $1.79 billion (2.5%) across all funds.

For FY 2019, state payroll costs (including both salaries and fringe benefits) amounted to $4.87 billion (6.9%) across all funds, of which $2.14 billion was supported by the GRF. In addition to Payroll, spending that is commonly referred to as the state government's operating expenses also include expenditures incurred under the Purchased Personal Services, Supplies and Maintenance, and Equipment categories. For FY 2019, the state government's operating expenses totaled $8.41 billion across all funds, of which $3.06 billion came from the GRF. In percentage terms, these amounts represent 11.8% and 9.4% of the respective totals.

Table B. FY 2019 Operating and Capital Expenditures by Account Category				
Account Category	GRF Only	% of Total	All Funds	% of Total
500 - Payroll	$2,144,869,508	6.6%	$4,868,266,948	6.9%
510 - Purchased Personal Services	$463,892,183	1.4%	$1,556,615,503	2.2%
520 - Supplies and Maintenance	$440,026,359	1.3%	$1,824,857,183	2.6%
530 - Equipment	$10,032,462	0.0%	$159,304,334	0.2%
550 - Subsidies Shared Revenue	$28,164,414,244	86.2%	$47,563,296,196	67.0%
560 - Goods and Services for Resale	$0	0.0%	$99,712,945	0.1%
570 - Capital Items	$85,891	0.0%	$3,479,918,672	4.9%
590 - Judgments, Settlements and Bonds	$5,087,115	0.0%	$19,667,417	0.0%
591 - Debt Service	$339,023,466	1.0%	$1,786,813,908	2.5%
595 - Transfers and Non-Expense	$1,110,163,599	3.4%	$9,644,431,355	13.6%
Total	**$32,677,594,827**	**100.0%**	**$71,002,884,462**	**100.0%**

Attorney General Report Shows Nearly 20,000 Children Reported Missing in 2018

– Robert Meeker, Budget Analyst

On May 24, 2019, the Attorney General's Office released the Ohio Missing Children Clearinghouse Report for 2018. According to the report, 19,879 children were reported missing in 2018, a reduction of 164 (1%) from the 20,043 children reported missing in 2017. In 2018, over 98% of children reported missing were recovered safely by the end of the year. The report also shows that there were 19 attempted child abductions in 2018, a reduction of 22 (54%) compared to 2017.

Of the nearly 20,000 children reported missing in 2018, 54% (10,643) were female and 46% (9,236) were male; 93% (18,465) were between the ages of 13 and 17, 6% (1,237) were between the ages of six and 12, and 1% (177) were younger than six. The number of children reported missing per county ranged from a high of 5,769 reports in Franklin County to no reports in both Monroe and Putnam counties. The table below shows the rate of missing child reports per 100,000 residents for the ten Ohio counties with the highest rates in 2018.

Counties with the Highest Rate of Children Reported Missing per 100,000 Residents, 2018					
County	Missing Children Reported per 100,000 People	Number of Missing Children Reports	County	Missing Children Reported per 100,000 People	Number of Missing Children Reports
Franklin	456.2	5,769	Richland	252.7	306
Mahoning	308.7	710	Allen	243.9	253
Montgomery	282.9	1,503	Cuyahoga	224.5	2,805
Shelby	279.7	136	Clark	204.0	275
Lucas	277.5	1,200	Summit	198.2	1,071

Note: County population data based on 2016 Census Bureau Population Estimates

The Ohio Missing Children's Clearinghouse was established in 1993 and is operated by the Ohio Missing Persons Unit, a part of the Bureau of Criminal Investigation. The Clearinghouse acts as a central repository for statistics and information about missing children in Ohio.

ODE Awards $1.8 Million in School Climate Grants

– Jason Glover, Budget Analyst

In April 2019, ODE awarded $1.8 million in competitive school climate grants for 359 public schools. The grant program, created in H.B. 318 of the 132nd General Assembly and supported by lottery profits, assists public schools in implementing positive behavioral intervention and supports frameworks, evidence- or research-based social and emotional learning initiatives, or both in buildings that serve any of grades K-3. According to ODE guidance, the grant funds may be used for training programs, supplies for training, contracted services, salaries and benefits for personnel attending training, and transportation expenses for attending training.

Applicants could receive grant awards of up to $5,000 per eligible school building with a maximum of $50,000 per district. H.B. 318 prioritized grant awards first to eligible buildings whose percentage of economically disadvantaged students is greater than the statewide average percentage of those students (determined by ODE to be 50.3% based on report card data) and then to eligible school buildings with high suspension rates (determined by ODE to be an out-of-school suspension rate above 13%, the average rate for all eligible buildings). Of the 359 buildings supported by a grant, 292 are traditional public schools within 110 different school districts and 67 are community schools. Sixty-one (55.5%) of the school districts receiving a grant will use the funding to serve more than one building, including four districts (Cincinnati City SD, Dayton City SD, Lorain City SD, and Toledo City SD) that received the maximum amount for ten schools each. The full list of recipients is available online at: http://education.ohio.gov/Topics/Student-Supports/Creating-Caring-Communities.

DHE Awards $385,000 for Foster Care Youth in Short-term Certificate Programs

– Edward Millane, Senior Budget Analyst

In May 2019, DHE awarded a total of $385,000 to 16 community colleges and three state universities to provide financial aid to students from the foster care system that enroll in a short-term certificate program.[11] According to DHE, each of the 19 institutions received an award of approximately $20,260 to assist eligible foster care students with the cost of programs in which a student earns a certificate or an industry-recognized credential for an in-demand job in less than one year. The grants for foster care youth are a portion of a larger program that provides up to $1,000 in need-based financial aid to cover tuition and approved fees for students in short-term certificate programs at state institutions. H.B. 49 of the 132nd General Assembly funds the short-term certificate program in FY 2019 with $5.0 million in casino licensing fees appropriated from Fund 5NH0 appropriation item 235517, Short-Term Certificates.

Criminal Justice Services Awards $3.8 Million in Ohio Drug Law Enforcement Fund Grants

– Maggie West, Senior Budget Analyst

On May 6, 2019, the Office of Criminal Justice Services (OCJS) awarded $3.8 million in Ohio Drug Law Enforcement Fund grants to 42 drug task forces across the state. The grantees include a mix of counties (34), cities (7), and townships (1) with individual awards ranging from $6,565 (Meigs County) to $250,000 (city of Cleveland). 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 the counties in which one or more drug task forces received awards for the 12-month grant period beginning July 1, 2019, the number of grant awards per county, and the total amount of funding received.

[11] A complete list of the 19 community colleges and universities is available online at: https://www.ohiohighered.org/press/chancellor_announces_grants_support_foster_youth.

Ohio Drug Law Enforcement Fund Grant Awards by County*					
County	**Award**	**County**	**Award**	**County**	**Award**
Allen	$95,377	Hardin	$6,810	Portage	$13,639
Auglaize	$79,468	Jefferson	$8,798	Richland	$230,949
Brown	$7,485	Lake	$108,075	Ross	$134,619
Butler	$26,458	Lawrence	$71,461	Sandusky	$8,335
Clermont	$115,890	Licking	$187,978	Stark	$174,581
Columbiana	$86,409	Logan	$7,538	Summit	$229,311
Cuyahoga (3)	$428,503	Lorain	$150,136	Trumbull	$116,213
Defiance	$117,319	Lucas	$28,442	Tuscarawas	$14,602
Delaware	$119,533	Mahoning	$133,483	Warren	$125,152
Fairfield	$126,077	Medina	$107,647	Washington	$9,947
Franklin	$50,000	Meigs	$6,565	Wayne	$88,608
Greene	$104,104	Montgomery	$40,983	**Total**	**$3,791,055**
Hamilton (4)	$366,023	Ottawa	$64,538		

*Unless otherwise noted, one drug task force in the county received a grant

Note: Numbers do not add to total due to rounding

NEOMED Receives $500,000 Grant for Medical School Curriculum

– Ryan Sherrock, Economist

In May 2019, OhioMHAS awarded Northeast Ohio Medical University (NEOMED) a $500,000 grant to develop a medical school curriculum on pain management and opioid use disorder treatment. NEOMED will work with the other six Ohio medical schools, which are named as sub-awardees, in the development of the curriculum. As concerns pain management, the curriculum is to cover the role of the physician in the diagnosis and management of pain; ethical issues; and developing plans for pain management that encompass general principles, pharmacology, surgery, physical therapy, and alternative medicine. As regards treatment of opioid use disorder (OUD), the curriculum is to cover the link between pain and addiction, assessment and diagnosis of OUD, developing a plan for OUD, which may include medication-assisted treatment, and the stigma surrounding the disorder. Once developed, the curriculum will be implemented across all medical schools in Ohio and will be used to train 11,000 medical students each year.

The project is being funded with federal State Opioid Response funds received from the U.S. Substance Abuse and Mental Health Services Administration. The Department is using these funds for a variety of projects aimed at responding to the opioid crisis. These projects include: increasing access to medication-assisted treatment, recovery supports, and naloxone; improving professional training to deal with opioid epidemic responses; and developing employment opportunities for persons in recovery from OUD.

ODH Announces Funding for Hepatitis A Outbreak

– Jacquelyn Schroeder, Budget Analyst

On May 23, 2019, ODH announced that it will make $650,000 available to help local health departments address a hepatitis A outbreak in Ohio. The funds will be used to help prevent and control hepatitis A through education, surveillance, and vaccination of high-risk groups. While all 113 local health departments are eligible to apply for funding, ODH will make allocations based on the needs of each local health department. When determining allocations, ODH will consider a number of factors including the number of individuals evaluated for hepatitis A, number of diagnoses, and vaccinations given in each jurisdiction. The funds to support this come from GRF appropriation items 440483, Infectious Disease Prevention and Control, and 440477, Emergency Preparedness and Response.

In June 2018, Ohio was one of several states that declared a statewide hepatitis A outbreak. As of June 10, 2019, a total of 3,039 hepatitis A cases in 79 counties have been confirmed. Of these, 1,821 individuals have been hospitalized and ten deaths have occurred. Nationally, since 2016, there have been over 19,000 cases reported and 185 deaths in 22 states. According to the Centers for Disease Control and Prevention (CDC), the best preventative measures against hepatitis A are vaccination and practicing good hygiene, primarily hand washing. Symptoms of the virus include fever, fatigue, loss of appetite, nausea, vomiting, and abdominal pain, among others. According to the CDC, the recent outbreaks have spread through person-to-person contact primarily among individuals who use drugs or are homeless and their close contacts.

Shawnee State Forest Expands by More than 1,200 Acres Under the Forest Legacy Program

– Tom Wert, Budget Analyst

On June 6, 2019, the Department of Natural Resources (DNR) announced that more than 1,200 acres would be added to Shawnee State Forest in Scioto and Adams counties. The additional acreage is being acquired through the Forest Legacy Program (FLP), a national program of the U.S. Department of Agriculture (USDA) Forest Service. The program aims to protect working forests from being converted to nonforest use. Under the program, approved landowners enter into a conservation agreement with DNR that includes a management plan stating clearly identified management goals that incorporate timber harvesting as an essential management tool. Although landowners maintain ownership and control of the land, the property must remain forested and managed under the terms of the agreement in perpetuity.

In exchange for entering the agreement, landowners receive a payment based on two land appraisals. The first appraisal is valued without the conservation agreement restrictions and the second with those restrictions in place, with the landowner receiving the difference between the two amounts. Payment is made by the FLP and requires a 25% match. Matching amounts may be donated by the landowner or contributed by land trusts or other parties.

Performance Audit of State Fleet Management Identifies Potential Costs Savings

– Terry Steele, Senior Budget Analyst

On June 6, 2019, the Auditor of State released the results of a performance audit that reviewed the operations of the Office of Fleet Management under the Department of Administrative Services (DAS). The final report identified recommendations in four areas that, if adopted, could yield savings of approximately $5.7 million in the first year of implementation and nearly $3.2 million annually thereafter. The bulk of the potential savings would come from (1) refining the "breakeven" calculation used to determine when it is more cost effective to use state vehicles rather than reimburse employees for personal vehicle mileage and (2) imposing stricter guidance on fleet utilization for the seven state agencies that have authority to manage their own fleets. These recommendations are summarized in the table below.

Office of Fleet Management Performance Audit Summary		
Recommendation Area	**First Year Savings**	**Future Annual Savings**
Breakeven mileage	$3,404,100	$1,178,900
Self-manage agency authority	$1,846,600	$1,846,600
Pool fleet consolidation	$254,200	$107,400
GPS/telematics fleet monitoring	$171,400	$40,800
Total	**$5,676,300**	**$3,173,700**

DAS's Office of Fleet Management is funded through the Fleet Management Fund (Fund 1220), which is supported by charges to state agencies for the use of vehicles and related functions. The Office consists of an administrator and ten full-time staff. Appropriations for fleet services are $12.8 million in FY 2019.

Tracking the Economy

– Eric Makela, Economist

Overview

National nonfarm payroll employment rose by 224,000 during June, and the unemployment rate increased by 0.1 percentage point to 3.7%. During the month, 37,000 people gained jobs in goods-producing industries, while 154,000 people were added to payrolls in the private service-producing sector. The U.S. Bureau of Economic Analysis (BEA) reported that inflation-adjusted gross domestic product (real GDP) grew by 3.1% in the first quarter of 2019. Privately owned housing starts increased at a seasonally adjusted rate of 0.9% in May. Industrial production increased by 0.4% in May after contracting 0.4% in April.

Ohio's economy lost 3,900 nonfarm wage and salary jobs during the month of May, but employment was up by 42,900 (0.8%) year over year. The state unemployment rate dropped by 0.1 percentage point and now stands at 4.1%. The personal income (PI) of Ohioans rose by 3.5% during the first quarter of 2019; this growth was the slowest rate among neighboring states[12] but slightly higher than the national rate of 3.4%. The housing market in Ohio is approximately on pace with last year's results; YTD sales of existing homes through May are 0.9% higher than during the corresponding months of 2018.

In its most recent meeting ending June 19, 2019, the Federal Reserve Bank Open Market Committee (FOMC) chose to maintain the federal funds interest rate between 2.25% and 2.50%. The committee cited a strong labor market and inflation near its 2.0% objective. According to a Federal Reserve press release,[13] although "growth of household spending appears to have picked up from earlier in the year, indicators of business fixed investment have been soft."

The National Economy

Real GDP for the U.S. states grew at an annual rate of 3.1% in the first quarter of 2019, according to the third estimate from the BEA. This result follows an increase of 2.2% in real GDP during the fourth quarter of 2018. Personal consumption expenditures, the largest single component of GDP, increased at a modest 0.9% seasonally adjusted rate during the first quarter of this year. GDP growth was driven primarily by exports, which grew at a seasonally adjusted 5.4% rate, nonresidential fixed investment (4.4%), and investment in inventories.

Nonfarm payroll employment increased by 224,000 workers in June, and the national unemployment rate increased by 0.1 percentage point to 3.7%. Through June, the average monthly rise in the number of jobs has been 172,000, compared with 235,000 through June in 2018. Chart 6 shows U.S. employment and unemployment; the national level of employment currently sits at an all-time high.

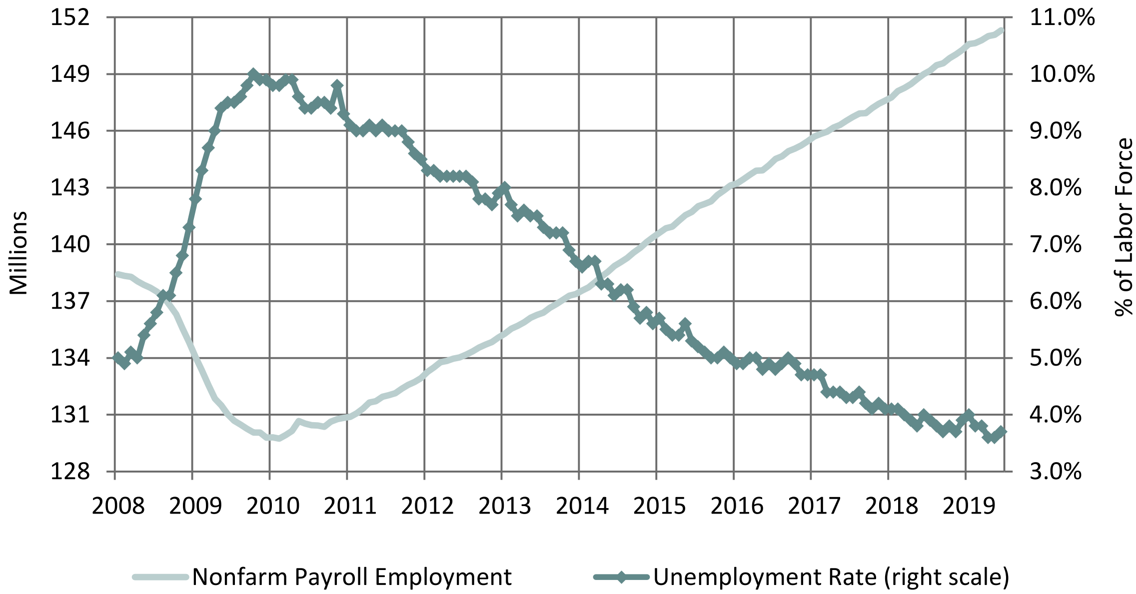
In June, notable job gains occurred in professional and business services (+51,000), health care (+35,000), and transportation and warehousing (+24,000). Nationally, employment in construction (+21,000) and manufacturing (+17,000) also increased during the

[12] PI in Pennsylvania also grew at a 3.5% rate in the first quarter, after rounding.

[13] https://www.federalreserve.gov/monetarypolicy/files/monetary20190619a1.pdf.

month. Governments at all levels added 33,000 employees to their payrolls in June. In total, goods-producing industries added 37,000 workers in June while private service-providing industries added 154,000 workers.

Chart 6: U.S. Employment and Unemployment



PI, measured as income received by all persons from all sources, increased by 0.5% in May according to the BEA. PI barely grew during the first quarter of 2019, and rose just 0.1% in March 2019, but has since grown by 0.5% in both April and May. The wages and salaries portion of PI increased by 4.3% in all of 2018, following growth of 4.6% in 2017.[14]

According to the U.S. Census Bureau and U.S. Department of Housing and Urban Development,[15] the number of seasonally adjusted, privately owned housing starts declined 4.7% between May 2018 and May 2019. Housing starts nationally were a seasonally adjusted 0.9% lower in May than in April. In the Midwest region, privately owned, seasonally adjusted housing starts were 33.1% lower in May 2019 than a year prior, the largest regional decline in the nation over that period.[16]

The consumer price index (CPI) increased by a seasonally adjusted 0.1% in May, after a 0.3% increase in April. Over the last year, the CPI for all items has risen 1.8%. The CPI for energy commodities decreased 0.3% from May 2018 to May 2019, while the CPI for energy services decreased 0.7% over the same time.[17] Over the past 12 months, the price index for shelter has risen by 3.3%, and the price index for medical care services has risen by 2.8%.

[14] Wages and salaries based on current dollars, not adjusted for inflation.

[15] https://www.census.gov/construction/nrc/index.html.

[16] The Midwest region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

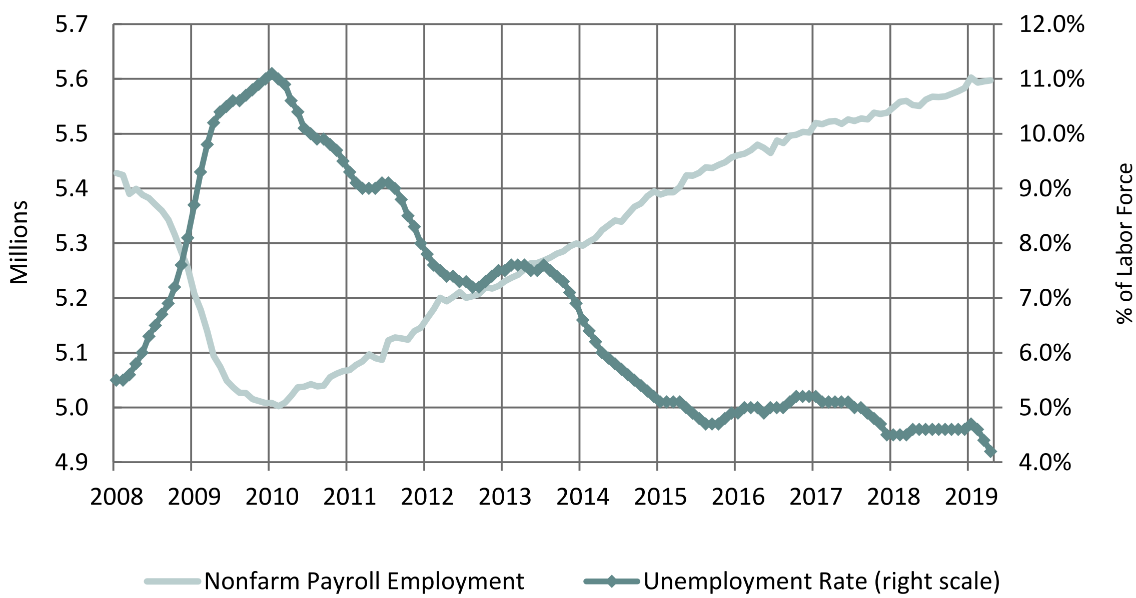
[17] Energy commodities include gasoline (all types) and fuel oil; energy services include electricity and utility (piped) gas service.

Industrial production, as measured by the Federal Reserve's Industrial Production Index (IPI), increased by 0.4% in May after decreasing by 0.4% in April. The manufacturing IPI increased by 0.2% in May and is up 0.7% from one year ago. Between May 2018 and May 2019, mining production in the U.S. increased by 10.0%. Industrial capacity, a measure of the percentage of available resources currently being utilized in an industrial production process, is currently 78.1%, the same level as in May 2018.

The Ohio Economy

Ohio's economy lost approximately 3,900 nonfarm payroll jobs during May (-0.1%), and the state's unemployment rate decreased by a seasonally adjusted 0.1 percentage point to 4.1%, Ohio's lowest measured unemployment rate since June 2001.[18] The number of unemployed Ohioans decreased by 8,000 in May to 239,000. Chart 7 shows Ohio employment and unemployment.

Chart 7: Ohio Employment and Unemployment



Among private sector establishments, approximately 2,000 jobs were lost in May in the construction industry, while 2,400 manufacturing jobs were added. The private service-providing sector lost 3,400 jobs; losses were measured in educational and health services (-2,400), financial activities (-1,500), other services (-1,000), and information (-600). Service industries which added jobs in May include leisure and hospitality (+1,200), trade, transportation and utilities (+700), and professional and business services (+200). The number of government workers in Ohio decreased by 800 during the month due to job cuts by local governments.

[18] Ohio's April unemployment rate was adjusted down to 4.2%, from the Bureau of Labor Statistics' previous estimate of 4.3%.

In Ohio, PI rose at a 3.5% annual rate in the first quarter of 2019, the second slowest in the Great Lakes census region. Growth in PI nationally grew 3.4%. Net earnings, equal to wage and salary compensation plus proprietors' income minus contributions for public social insurance, increased at an annual 2.7% rate. Dividends, interest, and rent income decreased in all states over the quarter.

The number of existing home sales in Ohio was 3.5% higher in May 2019 than May 2018. The total dollar value of home sales during May was approximately $3.1 billion, around 10.8% higher that month than a year prior. The number of existing home sales YTD through May was 0.9% higher than the pace set during 2018. During that time period, the average sale price of an existing home in Ohio increased around $10,000, or 5.8%.

According to the most recent estimates from the U.S. Census Bureau, Ohio's residential population increased by 25,313 between surveys conducted in 2017 and 2018. In terms of population flows, the largest gain in Ohio was found in Franklin County, which added 14,594 residents, and the largest loss of population was in Cuyahoga County, which lost 4,514 residents. The county with the largest percentage increase in population was Delaware County, which saw its resident population grow by 2.14%. The county with the largest percentage decrease in population was Athens County, where the resident population shrank by 1.27%. A complete list of county population changes can be found on the Ohio DSA's website.[19]

The cost of living in Ohio compares favorably to most states, according to the most recent data on regional price parity.[20] The BEA calculates regional price parities by combining CPI data with county-level data on housing rents from the American Community Survey. Ohio's 2017 regional price parity index ranked 44th in the country, meaning the state ranks in the top ten most affordable states as measured by residents' ability to purchase a representative household's mix of goods and services. Ohio ranked below the national price average for goods, services, and housing rents.

[19] https://development.ohio.gov/reports/reports_pop_est.htm.

[20] https://www.bea.gov/news/2019/real-personal-income-states-and-metropolitan-areas-2017.