LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2019 **Issue: June 2019**

Highlights

– Ross Miller, Chief Economist

May GRF tax revenue exceeded the updated estimate published by the Office of Budget and Management (OBM) in February by $65.7 million, led by the sales and use tax ($47.0 million). Revenue from the personal income tax (PIT) comfortably exceeded estimate as well. For the first 11 months of FY 2019, GRF tax revenue was $616.9 million above estimate. GRF program expenditures were $187.4 million below estimate in May, adding to a large budget cushion on the spending side of the state's ledger.

Ohio's unemployment rate ticked down to 4.3% in April, from 4.4% in March. Private sector payroll employment was unchanged in April.

Through May 2019, GRF sources totaled $30.52 billion:

- Revenue from the sales and use tax was $224.7 million above estimate;
- PIT receipts were $298.4 million above estimate.

Through May 2019, GRF uses totaled $31.07 billion:

- Program expenditures were $888.5 million below estimate, due primarily to GRF Medicaid expenditures, which were $793.5 million below estimate;
- Expenditures in the Health and Human Services category were $51.2 million below estimate, and Property Tax Reimbursements were $45.8 million below estimate;
- The only program expenditure categories for which spending was above estimate were Primary and Secondary Education ($16.2 million) and General Government ($1.7 million).

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of May 2019
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 3, 2019)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$145,808	$136,500	$9,308	6.8%
Nonauto Sales and Use	$798,685	$761,000	$37,685	5.0%
Total Sales and Use	*$944,493*	*$897,500*	*$46,993*	*5.2%*
Personal Income	$673,859	$652,100	$21,759	3.3%
Commercial Activity Tax	$339,607	$340,800	-$1,193	-0.3%
Cigarette	$81,225	$79,100	$2,125	2.7%
Kilowatt-Hour Excise	$18,522	$24,900	-$6,378	-25.6%
Foreign Insurance	-$23,543	-$19,000	-$4,543	-23.9%
Domestic Insurance	$14,948	$11,300	$3,648	32.3%
Financial Institution	$30,481	$30,900	-$419	-1.4%
Public Utility	$33,802	$35,000	-$1,198	-3.4%
Natural Gas Consumption	$31,430	$29,100	$2,330	8.0%
Alcoholic Beverage	$6,827	$4,400	$2,427	55.2%
Liquor Gallonage	$3,963	$3,900	$63	1.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$23	$0	$23	---
Business and Property	$0	$0	$0	---
Estate	$44	$0	$44	---
Total Tax Revenue	**$2,155,681**	**$2,090,000**	**$65,681**	**3.1%**
Nontax Revenue				
Earnings on Investments	$46	$0	$46	---
Licenses and Fees	$396	$572	-$176	-30.8%
Other Revenue	$1,250	$10,748	-$9,498	-88.4%
Total Nontax Revenue	**$1,692**	**$11,320**	**-$9,628**	**-85.1%**
Transfers In	**$1,148**	**$7,500**	**-$6,352**	**-84.7%**
Total State Sources	**$2,158,521**	**$2,108,820**	**$49,701**	**2.4%**
Federal Grants	**$938,466**	**$1,030,552**	**-$92,086**	**-8.9%**
Total GRF Sources	**$3,096,987**	**$3,139,372**	**-$42,385**	**-1.4%**

*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 May 31, 2019
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 3, 2019)

State Sources	Actual	Estimate*	Variance	Percent	FY 2018**	Percent
Tax Revenue						
Auto Sales	$1,383,911	$1,329,400	$54,511	4.1%	$1,312,186	5.5%
Nonauto Sales and Use	$8,277,799	$8,107,600	$170,199	2.1%	$7,916,323	4.6%
Total Sales and Use	*$9,661,710*	*$9,437,000*	*$224,710*	*2.4%*	*$9,228,510*	*4.7%*
Personal Income	$8,076,015	$7,777,600	$298,415	3.8%	$7,582,045	6.5%
Commercial Activity Tax	$1,610,943	$1,571,400	$39,543	2.5%	$1,511,932	6.5%
Cigarette	$780,996	$778,300	$2,696	0.3%	$796,298	-1.9%
Kilowatt-Hour Excise	$323,733	$328,800	-$5,067	-1.5%	$320,057	1.1%
Foreign Insurance	$304,195	$287,000	$17,195	6.0%	$291,972	4.2%
Domestic Insurance	$15,278	$12,100	$3,178	26.3%	$24,449	-37.5%
Financial Institution	$178,870	$177,800	$1,070	0.6%	$183,846	-2.7%
Public Utility	$138,231	$120,100	$18,131	15.1%	$119,132	16.0%
Natural Gas Consumption	$75,902	$66,500	$9,402	14.1%	$69,549	9.1%
Alcoholic Beverage	$50,989	$49,900	$1,089	2.2%	$50,203	1.6%
Liquor Gallonage	$45,773	$44,700	$1,073	2.4%	$43,825	4.4%
Petroleum Activity Tax	$8,400	$4,600	$3,800	82.6%	$5,442	54.4%
Corporate Franchise	$1,574	$0	$1,574	---	$2,016	-21.9%
Business and Property	$0	$0	$0	---	-$374	100.0%
Estate	$117	$0	$117	---	$146	-19.5%
Total Tax Revenue	**$21,272,724**	**$20,655,800**	**$616,924**	**3.0%**	**$20,229,048**	**5.2%**
Nontax Revenue						
Earnings on Investments	$82,665	$60,006	$22,659	37.8%	$46,871	76.4%
Licenses and Fees	$63,582	$57,380	$6,201	10.8%	$58,465	8.8%
Other Revenue	$84,737	$87,840	-$3,104	-3.5%	$263,547	-67.8%
Total Nontax Revenue	**$230,983**	**$205,227**	**$25,756**	**12.6%**	**$368,884**	**-37.4%**
Transfers In	**$85,737**	**$95,190**	**-$9,453**	**-9.9%**	**$133,327**	**-35.7%**
Total State Sources	**$21,589,444**	**$20,956,217**	**$633,227**	**3.0%**	**$20,731,258**	**4.1%**
Federal Grants	**$8,932,238**	**$9,589,323**	**-$657,084**	**-6.9%**	**$8,686,578**	**2.8%**
Total GRF SOURCES	**$30,521,683**	**$30,545,540**	**-$23,857**	**-0.1%**	**$29,417,836**	**3.8%**

*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 J. Botomogno, Principal Economist

Overview

With one month left in FY 2019, year-to-date (YTD) GRF sources totaling $30.52 billion were $23.9 million (0.1%) below revised OBM estimates, due to a negative variance of $42.4 million (1.4%) in May. GRF sources had a cumulative positive variance of $18.5 million at the end of April 2019. However, the overall budget picture remained strong as total GRF uses were $885.0 million (2.8%) below projections, and the GRF is likely to exhibit a large positive end-balance at the end of the fiscal year.

GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants. YTD through May, GRF tax revenues posted a positive variance of $616.9 million (3.0%), ensuring this revenue category will exceed anticipated fiscal year receipts. On the other hand, a large shortfall of $657.1 million (6.9%) for federal grants more than offset the positive variance of tax sources. Federal grants will finish the fiscal year below estimate.[2] Regarding the remaining GRF sources categories, nontax revenue was $25.8 million (12.6%) above estimate, while transfers in were $9.5 million (9.9%) below projected revenues.

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 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 May and for FY 2019 through May, respectively, with revised estimates of PIT revenue that reflect the new withholding rates. Note that OBM updated its GRF tax estimates again with the release of the Blue Book but without revising monthly estimates. Therefore, this report's variance analysis does not reflect the Blue Book estimates.

Regarding specific GRF tax sources, the PIT led the way with a cumulative YTD positive variance of $298.4 million, attributable largely to a strong 2019 tax season. The largest tax source, the sales and use tax, was also above estimate, by $224.7 million. In addition, the commercial activity tax (CAT) and the cigarette and other tobacco products tax surpassed expectations by

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[1] This report compares actual monthly and year-to-date 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 $739.5 million below estimates through May.

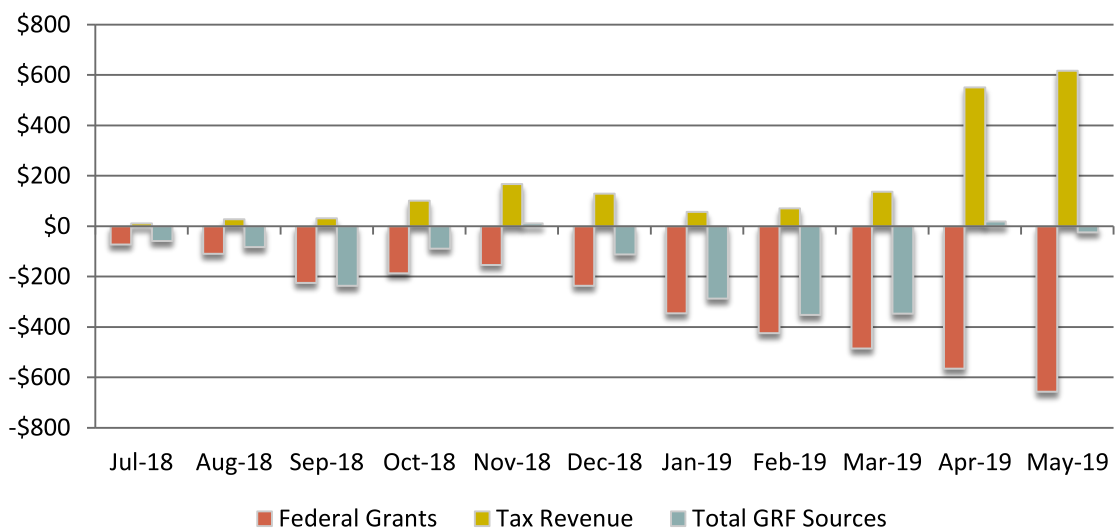
[3] The remaining $2.0 million would reduce distributions to the Local Government Fund (LGF) and the Public Library Fund (PLF). For accounting purposes, GRF tax revenue distributions to the LGF are debited against income tax receipts, while 50% of distributions to the PLF are debited against the nonauto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

$39.5 million and $2.7 million, respectively. Most of the remaining tax sources were above estimates, including the public utility excise tax ($18.1 million), the foreign insurance tax ($17.2 million), the natural gas consumption tax ($9.4 million), and the petroleum activity tax ($3.8 million). The corporate franchise tax produced $1.6 million in GRF revenue from prior-year adjustments to tax returns, though no receipts were expected. The kilowatt-hour tax experienced the only revenue shortfall with a negative variance of $5.1 million.

May GRF sources totaled $3.10 billion, with GRF tax sources posting a positive variance of $65.7 million. On the other hand, federal grants, nontax revenue, and transfers in had shortfalls of $92.1 million, $9.6 million, and $6.4 million, respectively.

Regarding tax sources, the sales and use tax, the PIT, and the cigarette tax had positive variances of $47.0 million, $21.8 million, and $2.1 million, respectively. In addition, the domestic insurance tax, the natural gas consumption tax, and the alcoholic beverage tax were above estimate by $3.6 million, $2.3 million, and $2.4 million, respectively. The relatively large timing-related boost for the alcoholic beverage tax brought the YTD variance of this tax source to positive territory, up from a negative balance of $1.3 million at the end of April. The positive variances were partially offset by shortfalls for the kilowatt-hour excise tax ($6.4 million), the foreign insurance tax ($4.5 million), and the CAT and public utility tax ($1.2 million each). Chart 1, below, shows cumulative variances of GRF sources through May.

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



Compared to the corresponding period last fiscal year, YTD FY 2019 GRF sources increased $1.10 billion, with GRF tax sources accounting for $1.04 billion of the total growth. Receipts from federal grants increased $245.7 million. On the other hand, nontax revenue and transfers in decreased by $137.9 million[4] and $47.6 million, respectively. Through May, receipts increased markedly for the largest GRF tax sources: the sales and use tax ($433.2 million, 4.7%), the PIT

[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.

($494.0 million, 6.5%), and the CAT ($99.0 million, 6.5%). Revenue from the cigarette and other tobacco products tax, continuing its usual yearly downward trend, fell $15.3 million (1.9%).

Sales and Use Tax

Through May in FY 2019, receipts to the GRF from the sales and use tax totaled $9.66 billion. This amount was $224.7 million (2.4%) above estimate, with both the nonauto and the auto portions of the tax ahead of projections. For the month of May, GRF receipts of $944.5 million were $47.0 million (5.2%) above anticipated revenue, with strong performances from both portions of the sales tax. The latest revenue performance ensures this GRF tax source will finish the fiscal year ahead of expected revenue by a wide margin. Monthly sales and use tax receipts were also $82.7 million (9.6%) above revenue in May 2018.

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.

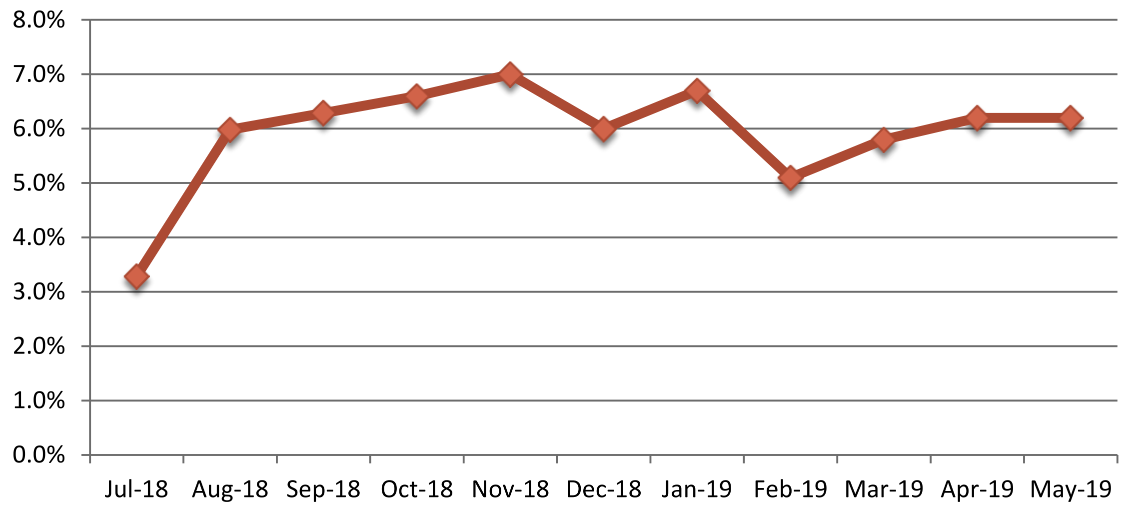
Nonauto Sales and Use Tax

Nonauto sales and use tax GRF revenue of $798.7 million in May was above estimate by $37.7 million (5.0%) and $73.9 million (10.2%) above revenue in May 2018. The monthly yield increased the YTD positive variance of this tax to $170.2 million (2.1%), up from $132.5 million through April. Through May, total GRF receipts of $8.28 billion were $361.5 million (4.6%) above revenue in the corresponding period in FY 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. It appears Ohio is benefiting from 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 Medicaid health insuring corporations (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.

[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.

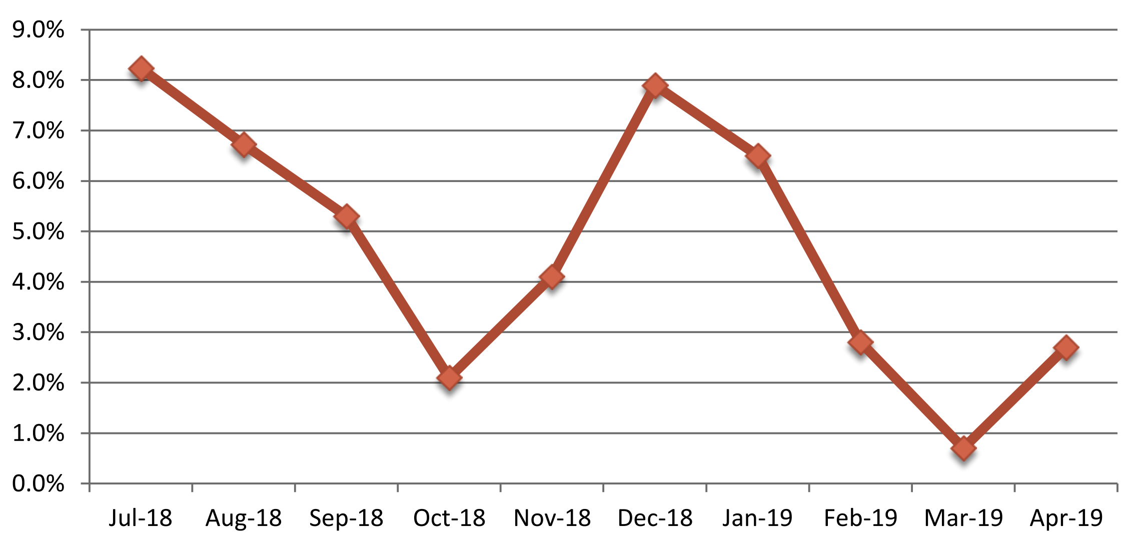
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year (With Tax Base Adjustment,
Three-month Moving Average)



Auto Sales and Use Tax

May revenue from the auto sales and use tax of $145.8 million was $9.3 million (6.8%) above estimate, and $8.9 million (6.5%) above the amount received in the same month in 2018. YTD auto sales tax receipts of $1.38 billion were $54.5 million (4.1%) above estimate and $71.7 million (5.5%) above receipts in the corresponding period in FY 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)



Warmer temperatures brought customers back to car lots in recent weeks. Nationwide new light vehicle (auto and light truck) sales bounced back in May to 17.4 million units (at a seasonally adjusted annual average rate), up from 16.4 million in April 2019. Sales of autos and light trucks both gained in May. However, compared to sales in the corresponding period in calendar year (CY) 2018, unit sales have fallen about 1% in the January to May period in CY 2019, suggesting that unit sales may have peaked in this cycle, despite a good economic environment.

Personal Income Tax

May GRF receipts of $673.9 million were $21.8 million (3.3%) above estimate, but $8.9 million (1.3%) below receipts in May 2018. 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 82% of gross collections in FY 2018). Larger than expected refunds could also greatly affect the monthly performance of the tax.

Gross collections in May were above projections by $41.8 million, driven by employer withholding which was $42.8 million above estimate. Gross collections' positive variance was partially offset by refunds and distributions to the LGF, which were respectively, $13.1 million and $6.9 million higher than anticipated. Except for trust payments that fell short by $8.6 million, the remaining components of gross collections were above projections, including annual return payments and miscellaneous payments which were above estimate by $4.2 million and $3.4 million, respectively.

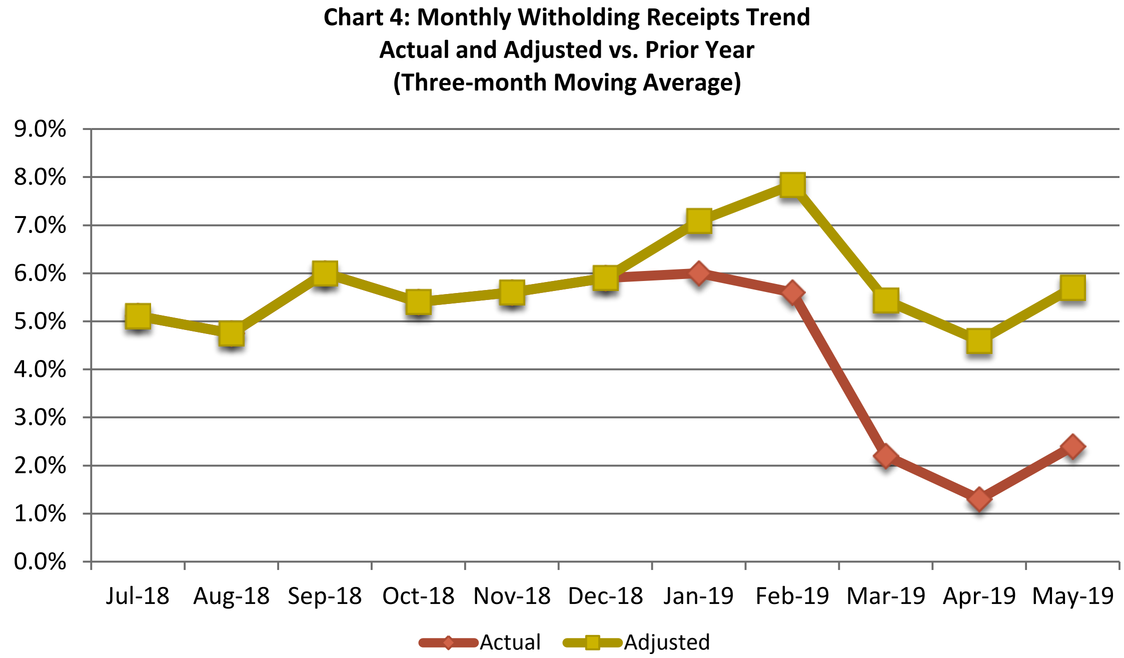
YTD through May, GRF revenue from the PIT of $8.08 billion was $298.4 million (3.8%) above the revised projections, up from $276.7 million in April. Revenues from each component of the PIT relative to revised estimates and to revenue received in FY 2018 are detailed in the table below. YTD gross collections were above estimate by $406.9 million: positive variances by annual return payments and withholding were partially offset by shortfalls from quarterly estimated payments and miscellaneous payments; and higher than projected refunds and distributions to the LGF reduced the positive variance for GRF revenue to the $298.4 million total. FY 2019 refunds and LGF distributions also increased compared to their amounts in the corresponding period last year, while gross collections grew from FY 2018 by $622.8 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				
Category	YTD Variance from Revised Estimate		Changes from FY 2018	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$144.6	1.7%	$382.2	4.7%
Quarterly Estimated Payments	-$148.3	-17.7%	-$143.4	-17.2%
Trust Payments	$19.4	30.0%	$18.7	28.5%
Annual Return Payments	$395.3	54.7%	$369.7	49.4%
Miscellaneous Payments	-$4.0	-4.6%	-$4.4	-5.1%
Gross Collections	$406.9	4.1%	$622.8	6.4%
Less Refunds	$99.2	5.3%	$112.0	6.0%
Less LGF Distribution	$9.3	2.6%	$16.8	4.8%
GRF PIT Revenue	$298.4	3.8%	$494.0	6.5%

Through May, FY 2019 employer withholding receipts[8] grew 4.7%; however, growth in monthly employer withholding averaged only 3.2% in CY 2019, as a result of the January decrease in withholding rates. 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.

[8] Withholding receipts consist of monthly employer withholding (about 99% of the total) and annual employer withholding. YTD through May, monthly employer withholding was 4.5% above such receipts in the corresponding period in FY 2018. On the other hand, annual employer withholding grew 22.1%.



Commercial Activity Tax

The last FY 2019 CAT payment from quarterly taxpayers, due in May, provided $339.6 million. This amount was $1.2 million (0.3%) below estimate, but $12.9 million (4.0%) above GRF CAT revenue in May 2018. The monthly performance reduced the YTD positive variance of this tax source to $39.5 million (2.5%), down from $40.7 million through April 2019. With one month left in FY 2019, the CAT is likely to finish the year in positive territory (June estimated receipts are $10.4 million). YTD revenue from the CAT to the GRF totaling $1.61 billion was $99.0 million (6.5%) above revenue through May in FY 2018. Compared to FY 2018, gross collections have been robust in FY 2019. They grew about 5.6% through May, but refunds and credits were 6.8% below their levels through May in FY 2018, resulting in a higher growth rate for the GRF.

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 May, Fund 7047 and Fund 7081 received $246.4 million and $37.9 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.

Cigarette and Other Tobacco Products Tax

YTD revenue from the cigarette and other tobacco products (OTP) tax totaling $781.0 million was above estimate by $2.7 million (0.3%) at the end of May. This total included $711.6 million from the sale of cigarettes and $69.4 million from the sale of OTP. Though the tax is on target YTD relative to estimate through May, June receipts are projected to be $138.7 million (15% of the total for the year) so June will determine whether this tax source finishes above estimate. For the month of May, receipts from this source of $81.2 million were $2.1 million (2.7%) above estimate, and $0.5 million (0.6%) above revenue in the same month in FY 2018.

FY 2019 cigarette and OTP receipts were $15.3 million (1.9%) below revenues in the corresponding period in FY 2018. FY 2019 receipts from cigarette sales fell $19.6 million (2.7%) while those from the sale of OTP increased $4.3 million (6.6%). On a yearly basis, revenue from the cigarette and OTP tax usually trends downward generally at a slow pace due to a decline of cigarette revenue, though receipts from OTP tax 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 7% of the total tax base) grows with OTP price increases.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2019
($ in thousands)
(Actual based on OAKS reports run June 4, 2019)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$566,429	$578,293	-$11,863	-2.1%
Higher Education	$198,243	$197,319	$923	0.5%
Other Education	$2,947	$3,434	-$486	-14.2%
Total Education	**$767,619**	**$779,046**	**-$11,427**	**-1.5%**
Medicaid	$1,483,115	$1,546,971	-$63,856	-4.1%
Health and Human Services	$69,687	$67,678	$2,009	3.0%
Total Health and Human Services	**$1,552,802**	**$1,614,649**	**-$61,848**	**-3.8%**
Justice and Public Protection	$150,003	$151,350	-$1,348	-0.9%
General Government	$26,284	$28,881	-$2,597	-9.0%
Total Government Operations	**$176,287**	**$180,232**	**-$3,945**	**-2.2%**
Property Tax Reimbursements	$303,916	$414,388	-$110,472	-26.7%
Debt Service	$20,227	$19,892	$336	1.7%
Total Other Expenditures	**$324,144**	**$434,280**	**-$110,136**	**-25.4%**
Total Program Expenditures	**$2,820,851**	**$3,008,206**	**-$187,355**	**-6.2%**
Transfers Out	**$5,000**	**$8,800**	**-$3,800**	**-43.2%**
Total GRF Uses	**$2,825,851**	**$3,017,006**	**-$191,155**	**-6.3%**

*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 May 31, 2019
($ in thousands)
(Actual based on OAKS reports run June 4, 2019)

Program Category	Actual	Estimate*	Variance	Percent	FY 2018**	Percent
Primary and Secondary Education	$7,517,902	$7,501,666	$16,236	0.2%	$7,399,118	1.6%
Higher Education	$2,112,422	$2,124,183	-$11,760	-0.6%	$2,125,141	-0.6%
Other Education	$67,290	$67,920	-$630	-0.9%	$65,978	2.0%
Total Education	**$9,697,614**	**$9,693,769**	**$3,846**	**0.0%**	**$9,590,237**	**1.1%**
Medicaid	$13,846,168	$14,639,700	-$793,532	-5.4%	$13,343,736	3.8%
Health and Human Services	$1,216,884	$1,268,107	-$51,222	-4.0%	$1,197,992	1.6%
Total Health and Human Services	**$15,063,053**	**$15,907,807**	**-$844,754**	**-5.3%**	**$14,541,729**	**3.6%**
Justice and Public Protection	$2,061,574	$2,063,177	-$1,603	-0.1%	$1,985,929	3.8%
General Government	$366,337	$364,680	$1,657	0.5%	$326,640	12.2%
Total Government Operations	**$2,427,911**	**$2,427,857**	**$54**	**0.0%**	**$2,312,569**	**5.0%**
Property Tax Reimbursements	$1,750,625	$1,796,402	-$45,776	-2.5%	$1,788,406	-2.1%
Debt Service	$1,369,314	$1,371,204	-$1,890	-0.1%	$1,343,895	1.9%
Total Other Expenditures	**$3,119,940**	**$3,167,606**	**-$47,666**	**-1.5%**	**$3,132,300**	**-0.4%**
Total Program Expenditures	**$30,308,518**	**$31,197,038**	**-$888,520**	**-2.8%**	**$29,576,835**	**2.5%**
Transfers Out	**$764,217**	**$760,733**	**$3,484**	**0.5%**	**$69,486**	**999.8%**
Total GRF Uses	**$31,072,735**	**$31,957,772**	**-$885,037**	**-2.8%**	**$29,646,322**	**4.8%**

*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 June 4, 2019)

	Month of May 2019				Year to Date through May 2019			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,430,735	$1,493,518	-$62,783	-4.2%	$13,217,007	$14,007,611	-$790,604	-5.6%
Non-GRF	$571,863	$647,168	-$75,305	-11.6%	$8,445,661	$9,075,091	-$629,429	-6.9%
All Funds	$2,002,598	$2,140,686	-$138,088	-6.5%	$21,662,669	$23,082,702	-$1,420,033	-6.2%
Developmental Disabilities								
GRF	$39,537	$47,482	-$7,945	-16.7%	$541,774	$552,102	-$10,328	-1.9%
Non-GRF	$174,259	$336,116	-$161,856	-48.2%	$2,001,089	$2,226,639	-$225,550	-10.1%
All Funds	$213,796	$383,597	-$169,801	-44.3%	$2,542,864	$2,778,742	-$235,878	-8.5%
Job and Family Services								
GRF	$12,339	$5,413	$6,926	128.0%	$79,206	$71,952	$7,254	10.1%
Non-GRF	$20,122	$20,093	$29	0.1%	$170,463	$154,886	$15,576	10.1%
All Funds	$32,461	$25,506	$6,955	27.3%	$249,669	$226,839	$22,830	10.1%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$503	$558	-$55	-9.8%	$8,180	$8,035	$146	1.8%
Non-GRF	$1,996	$2,666	-$670	-25.1%	$30,014	$32,944	-$2,931	-8.9%
All Funds	$2,499	$3,224	-$725	-22.5%	$38,194	$40,979	-$2,785	-6.8%
All Departments:								
GRF	**$1,483,115**	**$1,546,971**	**-$63,856**	**-4.1%**	**$13,846,168**	**$14,639,700**	**-$793,532**	**-5.4%**
Non-GRF	**$768,240**	**$1,006,043**	**-$237,803**	**-23.6%**	**$10,647,227**	**$11,489,561**	**-$842,334**	**-7.3%**
All Funds	**$2,251,354**	**$2,553,014**	**-$301,659**	**-11.8%**	**$24,493,395**	**$26,129,261**	**-$1,635,866**	**-6.3%**

*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 June 4, 2019)

	Month of May 2019				Year to Date through May 2019			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,440,809**	**$1,528,172**	**-$87,363**	**-5.7%**	**$15,100,206**	**$15,987,247**	**-$887,041**	**-5.5%**
CFC†	$509,744	$509,048	$696	0.1%	$5,334,625	$5,538,617	-$203,991	-3.7%
Group VIII	$339,502	$393,299	-$53,797	-13.7%	$3,783,837	$4,238,516	-$454,678	-10.7%
ABD†	$224,915	$254,148	-$29,233	-11.5%	$2,543,296	$2,675,151	-$131,855	-4.9%
ABD Kids	$73,164	$85,684	-$12,519	-14.6%	$832,006	$896,830	-$64,825	-7.2%
My Care	$251,671	$211,717	$39,954	18.9%	$2,369,686	$2,272,924	$96,762	4.3%
P4P & Insurer Fee†	$41,812	$74,276	-$32,463	-43.7%	$236,757	$365,210	-$128,454	-35.2%
Fee-For-Service	**$628,118**	**$838,083**	**-$209,965**	**-25.1%**	**$7,469,219**	**$8,130,120**	**-$660,901**	**-8.1%**
ODM Services	$320,829	$359,366	-$38,537	-10.7%	$3,916,868	$4,310,423	-$393,555	-9.1%
DDD Services	$201,017	$369,133	-$168,116	-45.5%	$2,455,562	$2,685,369	-$229,806	-8.6%
Hospital - HCAP†	$0	$0	$0	--	$634,610	$635,291	-$680	-0.1%
Hospital - Other	$106,272	$109,584	-$3,313	-3.0%	$462,178	$499,038	-$36,860	-7.4%
Premium Assistance	**$91,742**	**$99,318**	**-$7,576**	**-7.6%**	**$980,512**	**$1,064,745**	**-$84,233**	**-7.9%**
Medicare Buy-In	$51,493	$60,044	-$8,550	-14.2%	$562,367	$630,350	-$67,984	-10.8%
Medicare Part D	$40,248	$39,275	$974	2.5%	$418,146	$434,395	-$16,249	-3.7%
Administration	**$90,686**	**$87,441**	**$3,245**	**3.7%**	**$943,458**	**$947,149**	**-$3,691**	**-0.4%**
Total	**$2,251,354**	**$2,553,014**	**-$301,659**	**-11.8%**	**$24,493,395**	**$26,129,261**	**-$1,635,866**	**-6.3%**

*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[9]

– *Wendy Zhan, Director*

– *Ivy Chen, Principle Economist*

Overview

Tables 3 and 4 detail GRF uses for the month of May and for FY 2019 through May, respectively. In May, GRF program expenditures were $187.4 million (6.2%) below the estimate released by OBM in August 2018. Property Tax Reimbursements had the largest negative monthly variance at $110.5 million (26.7%). As explained in prior issues of this report, property tax reimbursement payments are disbursed upon the request of county auditors. The timing of these requests may vary from that assumed in the OBM estimate. Payments were $64.7 million above the YTD estimate at the end of April. As a result of May's negative variance, the category's YTD variance turned into a negative $45.8 million (2.5%). However, total property tax reimbursement payments are expected to be in line with the estimate for the fiscal year.

GRF Medicaid had the second largest negative variance at $63.9 million (4.1%) in the month of May. It also continued to dominate the negative YTD variance in GRF program expenditures, accounting for $793.5 million of the $888.5 million (2.8%) negative YTD variance in GRF program expenditures. Medicaid is funded by the GRF and several other non-GRF funds. The variances in both GRF and non-GRF Medicaid expenditures will be discussed further in the section that follows this brief overview.

Health and Human Services is another program category that had a significant negative YTD variance. Due partly to timing, YTD expenditures from this category were below estimate by $51.2 million (4.0%), all of which occurred in months prior to April. The category's monthly expenditures were somewhat above estimates two months in a row, by $4.0 million in April and $2.0 million in May.

The positive YTD variance in transfers out narrowed to $3.5 million (0.5%) at the end of May. Including both program expenditures and transfers out, GRF uses totaled $31.07 billion through May, which was $885.0 million (2.8%) below the YTD estimate.

Medicaid

As indicated above, GRF Medicaid expenditures were $63.9 million (4.1%) and $793.5 million (5.4%), respectively, below their monthly and YTD estimates. Non-GRF Medicaid expenditures were also below their monthly and YTD estimates, by $237.8 million (23.6%) and $842.3 million (7.3%), respectively. Including both the GRF and non-GRF, all funds Medicaid expenditures were $301.7 million (11.8%) below estimate in May and $1,635.9 million (6.3%) below the YTD estimate at the end of May. As a joint federal-state program, both GRF and non-GRF Medicaid expenditures contain federal and state dollars.

[9] 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.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they 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. Overall expenditures were below their YTD estimates for all four major payment categories. Managed Care had the largest overall negative variance of $887.0 million (5.5%), followed by Fee-For-Service (FFS, $660.9 million, 8.1%), Premium Assistance ($84.2 million, 7.9%), and Administration ($3.7 million, 0.4%).

Expenditures from all Managed Care categories were below their YTD estimates except for MyCare, which had a positive YTD variance of $96.8 million (4.3%). 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 $454.7 million (10.7%), followed by CFC (Covered Families and Children) at $204.0 million (3.7%), ABD (Aged, Blind, and Disabled) at $131.9 million (4.9%), 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 the first 11 months of FY 2019, the average monthly managed care caseloads for Group VIII and CFC were 8.5% (54,000) and 2.1% (33,100), 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 $393.6 million (59.5%) 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 $168.1 million (45.5%) in May due to some timing-related issues. Due largely to its May negative variance, ODODD contributed $229.8 million (34.8%) to the FFS category's total negative YTD variance. Hospital related payments accounted for the remainder ($37.5 million, 5.7%) 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.

Issue Updates

State Board of Pharmacy Annual Report Shows Continued Decreases in Opioid Prescriptions

– Robert Meeker, Budget Analyst

In March 2019, the State Board of Pharmacy released its Ohio Automated Rx Reporting System (OARRS) annual report for 2018, which shows that the number of opioid prescriptions, opioid doses dispensed, and the number of patients to whom opioids are prescribed and subsequently dispensed have all decreased year over year between 2012 and 2018.

In 2018, 8.0 million opioid prescriptions were issued in Ohio: a decrease of 1.3 million (14.0%) from 2017 and a decrease of 4.6 million (36.5%) from 2012. There were 468 million solid (excluding liquids and powders) opioid doses dispensed to Ohio patients in 2018: a decrease of 100 million (17.6%) from 2017 and a decrease of 325 million (41.0%) from 2012. The number of patients to whom opioids were prescribed decreased to 1.9 million in 2018, down about 150,000 (7.5%) from 2017 and a decrease of 1.2 million (39.4%) from 2012. The report also notes a decrease in doctor shoppers[10] of 1,400 (85.4%) from 2012. The table below shows the numbers of opioid prescriptions, opioid doses dispensed, patients prescribed opioids, and doctor shoppers annually from 2012 to 2018.

Opioid Prescriptions, Doses, Patients, and Doctor Shoppers by Year, 2012-2018							
Reporting Activity	2012	2013	2014	2015	2016	2017	2018
Opioid Prescriptions (in millions)	12.6	12.4	12.2	11.1	10.1	9.3	8.0
Opioid Solid Doses Dispensed (in millions)	793	778	751	701	636	568	468
Patients Prescribed Opioids (in millions)	3.1	2.7	2.7	2.6	2.4	2.0	1.9
Doctor Shoppers	1,639	1,172	963	720	357	273	239

The OARRS was established in 2006 and is maintained by the State Board of Pharmacy. OARRS collects information on controlled prescription drugs dispensed by pharmacies or furnished by prescribers to Ohio patients to help address prescription drug abuse, misuse, and diversion. Currently, there are 112,068 OARRS users: 96,021 prescribers or prescriber delegates (85.7%), 15,220 pharmacists or pharmacist delegates (13.6%), and 827 law enforcement agencies (0.7%). The total number of patient queries in OARRS has increased annually from 1.78 million in 2011 to 142.5 million in 2018.

[10] The Board defines doctor shoppers as individuals receiving a prescription for a controlled substance from five or more prescribers in one month.

ODJFS Receives Increase in Trade Adjustment Assistance Support for Lordstown GM Complex Closure

– Nicholas J. Blaine, Budget Analyst

On April 16, 2019, the Controlling Board approved a request from the Ohio Department of Job and Family Services (ODJFS) to increase the appropriation for the Trade Adjustment Assistance Program by $1.2 million, which will be used to provide services to workers impacted by the March 6 closure of General Motors' Lordstown Assembly Complex. This funding is provided by the U.S. Department of Labor (USDOL), with no state match requirements, to assist workers affected by trade (increased imports from, or shifts in production to, foreign countries). In order to receive benefits, a group of three or more workers, their union, or other authorized representative must file a petition for Trade Adjustment Assistance. Once filed, the USDOL launches an investigation to determine if the group is eligible for assistance. The Lordstown Complex's petition was approved on March 8. As a result, affected workers can receive, for up to two years, a variety of benefits and reemployment services, such as training, trade readjustment allowances, job search allowances, relocation allowances, income support, a health coverage tax credit, and alternative trade adjustment assistance services. To receive these benefits and services, affected workers must apply through ODJFS's Office of Workforce Development.

Dementia Live Project Launched in April

– Ryan Sherrock, Economist

On April 1, 2019, a three-year Dementia Live project was launched in Ohio to improve the quality of life and care for nursing home residents diagnosed with dementia or a dementia-related condition. The project will serve about ten residents from each of the 140 nursing homes that are selected to participate. The Age-u-cate Training Institute, which is headquartered in Texas, will administer the project. Residents chosen must be long-stay residents who have been diagnosed with dementia or a dementia-related condition and exhibit behavioral symptoms that are resistant to care. The project will provide on-site staff training consisting of the Dementia Live Experience, which is an experiential learning program that simulates cognitive and sensory impairments; thereby allowing staff to gain a better understanding of the struggles associated with living with dementia. Empowerment and skills development sessions for direct-care and support staff will also be provided, as well as other training sessions for family members and other nursing home staff.

The federal Centers for Medicare and Medicaid Services (CMS) approved approximately $760,000 in funding for the project. The funding comes from civil monetary penalties imposed on nursing facilities that do not meet federal health and safety standards. States may use these funds for projects that improve resident outcomes in Medicare and Medicaid certified nursing facilities. The Ohio Department of Medicaid recommended the project to CMS and will receive quarterly progress reports and a final report that evaluates project outcomes and results.

DHE Announces Recipients of $2.5 Million in OhioCorps Pilot Program Grants

– Edward Millane, Senior Budget Analyst

In mid-April, the Department of Higher Education (DHE) announced the award of about $500,000 each to five state universities through the OhioCorps Pilot Program, which was established by S.B. 299 of the 132nd General Assembly. These five universities are: Cleveland State, Kent State, Ohio University, Shawnee State, and Youngstown State. The awards will be used to fund programs that mentor and assist at-risk middle and high school students on a variety of topics, including preparing for college and career planning as well as opioid and drug education. Qualifying mentorship programs must provide a stipend to student mentors and develop plans for training mentors and partnering with local providers, such as AmeriCorps and the Ohio Commission on Service and Volunteerism. A brief description of each recipient's program is provided below.

- Cleveland State University, in partnership with Cuyahoga Community College (CCC) and the Higher Education Compact of Greater Cleveland, will use its funds to assist students in the Cleveland Municipal School District by expanding existing mentoring programs and providing access to tutoring through the university and summer programs at CCC.
- Kent State University, in partnership with the nonprofit organization First Star and a consortium of community organizations, will use its funds to provide specialized college readiness, opioid and drug education, and mentoring programs to high school foster youth in northeast Ohio through the KSU First Star Academy.
- Ohio University will use its funds to establish the OHIO MENTOR (Mentoring, Engaging, Nurturing, and Teaching for Opioid Resistance) program to support a group of 140 ninth- and tenth-grade students in eight counties across southeast Ohio with focused mentoring and service learning activities.
- Shawnee State University will use its funds to collaborate with several community partners in Scioto and Pike counties to provide certain student services, including weekly tutoring, monthly skill-building sessions on a variety of topics, transportation to and from those meetings, and monthly parent discussion groups.
- Youngstown State University will use its funds to create the Unlocking the Hidden Game program, which will provide a variety of services to at-risk youth ages 13 to 18 that are impacted by opioid abuse in Mahoning and Trumbull counties.

OHC Awards Ohio History Grant Funds

– Shaina Morris, Legislative Fellow

On February 27, 2019, Ohio's Statehood Day, the Ohio History Connection (OHC) awarded a total of $90,000 to ten Ohio History Fund grant recipients. The 2019 recipients, project descriptions, and award amounts are described in the table below. Since its inception in 2012, the History Fund has made a total of $688,000 in grants to 73 organizations in nearly half of Ohio's 88 counties. The History Fund Grant Program, which receives support through a voluntary state income tax check-off, provides competitive grants to local history organizations, nonprofits, and local governments for projects designed to support historic preservation and education. Depending on the type of projects seeking funding, the grants range from a minimum of $1,000 to a maximum of $20,000 and require a local match of between 20% and 40%.

2019 Ohio History Fund Grant Recipients			
County	**Organization**	**Project Description**	**Award Amount**
Lorain	Southern Lorain Historical Society	Conservation of a large mural by Wellington native Archibald Willard	$18,000
Stark	Canal Fulton Heritage Society	Roof repair of the organization's Oberlin House	$17,500
Summit	Friends of Crowell Hilaka	Plan for the restoration of Kirby's Mill	$15,250
Lucas	Libbey House Foundation	Project to increase accessibility to the Libbey House with a ramp and half bath	$9,158
Cuyahoga	Cleveland Restoration Society	A history of 20th century African American developers	$9,000
Delaware	Delaware County Historical Society	Replacement of wood shelving with new archive-quality metal shelves	$6,000
Trumbull	Warren Library Association/Sutliff Museum	Creation of an app for hand-held digital devices	$5,300
Cuyahoga	Chagrin Falls Historical Society	Project that will digitize and make the contents of the local newspaper available online	$4,500
Lucas	Metroparks Toledo	Update of exhibits and hands-on activities at the Isaac Ludwig Mill	$3,285
Lorain	Oberlin Heritage Center	Project that will help historic house museums in Ohio identify best practices for self-guided tours	$2,007
		Total	**$90,000**

OHFA Awards $280.5 million in Federal Low-Income Housing Tax Credits for Developing Affordable Housing

– Shannon Pleiman, Budget Analyst

On May 15, 2019, the Ohio Housing Finance Agency (OHFA) awarded a total of $280.5 million over ten years ($28.5 million per year) in federal Low-Income Housing Tax Credits (LIHTC) to 34 developments in 24 cities to create nearly 2,200 apartments that will serve low- to moderate-income families, seniors, and individuals with disabilities. The purpose of the LIHTC program is to increase the supply of high quality and affordable rental housing by issuing tax credits to help developers offset the costs of rental housing developments. Once awarded the credits, developers must commit to keeping the housing units affordable for low- and moderate-income residents for a minimum of 30 years.

In addition to the LIHTC awards, OHFA awarded the following additional funding to support these residential developments: (1) $44.5 million in short-term, low-interest housing development loans (HDL) to provide gap-financing on projects that have received LIHTC awards, (2) $6.8 million in federal HOME funds, and (3) $1.5 million from the Ohio Housing Trust Fund (OHTF). The list of developments awarded tax credits and other funding is available on OHFA's website at: http://ohiohome.org/ppd/documents/2019-HTC-CompetitiveAwards.pdf.

The HDL program, which is supported by unclaimed funds, provides loans, up to a maximum of $2.0 million, to LIHTC recipients that can be used for bridge equity for construction, permanent financing, or both. The federal HOME funds and the OHTF provide loans or grants that can be used by developers for gap financing, costs associated with new construction and rehabilitation, and developer fees. OHFA receives a portion of the OHTF that consists of revenue from county recordation fees. The majority of the OHTF is used by the Development Services Agency to provide grants and loans to local housing entities for projects mainly serving low- and moderate-income persons.

DNR Acquires 118 Acres to Expand Lakeside Daisy State Nature Preserve

– Tom Wert, Budget Analyst

On May 7, 2019, Governor DeWine and the Ohio Department of Natural Resources (DNR) dedicated the purchase of 118 acres for the expansion of Lakeside Daisy State Nature Preserve in Marblehead (Ottawa County). The additional property expands the preserve from 19 to 137 acres and is expected to help protect 700,000 Lakeside Daisy (*Hymenoxys herbacea*) plants (see photo below), a threatened species found only in Ohio, Illinois, and Ontario.

Photo Credit: *Hymenoxys herbacea*, U.S. Fish and Wildlife. Service.

The purchase price of the additional property totaled slightly more than $1.6 million. Of this amount, $1.2 million was supported by federal grants through the Cooperative Endangered Species Conservation Fund. The fund provides up to 75% of the money for projects that protect endangered species on nonfederal land and requires a 25% state match. The state's share for this purchase, nearly $414,000, was supported by the Natural Areas and Preserves Fund (Fund 5220), which receives revenue from the Natural Areas and Preserves income tax checkoff, as well as donations. To accommodate the use of federal funds in purchasing the property, the Controlling Board approved an increase in appropriations of nearly $1.1 million under Fund 5220 appropriation item 725656, Natural Areas and Preserves, on April 22, 2019.

Supreme Court Awards $3.0 Million in Technology Grants

– Robert Meeker, Budget Analyst

On April 17, 2019, the Supreme Court announced the award of 47 court technology grants totaling $3.0 million to 42 courts in 33 counties. Individual grants range from $256,825 (Henry County Court of Common Pleas) to $329 (Cleveland Heights Municipal Court) with an average award of just under $63,000. As shown in the table below, the grants fall into two categories. The General Technology category funds projects to upgrade case management systems and all other nonsecurity-related hardware or equipment (33 grants totaling $2.5 million). The second, smaller category funds security-related systems including physical building security, security cameras, and X-ray scanners (14 grants totaling just over $450,000).

FY 2019 Supreme Court Technology Grant Awards by Category			
Category	**Award Count**	**Award Total**	**Average Award**
General Technology	33	$2,501,727	$75,810
Security Technology	14	$451,308	$32,236
Total	47	$2,953,035	$62,831

Grant applications were scored by a 16-member committee using a formula that assigned weights to project priorities and considered factors such as geographical impact and the poverty index.[11] Project priorities for FY 2019 were: (1) upgrading an existing case management system to improve case flow, (2) upgrading, replacing, or purchasing other technology systems that affect case flow or fundamental court duties, (3) upgrading, replacing, or improving hardware or equipment that supports case management or other systems that affect case flow or fundamental court duties, and (4) purchasing any other hardware, software, or equipment (including projects related to physical security).

[11] The committee consisted of judges, court administrators, clerks of courts, information technology professionals, security experts, and court personnel from across the state.

The grants, part of the GRF-funded Ohio Courts Technology Initiative, are awarded to improve the exchange of information and warehousing of data by and between Ohio courts. Grants for this purpose were first awarded in 2015, and since then, about $14 million has been awarded to appellate, common pleas, municipal, and county courts funding more than 400 projects.

Tracking the Economy

– *Eric Makela, Economist*

Overview

The U.S. economy continues its expansion, though growth in some key economic indicators has weakened in 2019. Employment growth slowed this year through May. The U.S. unemployment rate remained at 3.6%, a half-century low. Industrial production decreased in April, including a contraction of 0.5% in manufacturing, which is down 0.2% year over year. Inflation-adjusted gross domestic product (real GDP) grew at an annualized rate of 3.1% in the first quarter of 2019, buoyed by exports and inventory building. Growth of final sales to domestic purchasers slowed to a 1.5% annual rate.

The unemployment rate in Ohio decreased by 0.1 percentage point to 4.3% in April. Job gains in April were about 1,400, as nonagricultural wage and salary employment reached approximately 5.6 million. Existing home sales in Ohio were 4.5% higher in April 2019 than one year ago, with the total value of those homes 10.4% greater than this time last year.

In their most recent meeting ending May 1, the Federal Reserve's Open Market Committee (FOMC) allowed the federal funds rate target to remain at its previous range, between 2.25% and 2.5%. A review by central bank staff noted continued strong labor market conditions. The staff's medium-term real GDP growth projection was revised slightly upward through 2020, with output growth slowing in 2021. As of late May, 12-month federal funds futures contracts were trading at their lowest rate so far in 2019, signaling investor sentiment that a rate cut is more likely in the upcoming year.[12] The FOMC next meets June 18 and 19.

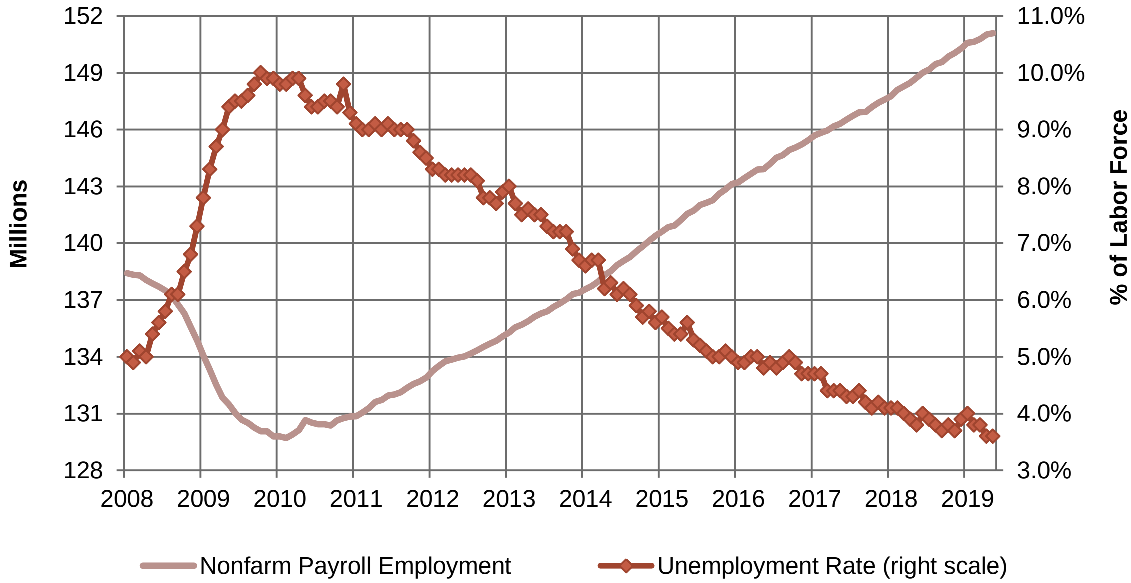
The National Economy

According to the Bureau of Economic Analysis (BEA), U.S. real GDP grew at an annualized rate of 3.1% in the first quarter of 2019, revised downward from BEA's initial estimate of 3.2%. The change reflects downward revisions to advance estimates of nonresidential fixed investment and private inventories. Exports and personal consumption expenditure estimates were revised upward.

Chart 5 below contains the most up-to-date data on total nonfarm payroll employment and the unemployment rate. The U.S. seasonally adjusted unemployment rate remained at 3.6% in May, down from 4.0% in January of this year and lowest since 1969. Total nonfarm payrolls increased by 75,000 workers in May; the previous month's employment was revised downward by the same number. Both national indicators remain at historically strong levels.

[12] https://research.stlouisfed.org/datatrends/usfd/page14.php.

Chart 5: U.S. Employment and Unemployment



The number of unemployed persons in the U.S. was around 5.9 million during the month. The seasonally adjusted unemployment rate for men was 3.7% in May, while the unemployment rate for women was 3.5%. The seasonally adjusted labor force participation rate[13] was 62.8% in the U.S. during May, down from 63.2% in January, the result of both a rise in the estimated population 16 years of age and older and a fall in the number of labor market participants, mostly among the unemployed.

According to the Bureau of Labor Statistics (BLS) establishment survey, employment in professional and business services rose by 33,000 in May, and the health care sector added 16,000 jobs during the month. A total of 82,000 workers were added in private, service-providing industries during May; 8,000 people attained employment in private good-producing jobs, and government employment decreased by 15,000.

Nationally, industrial production contracted in April by 0.5%, and has declined in three of the last four months. The contraction in April reflects decreases in manufacturing output of consumer goods (-1.2%), business equipment (-2.1%), and nonindustrial supplies (-0.6%). Nationally, production of materials, which include inputs to both the manufacturing and energy sectors, increased 0.2% in April and is up 3.2% year over year. Among major industrial groups, mining activity has grown by 10.4% between April 2018 and April 2019, while production from utility companies has dropped by 4.7% during that same time frame.

According to the Institute for Supply Management (ISM), manufacturing activity expanded in May, although at a slower rate than in April. New orders, production, and employment among surveyed manufacturing companies continued to climb. Some of this

[13] Equal to the number of workers plus the number of unemployed people, divided by the civilian noninstitutionalized population.

production was attributable to companies' backlogs of orders, which declined during the month. The importation of goods contracted during April and May.

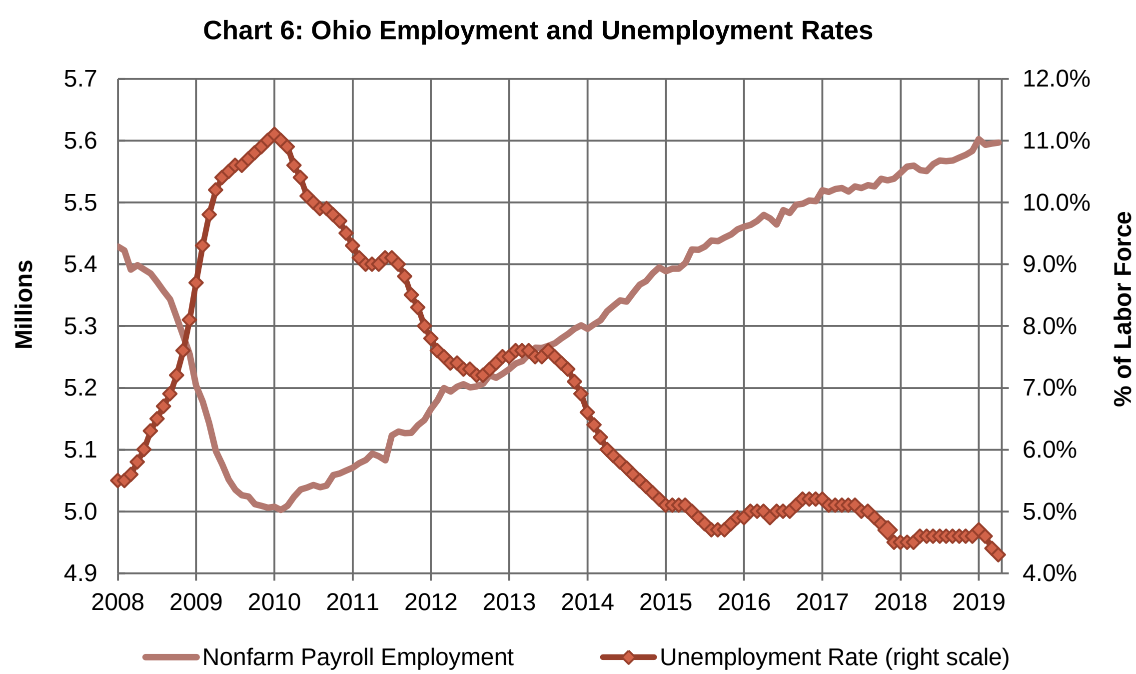
The consumer price index (CPI), as measured by the BLS, increased at a seasonally adjusted 0.3% in April, following an increase of 0.4% in the previous month. Year over year, the price index of all items has risen by 2.0%. The year-over-year price index has increased for food (1.8%), energy (1.7%),[14] new vehicles (1.2%), used vehicles (0.8%), and services (2.7%).

According to the U.S. Census Bureau Building Permits Survey, the total number of housing units authorized for construction increased approximately 2.8% in CY 2018, and the estimated value of those projects was up around 3.9%. The number of housing units authorized YTD 2019 was down approximately 3.6% as of April, and the estimated value of those projects was down around 4.3%.

The Ohio Economy

Ohio's unemployment rate decreased by 0.1 percentage point in April, to 4.3%. The number of unemployed people decreased 11,000 during the month; over the past 12 months, the number of unemployed people has decreased by approximately 15,000 and stood at 247,000 in April.

Nonfarm wage and salary employment increased by 1,400 workers during April, when the total number of employed persons in Ohio reached 5.597 million. Between April 2018 and April 2019, wage and salary employment grew by 44,400 workers, with approximately 81.5% of job growth occurring in the private service-producing sector. Year over year, nonagricultural employment grew 0.9% in the private sector and decreased by 0.1% in the public sector. Ohio's historical employment levels and unemployment rates are displayed graphically in Chart 6.



[14] Energy includes commodities such as gasoline and fuel oil, as well as energy services such as electricity and gas service.

During April, employment in goods-producing sectors declined modestly, as gains in construction (+500) were negated by losses in manufacturing (-500) and mining and logging (-200). Nonfarm employment grew in educational and health services (+2,100) and financial activities (+2,000) over the month. Other industries including trade, transportation, and utilities (-2,400) and other services (-1,200) shed workers in April. Government employment increased in April, with gains at the local (+700), federal (+400), and state (+300) levels.

Ohio's real GDP rose by 1.8% in 2018, following growth of 1.6% in 2017 and 0.7% in 2016, according to the most recent estimates from the BEA. Ohio's real GDP growth rate ranked 32nd in the U.S. in 2018. During the fourth quarter of 2018, Ohio's GDP was estimated to be 3.3% of total production in the U.S. U.S. Census Bureau estimates put Ohio's population at approximately 3.6% of the country's population last year.

According to the Ohio Association of Realtors, existing home unit sales in April were up 4.5% compared with April 2018. The average sale price for existing homes was 5.6% higher during the month, as compared to April 2018. YTD unit sales volume of existing homes is approximately equal to the year-earlier sales volume, although the total dollar value of existing homes sold in 2019 has increased 5.1% from 2018.

Economic activity in the region grew modestly, according to a Federal Reserve Bank of Cleveland report.[15] Growth of spending by consumers increased, except for motor vehicles. Employment rose, led by hiring in the service sector. Manufacturing slowed, attributed to weaker demand abroad. Growth in demand for professional and business services was strong, from both business clients and consumers.

[15] The report is from the latest Federal Reserve System Beige Book that summarizes information gathered on or before May 24, 2019, from outside contacts. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.