LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2020 **Issue: March 2020**

Highlights

– Ross Miller, Chief Economist

February GRF tax revenue came in $111 million above the estimate published by the Office of Budget and Management (OBM) in August 2019. The sales and use tax had another strong month, above estimate by nearly $35 million, but much of the strength in tax revenue was due to the foreign insurance tax, above estimate by almost $65 million. A significant portion of the apparent strength of that tax is due to timing: taxpayers' second tax payment of the year is due March 1, and it is difficult to predict the percentage of receipts collected in February rather than March. Nevertheless, most GRF tax sources were above estimates for the month. Only the natural gas consumption tax was significantly below estimate (by $9 million).

For FY 2020 through February, GRF tax revenue was $249 million above estimate. The foreign insurance tax accounted for $83 million of that due to the timing issue mentioned above. But the sales and use tax and the commercial activity tax (CAT) also had notable positive year-to-date (YTD) variances.

Through February 2020, GRF sources totaled $22.89 billion:

- ❖ Revenue from the sales and use tax was $145.4 million above estimate;
- ❖ Personal income tax (PIT) receipts were $17.6 million below estimate.

Through February 2020, GRF uses totaled $23.87 billion:

- ❖ Program expenditures were $207.7 million below estimate;
- ❖ Expenditures from all program categories were below estimates except for Medicaid, for which spending was above estimate by $100.5 million.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of February 2020
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 3, 2020)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$102,891	$92,300	$10,591	11.5%
Nonauto Sales and Use	$680,892	$656,700	$24,192	3.7%
Total Sales and Use	*$783,783*	*$749,000*	*$34,783*	*4.6%*
Personal Income	$178,636	$177,100	$1,536	0.9%
Commercial Activity Tax	$354,342	$351,800	$2,542	0.7%
Cigarette	$66,706	$60,200	$6,506	10.8%
Kilowatt-Hour Excise	$35,044	$31,500	$3,544	11.2%
Foreign Insurance	$144,428	$79,700	$64,728	81.2%
Domestic Insurance	$1	$200	-$200	-99.8%
Financial Institution	$50,746	$44,500	$6,246	14.0%
Public Utility	$30,072	$29,900	$172	0.6%
Natural Gas Consumption	$8,609	$17,900	-$9,291	-51.9%
Alcoholic Beverage	$3,916	$3,600	$316	8.8%
Liquor Gallonage	$3,827	$3,700	$127	3.4%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$8	$0	$8	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$1,660,116**	**$1,549,100**	**$111,016**	**7.2%**
Nontax Revenue				
Earnings on Investments	$21	$0	$21	---
Licenses and Fees	$5,311	$8,132	-$2,821	-34.7%
Other Revenue	$469	$574	-$104	-18.2%
Total Nontax Revenue	**$5,801**	**$8,706**	**-$2,904**	**-33.4%**
Transfers In	**$833**	**$0**	**$833**	**---**
Total State Sources	**$1,666,750**	**$1,557,806**	**$108,945**	**7.0%**
Federal Grants	**$686,003**	**$681,417**	**$4,587**	**0.7%**
Total GRF Sources	**$2,352,754**	**$2,239,222**	**$113,531**	**5.1%**

*Estimates of the Office of Budget and Management as of August 2019.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2020 as of February 29, 2020
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 3, 2020)

State Sources	Actual	Estimate*	Variance	Percent	FY 2019**	Percent
Tax Revenue						
Auto Sales	$1,029,245	$982,900	$46,345	4.7%	$956,760	7.6%
Nonauto Sales and Use	$6,388,173	$6,289,100	$99,073	1.6%	$6,047,586	5.6%
Total Sales and Use	*$7,417,418*	*$7,272,000*	*$145,418*	*2.0%*	*$7,004,346*	*5.9%*
Personal Income	$5,590,361	$5,608,000	-$17,639	-0.3%	$5,607,407	-0.3%
Commercial Activity Tax	$1,246,186	$1,209,900	$36,286	3.0%	$1,183,885	5.3%
Cigarette	$543,536	$537,800	$5,736	1.1%	$557,415	-2.5%
Kilowatt-Hour Excise	$228,384	$229,200	-$816	-0.4%	$238,692	-4.3%
Foreign Insurance	$316,474	$233,200	$83,274	35.7%	$256,044	23.6%
Domestic Insurance	$3,971	$200	$3,771	1885.6%	$5	73529.8%
Financial Institution	$86,364	$78,100	$8,264	10.6%	$87,673	-1.5%
Public Utility	$95,904	$98,400	-$2,496	-2.5%	$103,953	-7.7%
Natural Gas Consumption	$29,061	$40,000	-$10,939	-27.3%	$40,432	-28.1%
Alcoholic Beverage	$35,406	$38,000	-$2,594	-6.8%	$37,271	-5.0%
Liquor Gallonage	$35,143	$34,100	$1,043	3.1%	$33,990	3.4%
Petroleum Activity Tax	$4,041	$4,500	-$459	-10.2%	$4,750	-14.9%
Corporate Franchise	$92	$0	$92	---	$1,243	-92.6%
Estate	$38	$0	$38	---	$32	16.9%
Total Tax Revenue	**$15,632,380**	**$15,383,400**	**$248,980**	**1.6%**	**$15,157,138**	**3.1%**
Nontax Revenue						
Earnings on Investments	$76,978	$55,000	$21,978	40.0%	$55,110	39.7%
Licenses and Fees	$20,809	$20,101	$709	3.5%	$21,895	-5.0%
Other Revenue	$80,349	$61,220	$19,129	31.2%	$55,814	44.0%
Total Nontax Revenue	**$178,136**	**$136,321**	**$41,815**	**30.7%**	**$132,819**	**34.1%**
Transfers In	**$76,431**	**$68,570**	**$7,862**	**11.5%**	**$82,025**	**-6.8%**
Total State Sources	**$15,886,947**	**$15,588,290**	**$298,657**	**1.9%**	**$15,371,982**	**3.4%**
Federal Grants	**$7,004,470**	**$6,905,554**	**$98,916**	**1.4%**	**$6,517,763**	**7.5%**
Total GRF SOURCES	**$22,891,417**	**$22,493,844**	**$397,573**	**1.8%**	**$21,889,745**	**4.6%**

*Estimates of the Office of Budget and Management as of August 2019.

**Cumulative totals through the same month in FY 2019.

Detail may not sum to total due to rounding.

Revenues[1]

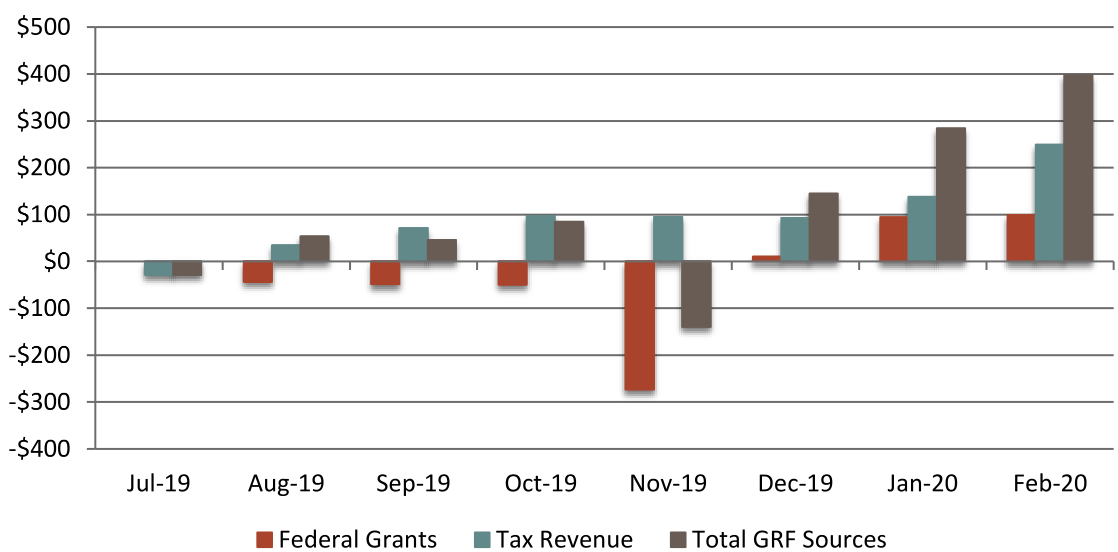
– Jean J. Botomogno, Principal Economist

Overview

The YTD positive variance of GRF sources grew in February 2020 as monthly receipts surpassed estimate by $113.5 million (5.1%). Through the latest month, GRF sources totaling $22.89 billion were $397.6 million (1.8%) above the August 2019 OBM estimates, up from a cumulative positive variance of $284.0 million through the end of January. Recent revenue trends continued at the end of February: all GRF categories were above estimate for the YTD, including tax revenue ($249.0 million, 1.6%), federal grants[2] ($98.9 million, 1.4%), nontax revenues ($41.8 million, 30.7%), and transfers in ($7.9 million, 11.5%). Tables 1 and 2 show GRF sources for the month of February and for FY 2020 through February, respectively. GRF sources consist of both federal grants and state-source receipts, such as tax revenue, nontax revenue, and transfers in.

Chart 1, below, shows cumulative YTD variances of GRF sources each month through February 2020.

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



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

[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs. Through February 2020, GRF Medicaid spending was $100.5 million above estimate.

The sales and use tax, the CAT, and the foreign insurance tax are driving the YTD performance of the GRF tax category: these taxes exceeded their respective YTD estimates by $145.4 million, $36.3 million, and $83.3 million, respectively. In addition, the financial institution tax (FIT), the cigarette tax, and the domestic insurance tax were also above their respective YTD estimates by $8.3 million, $5.7 million, and $3.8 million, respectively. Those positive variances were partially offset by shortfalls of $17.6 million from the PIT, $14.3 million from the three utility-related taxes (the kilowatt-hour excise tax, the public utility tax, and the natural gas consumption tax) and $2.6 million from the alcoholic beverage tax.[3]

In the month of February, GRF tax sources, which were 7.2% above anticipated receipts, contributed $111.0 million of the total GRF sources' positive variance noted earlier. For the remaining GRF categories, federal grants were $4.6 million (0.7%) above estimate, revenue from transfers in was $0.8 million when none was expected for the month, but nontax revenue fell short $2.9 million (33.4%). The foreign insurance tax, with a surplus of $64.7 million in February, provided a mostly timing-related boost to GRF sources; the estimates for February and March, combined, totaled $177.5 million, and revenue in February amounted to $144.4 million, suggesting that March revenue will be significantly below the $97.8 million estimate. But, the majority of the remaining tax sources were also above estimates, including the sales and use tax ($34.8 million), the cigarette tax ($6.5 million), the FIT ($6.2 million),[4] and the kilowatt-hour excise tax ($3.5 million). The natural gas consumption tax was the only tax source with a significant shortfall, $9.3 million.

YTD GRF sources were $1.00 billion (4.6%) higher than GRF sources in FY 2019 through February. Except for transfers in, which was $5.6 million below its FY 2019 level, revenue from the revenue categories grew relative to receipts in the previous year. Federal grants, tax sources, and nontax revenue increased $486.7 million, $475.2 million, and $45.3 million, respectively. Growth in GRF tax revenue was mostly due to the sales and use tax ($413.1 million), the CAT ($62.3 million), and the foreign insurance tax ($60.4 million). On the other hand, receipts fell for the utility-related taxes ($29.7 million), due to lower energy prices this year; the cigarette tax ($13.9 million), which is the normal trend; and the PIT ($17.0 million), due to two reductions made to withholding tax rates in the last 14 months. (The section below analyzing the PIT provides additional details on the rate cuts.)

Sales and Use Tax

The sales and use tax continues to outperform expectations, having been substantially below estimates only once (December 2019) this fiscal year. February 2020 was another strong month. GRF sales and use taxes totaled $783.8 million, an amount $34.8 million (4.6%) above estimate. Both the auto sales and use tax and the nonauto sales and use tax were above their respective estimates. Through February 2020, YTD GRF revenue of $7.42 billion was $145.4 million (2.0%) above anticipated receipts, and $413.1 million (5.9%) above collections in

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[3] Remittances for sales of both beer/malt beverages and wine/mixed beverages were below estimates and also below last year revenues.

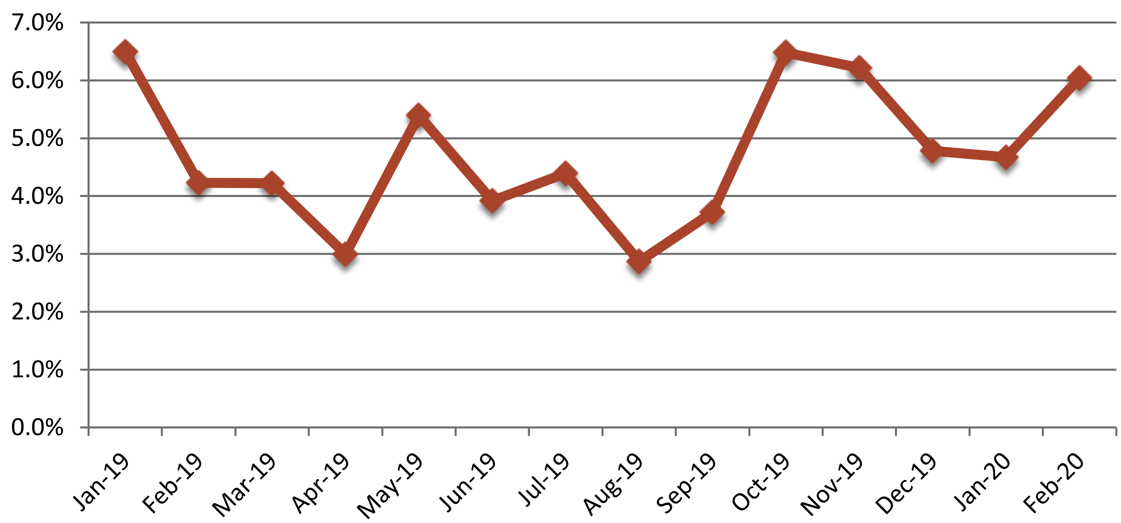
[4] Estimated FIT payments are made at the end of January, March, and May. However, a portion of each payment is posted the following month. The first FIT payment due at the end of January resulted in a combined positive variance of $20.7 million (19.8%) in the January-February period. The reconciliation between all estimated payments and final tax liability occurs in October.

the corresponding period in FY 2019. 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

February GRF receipts from the nonauto sales and use tax totaling $680.9 million were $24.2 million (3.7%) above estimate. This revenue was also $59.8 million (9.6%) above revenue in February 2019. The most recent month's collections provided YTD receipts of $6.39 billion and raised the cumulative positive variance of this GRF source to $99.1 million (1.6%), up from $74.9 million through January. For the fiscal year to date, GRF receipts were $340.6 million (5.6%) above revenue in the corresponding period in FY 2019. Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections. On a three-month moving average basis, revenue growth has been uneven in FY 2020, but the rate of growth has turned up after this tax source's good performances in the last two months.

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



The nonauto sales and use tax is benefiting from payments made by "marketplace facilitators" (MPFs) that were imposed by a law change in H.B. 166 (the main operating budget act for the biennium), thus boosting the year-over-year revenue growth rate by about one percentage point.[5] However, the yearly performance of the nonauto sales and use tax also reflects strong labor markets and income, low inflation and interest rates, wide availability of credit, and robust financial markets.

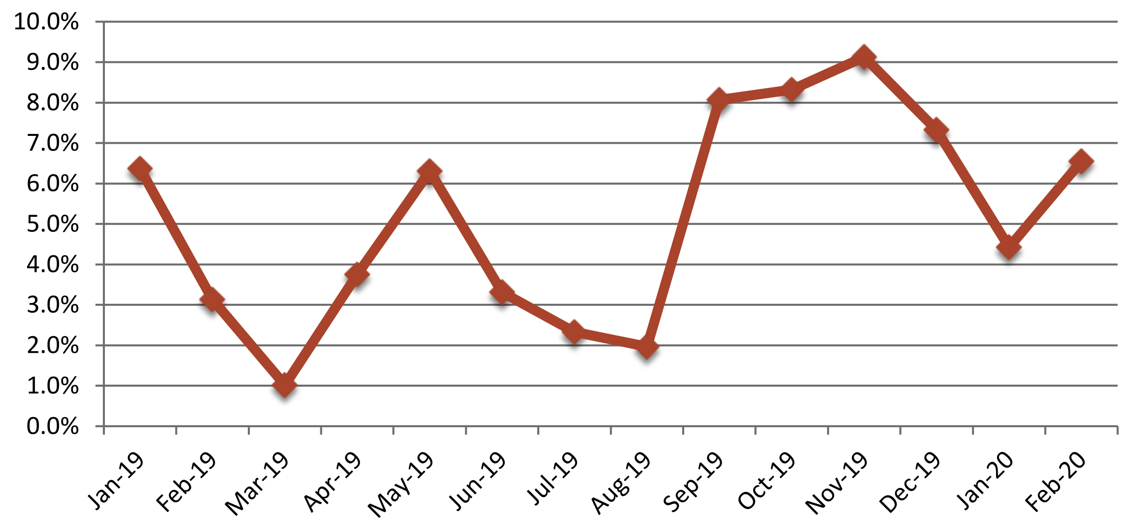
[5] The impact of MPFs is discussed in detail in the previous edition of *Budget Footnotes*.

Auto Sales and Use Tax

The auto sales and use tax suffered a substantial revenue setback only once this fiscal year when the tax source was $3.2 million below estimate in January. In February, GRF revenue from the auto sales and use tax of $102.9 million surpassed estimates by $10.6 million (11.5%), raising the YTD positive variance for this tax source to $46.3 million (4.7%), up from $35.8 million at the end of the previous month. YTD GRF revenue from this source totaling $1.03 billion was $72.5 million (7.6%) above receipts during the corresponding period in FY 2019. As reported in the January edition of this publication, this revenue growth is supported both by an increase in sales of used vehicles and an increase in the average transaction price of vehicles.

Chart 3 shows year-over-year growth in auto sales and use tax collections. The growth rate has been positive, if uneven throughout the fiscal year. After a reduced growth rate in the summer of 2019, it has turned up in the most recent month.

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



Nationwide, U.S. light vehicle sales (autos and light trucks) started 2020 on a strong note, reaching about 17 million seasonally adjusted annualized units in January and in February. February vehicle sales were about 2.1% above their year-ago level, as the resilience of the U.S. consumer and a good labor market continue to support vehicle sales.

Personal Income Tax

A positive revenue variance of $1.5 million (0.9%) in February improved slightly the overall revenue picture for the PIT. YTD GRF receipts of $5.59 billion were $17.6 million (0.3%) below projections, down from a cumulative negative variance of $19.2 million through January. YTD GRF revenue from the tax declined $17.0 million (0.3%) compared to such receipts through February in FY 2019, due to two reductions in withholding rates. Year-over-year growth in withholding receipts during the first half of FY 2020 was limited by a 3.3% reduction in withholding rates implemented in January 2019. Year-over-year growth in withholding receipts for January and February this year was limited due to a 4.0% reduction in withholding rates effective January 2020. The more recent reduction was due to a 4.0% reduction in income tax rates for nonbusiness income enacted by H.B. 166. The OBM revenue estimates for FY 2020 incorporated the fiscal impact of this rate reduction for the January to June period.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 81% of gross collections in FY 2019). Larger than expected refunds could also greatly affect the monthly performance of the tax, and refund activity has influenced the shortfall in PIT receipts this fiscal year.

In the month of February, gross collections were above projections by $15.4 million (2.0%) with all components above their respective estimates. Withholding, payments with annual returns, and quarterly estimated payments had positive variances of $5.4 million, $4.0 million, and $3.8 million, respectively. Refunds, which were $13.8 million (2.6%) above estimate, partially offset the positive variance of gross collections.

The annual tax return filing season started in January and refunds continue to play a large role in the weak performance of the PIT. For the January-February period, refunds were $44.7 million (6.8%) above estimates and $94.6 million (15.6%) above refunds in the corresponding period in FY 2019. Similarly, for the fiscal year to date, refunds were $81.3 million (7.7%) higher than expected and taxpayers have received $176.2 million (18.3%) more in refunds YTD than in the corresponding period in FY 2019.

For the YTD, revenues from each component of the PIT relative to estimates and revenue received in FY 2019 are detailed in the table below. Gross collections were $68.9 million above estimate, with all components above their YTD estimates. However, refunds and distributions to the LGF as a whole were $86.5 million higher than expected.

Compared to PIT components in FY 2019, the increase in gross collections in FY 2020 was nearly offset by the increase in refunds, and the decrease in PIT revenues was essentially the amount of increased LGF distributions. In part, the increase in LGF distributions is due to an increase in the allocation of GRF tax revenue to the LGF. H.B. 166 included a provision in uncodified law increasing the allocation from 1.66% of GRF tax revenue to 1.68% during the current biennium. Compared to receipts in the corresponding period in FY 2019, YTD FY 2020 employer withholding receipts[7] grew 1.8%, despite the reductions in withholding rates described above.

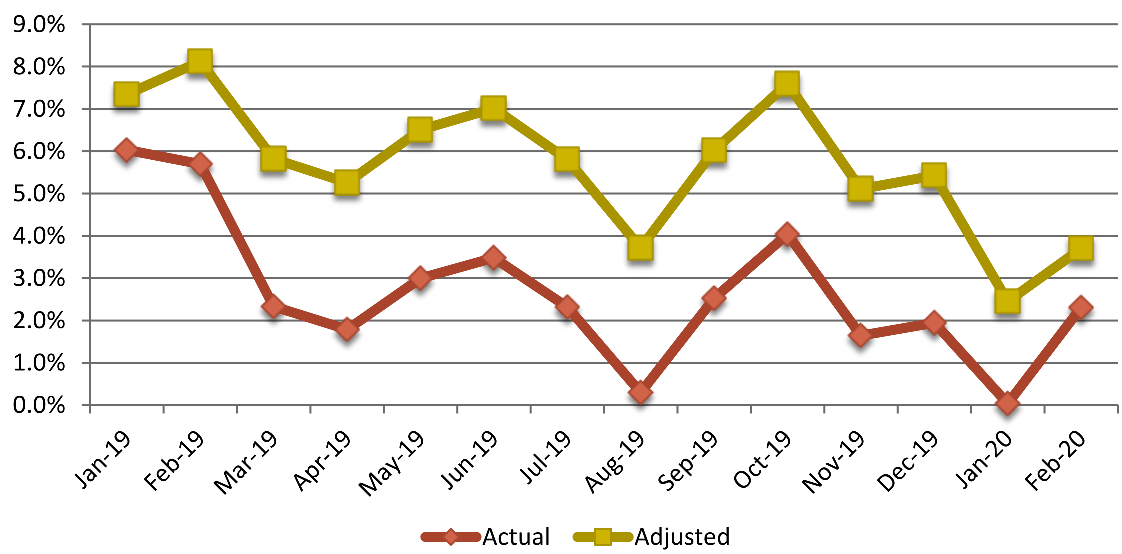
[6] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and February of the following year. Most estimated payments are made by high-income taxpayers.

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

FY 2020 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2019	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$43.8	0.7%	$108.4	1.8%
Quarterly Estimated Payments	$12.0	2.1%	$40.2	7.5%
Trust Payments	$5.8	19.3%	$3.8	11.8%
Annual Return Payments	$4.4	3.0%	$20.0	15.6%
Miscellaneous Payments	$2.9	5.6%	$4.0	8.0%
Gross Collections	$68.9	1.0%	$176.4	2.6%
Less Refunds	$81.3	7.7%	$176.2	18.3%
Less LGF Distribution	$5.3	1.9%	$17.3	6.4%
GRF PIT Revenue	-$17.6	-0.3%	-$17.0	-0.3%

The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts in FY 2020 and estimated withholding receipts adjusted for the decrease in withholding tax rates in January. Payrolls are estimated to have grown about 3.7%, on average, in the last three months.

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



Commercial Activity Tax

Following a dismal second fiscal quarter in which the CAT was below both estimates and prior-year receipts, the CAT started calendar year (CY) 2020 with a positive variance of $11.0 million in January. The improvement continued in February with the third CAT payment by quarterly calendar taxpayers in FY 2020. The payment provided GRF receipts of $354.3 million, an amount $2.5 million (0.7%) above estimate, and $5.5 million (1.6%) above such revenue in the same month last year. As a result, the cumulative positive variance of the CAT increased to $36.3 million (3.0%) YTD. YTD GRF receipts totaled $1.25 billion, which was $62.3 million (5.3%) above revenue through February in FY 2019. The increase in GRF revenue in FY 2020, has been driven, in part, by a decline in tax credits claimed against the CAT.[8] Through February, FY 2020 gross collections (i.e., all funds revenue) grew only 3.8% while refunds and credits fell 15.8%, resulting in a higher growth rate for the GRF.

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). Through February, Fund 7047 and Fund 7081 received $190.6 million and $29.3 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. In FY 2020, OBM estimates a CAT excess of $141.5 million will be transferred to the GRF.

[8] A number of Ohio's business tax credits can be claimed against more than one type of tax, but many are claimed against the CAT, which is imposed on the privilege of doing business in Ohio. Through February, refunds and credits totaled $76.9 million, $16.1 million below those in the corresponding period in FY 2019.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of February 2020
($ in thousands)
(Actual based on OAKS reports run March 3, 2020)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$738,529	$760,773	-$22,244	-2.9%
Higher Education	$215,124	$226,222	-$11,098	-4.9%
Other Education	$5,740	$5,334	$406	7.6%
Total Education	**$959,394**	**$992,330**	**-$32,936**	**-3.3%**
Medicaid	$1,083,269	$1,090,936	-$7,667	-0.7%
Health and Human Services	$105,287	$106,620	-$1,333	-1.3%
Total Health and Human Services	**$1,188,556**	**$1,197,556**	**-$9,000**	**-0.8%**
Justice and Public Protection	$163,247	$166,442	-$3,195	-1.9%
General Government	$31,497	$45,127	-$13,630	-30.2%
Total Government Operations	**$194,744**	**$211,569**	**-$16,825**	**-8.0%**
Property Tax Reimbursements	$2	$0	$2	---
Debt Service	$76,287	$78,370	-$2,083	-2.7%
Total Other Expenditures	**$76,289**	**$78,370**	**-$2,081**	**-2.7%**
Total Program Expenditures	**$2,418,983**	**$2,479,825**	**-$60,842**	**-2.5%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$2,418,983**	**$2,479,825**	**-$60,842**	**-2.5%**

*September 2019 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2020 as of February 29, 2020
($ in thousands)
(Actual based on OAKS reports run March 3, 2020)

Program Category	Actual	Estimate*	Variance	Percent	FY 2019**	Percent
Primary and Secondary Education	$5,725,073	$5,777,160	-$52,087	-0.9%	$5,711,349	0.2%
Higher Education	$1,546,261	$1,616,849	-$70,589	-4.4%	$1,541,708	0.3%
Other Education	$60,785	$61,046	-$261	-0.4%	$54,426	11.7%
Total Education	**$7,332,118**	**$7,455,055**	**-$122,937**	**-1.6%**	**$7,307,483**	**0.3%**
Medicaid	$10,949,244	$10,848,737	$100,507	0.9%	$10,077,264	8.7%
Health and Human Services	$964,473	$1,039,326	-$74,853	-7.2%	$904,564	6.6%
Total Health and Human Services	**$11,913,717**	**$11,888,064**	**$25,654**	**0.2%**	**$10,981,828**	**8.5%**
Justice and Public Protection	$1,663,473	$1,698,311	-$34,838	-2.1%	$1,556,186	6.9%
General Government	$294,707	$346,826	-$52,118	-15.0%	$253,956	16.0%
Total Government Operations	**$1,958,180**	**$2,045,136**	**-$86,956**	**-4.3%**	**$1,810,141**	**8.2%**
Property Tax Reimbursements	$905,292	$926,004	-$20,712	-2.2%	$905,542	0.0%
Debt Service	$1,100,934	$1,103,708	-$2,774	-0.3%	$1,127,660	-2.4%
Total Other Expenditures	**$2,006,226**	**$2,029,712**	**-$23,487**	**-1.2%**	**$2,033,201**	**-1.3%**
Total Program Expenditures	**$23,210,241**	**$23,417,967**	**-$207,726**	**-0.9%**	**$22,132,654**	**4.9%**
Transfers Out	**$663,620**	**$669,975**	**-$6,356**	**-0.9%**	**$752,927**	**-11.9%**
Total GRF Uses	**$23,873,861**	**$24,087,942**	**-$214,082**	**-0.9%**	**$22,885,581**	**4.3%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on March 5, 2020)

	Month of February 2020				Year to Date through February 2020			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,016,205	$1,024,011	-$7,806	-0.8%	$10,409,074	$10,311,247	$97,826	0.9%
Non-GRF	$979,056	$1,032,780	-$53,724	-5.2%	$6,046,612	$6,198,944	-$152,332	-2.5%
All Funds	$1,995,261	$2,056,791	-$61,530	-3.0%	$16,455,686	$16,510,191	-$54,505	-0.3%
Developmental Disabilities								
GRF	$57,858	$58,179	-$321	-0.6%	$464,118	$464,250	-$132	0.0%
Non-GRF	$179,646	$190,547	-$10,901	-5.7%	$1,595,648	$1,640,466	-$44,818	-2.7%
All Funds	$237,504	$248,726	-$11,222	-4.5%	$2,059,766	$2,104,717	-$44,950	-2.1%
Job and Family Services								
GRF	$7,980	$7,993	-$13	-0.2%	$68,853	$66,082	$2,771	4.2%
Non-GRF	$15,018	$18,267	-$3,249	-17.8%	$126,282	$122,979	$3,303	2.7%
All Funds	$22,998	$26,260	-$3,262	-12.4%	$195,135	$189,061	$6,074	3.2%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,225	$752	$473	62.8%	$7,199	$7,157	$41	0.6%
Non-GRF	$4,997	$3,984	$1,013	25.4%	$29,492	$28,592	$899	3.1%
All Funds	$6,222	$4,736	$1,486	31.4%	$36,690	$35,749	$941	2.6%
All Departments:								
GRF	**$1,083,269**	**$1,090,936**	**-$7,667**	**-0.7%**	**$10,949,244**	**$10,848,737**	**$100,507**	**0.9%**
Non-GRF	**$1,178,717**	**$1,245,578**	**-$66,862**	**-5.4%**	**$7,798,034**	**$7,990,982**	**-$192,948**	**-2.4%**
All Funds	**$2,261,985**	**$2,336,514**	**-$74,529**	**-3.2%**	**$18,747,278**	**$18,839,719**	**-$92,441**	**-0.5%**

*September 2019 estimates from the Department of Medicaid.
Detail may not sum to total due to rounding.

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on March 5, 2020)

	Month of February 2020				Year to Date through February 2020			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,540,114**	**$1,545,377**	**-$5,263**	**-0.3%**	**$11,797,811**	**$11,631,188**	**$166,624**	**1.4%**
CFC†	$545,163	$547,519	-$2,356	-0.4%	$4,131,005	$4,051,892	$79,113	2.0%
Group VIII	$445,890	$413,922	$31,968	7.7%	$3,129,101	$3,002,670	$126,431	4.2%
ABD†	$252,343	$268,375	-$16,032	-6.0%	$1,919,966	$1,955,206	-$35,239	-1.8%
ABD Kids	$80,438	$85,068	-$4,629	-5.4%	$635,722	$630,011	$5,711	0.9%
My Care	$216,280	$230,493	-$14,213	-6.2%	$1,775,895	$1,786,927	-$11,032	-0.6%
P4P†	$0	$0	$0	---	$206,121	$204,482	$1,639	0.8%
Fee-For-Service	**$530,973**	**$590,228**	**-$59,255**	**-10.0%**	**$5,578,000**	**$5,717,130**	**-$139,130**	**-2.4%**
ODM Services	$340,312	$355,315	-$15,002	-4.2%	$2,795,516	$2,869,132	-$73,617	-2.6%
DDD Services	$224,913	$234,914	-$10,001	-4.3%	$1,995,323	$2,033,898	-$38,575	-1.9%
Hospital - HCAP†	-$34,252	$0	-$34,252	---	$647,208	$669,444	-$22,236	-3.3%
Hospital - Other	$0	$0	$0	---	$139,953	$144,655	-$4,703	-3.3%
Premium Assistance	**$96,196**	**$99,215**	**-$3,019**	**-3.0%**	**$740,790**	**$759,707**	**-$18,917**	**-2.5%**
Medicare Buy-In	$55,870	$56,869	-$999	-1.8%	$428,723	$439,778	-$11,055	-2.5%
Medicare Part D	$40,325	$42,346	-$2,021	-4.8%	$312,067	$319,929	-$7,862	-2.5%
Administration	**$94,703**	**$101,694**	**-$6,992**	**-6.9%**	**$630,677**	**$731,694**	**-$101,018**	**-13.8%**
Total	**$2,261,985**	**$2,336,514**	**-$74,529**	**-3.2%**	**$18,747,278**	**$18,839,719**	**-$92,441**	**-0.5%**

*September 2019 estimates from the Department of Medicaid.

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

Detail may not sum to total due to rounding.

Expenditures[9]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

After being above estimate for the month of January, GRF uses of $2.42 billion were below estimate in February by $60.8 million. For the YTD, GRF uses of $23.87 billion were below estimate by $214.1 million (0.9%). All program categories, except for Medicaid, were under estimate YTD. YTD variances in GRF uses compared to estimates are shown in the preceding Table 4. The preceding Table 3 shows GRF uses compared to estimates for the month of February.

Medicaid's GRF expenditures were below estimate by $7.7 million for the month of February after two months of positive variances in December ($32.2 million) and January ($161.9 million). Medicaid's YTD expenditures were above estimate by $100.5 million at the end of February. The following section gives more details about Medicaid GRF and non-GRF variances.

All but two of the remaining program categories saw their negative YTD variances grow in February. The largest negative YTD variance was in Health and Human Services, which had a negative YTD variance of $74.9 million that grew by $1.3 million in February. Higher Education had the second largest YTD negative variance ($70.6 million), which grew by $11.1 million in February. Other program categories that were more than $30.0 million under their YTD estimates are: General Government ($52.1 million, growing by $13.6 million in February), Primary and Secondary Education ($52.1 million, growing by $22.2 million), and Justice and Public Protection ($34.8 million, growing by $3.2 million). These variances are discussed further in the following sections.

Medicaid

GRF Medicaid expenditures were below their monthly estimate in February by $7.7 million (0.7%), which caused the variance in Medicaid YTD expenditures to decrease to $100.5 million (0.9%) above estimate. Non-GRF Medicaid expenditures were also below their monthly estimate, by $66.9 million (5.4%), and below their YTD estimate by $192.9 million (2.4%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $74.5 million (3.2%) below estimate in February and $92.4 million (0.5%) below the YTD estimate at the end of February. As a joint federal-state program, both GRF and non-GRF Medicaid expenditures contain federal and state dollars.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had a negative variance in February of

[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.

$61.5 million and had a negative YTD variance of $54.5 million (0.3%). February's negative variance for all funds ODM expenditures counteracted January's significant positive variance and returned ODM's all funds expenditure variance to negative territory. This is in contrast to the positive YTD variance that was seen in all funds ODM expenditures at the end of January. ODODD had a negative variance ($11.2 million) in February that increased the magnitude of ODODD's negative YTD variance to $45.0 million (2.1%). The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% 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. Fee-For-Service (FFS, $139.1 million, 2.4%) had the largest overall negative variance, followed by Administration ($101.0 million, 13.8%), and Premium Assistance ($18.9 million, 2.5%). Managed Care expenditures were above their YTD estimate by $166.6 million (1.4%).

The YTD variance in the Administration category is mostly due to timing and is expected to smooth out throughout the fiscal year. Administrative expenses for information technology have been below estimate thus far this fiscal year.

Expenditures in the Managed Care category experienced a relatively small negative variance of $5.3 million (0.3%) in February, which decreased the YTD positive variance to $166.6 million (1.4%). Through the fiscal year, the largest factors which have contributed to this positive YTD variance have been positive monthly variances in the Covered Families and Children (CFC) and Group VIII categories. Managed Care rates, which are legally required to be actuarially sound, have increased in CY 2020, and according to ODM, these rates are approximately 3% higher than was estimated in the budget for the final six months of the fiscal year. In addition, the positive variances for Group VIII have been influenced by higher than expected caseloads. For the first eight months of FY 2020, the average monthly managed care caseloads for Group VIII were 1.6% (8,738) above estimate.

Health and Human Services

The negative $74.9 million (7.2%) YTD variance in the Health and Human Services category includes a negative monthly variance of $1.3 million in February.

The Ohio Department of Job and Family Services (ODJFS) leads the agencies in this category with the largest negative YTD variance of $33.8 million. ODJFS's YTD variance continues to be dominated by items 600450, Program Operations, ($16.3 million) and 600523, Family and Children Services, ($14.0 million). These items' negative YTD variances increased in February by $2.9 million and $0.4 million, respectively. The negative YTD variances in most of ODJFS's line items continued to be partially offset by a positive variance in item 600535, Early Care and Education. This item's positive YTD variance increased by $4.7 million in February to reach $16.4 million.

The Ohio Department of Mental Health and Addiction Services (OMHAS) continues to have a significant negative YTD variance ($25.0 million at the end of February). As reported in prior issues of *Budget Footnotes*, this negative variance is primarily from expenditures in October. For the month of February, OMHAS had a negative variance of $1.9 million.

Also contributing to the negative YTD variance in this category was the Department of Health (DOH), which had a negative YTD variance which fell from $9.9 million at the end of January to $8.3 million at the end of February. This YTD variance was a result of an accumulation of negative monthly variances for most months of the fiscal year. DOH's variances are spread out over most of its line items. The positive variance for the month of February is primarily from item 440459, Help Me Grow, which had a positive variance of $2.7 million in February, which decreased this item's negative YTD variance to $1.0 million. The Help Me Grow Home Visiting Program is the state's parenting education program for expectant, first-time, and other parents at highest risk for poor health outcomes for children.

The agency in this category with the fourth highest negative YTD variance is the Department of Veterans Services (DVS), which had a negative YTD variance of $5.5 million at the end of February. This variance is primarily from item 900321, Veterans' Homes, which pays the operating costs of the state's two veterans' homes.

Higher Education

The Higher Education category was under its YTD estimate by $70.6 million (4.4%) at the end of February. For the month of February, this category was under estimate by $11.1 million. As reported in the last issue of *Budget Footnotes*, expenditures from two line items have been delayed since December. These two items are listed below with their negative YTD variances indicated in parentheses:

- 235535, Ohio Agricultural Research and Development Center ($24.9 million);
- 235511, Cooperative Extension Service ($16.7 million).

Once agreements between the Department and these organizations are finalized, these negative variances should be reversed.

In addition to these, most other line items in this category were also under estimate for the YTD. These items include 235563, Ohio College Opportunity Grant, ($9.6 million) and 235438, Choose Ohio First Scholarship, ($6.8 million). Expenditures in these two items are dependent on when the Department receives requests from higher education institutions, so they often have timing-related variances.

General Government

The General Government category had a negative YTD variance of $52.1 million (15.0%) at the end of February and a negative variance of $13.6 million for the month of February. These variances were largely the result of a negative monthly variance of $5.2 million and a negative YTD variance of $25.8 million in item 775470, Public Transportation – State, in the Department of Transportation budget. Also contributing to the negative YTD variance was a negative YTD variance of $10.0 million in item 700417, Soil and Water Phosphorus Program, in the Department of Agriculture budget. The variances in both of these items were due to delays in payments for these programs.

Primary and Secondary Education

The Primary and Secondary Education category had a negative YTD variance at the end of February of $52.1 million (0.9%), which increased by $22.2 million in the month of February. The YTD variance is dominated by items 200437, Student Assessment, ($25.3 million) and

200550, Foundation Funding, ($11.4 million). Item 200437 is spent primarily on contracts with the state's vendors responsible for providing and scoring state assessments. This negative YTD variance is mostly from the months of October and January. Item 200550 provides the majority of the state's funding to local schools. This item had a positive YTD variance at the end of January, but this was offset by a negative variance of $24.0 million in February.

Justice and Public Protection

The Justice and Public Protection category had a negative variance for the month of February of $3.2 million, which increased this category's negative YTD variance to $34.8 million (2.1%). The most significant negative YTD variances were for the Department of Public Safety (DPS, $12.8 million), the Attorney General ($10.3 million), the Department of Youth Services ($6.9 million), and the Judiciary/Supreme Court ($6.3 million).

Issue Updates

ODE and DPS Release Details on New School Bus Purchase Program

– Dan Redmond, Budget Analyst

In January 2020, the Ohio Department of Education (ODE), in conjunction with DPS, released a legislatively required report describing how the new $20 million School Bus Purchase Program, funded by H.B. 166, will operate in FY 2021. Under the program, school districts will be ranked based on the percentage of regular service buses that are eight years old or older, with awards going to districts with the highest percentages first. ODE will award funds to a district based on the ranking list for one bus at a time. If funds remain available after the first time through the ranking list, a subsequent award will be made – using the same rank order – until funds are exhausted. A district's award for each bus will equal $86,700 (the average purchase price of a new school bus over the last three years, according to the report) multiplied by the district's state share index for FY 2019. The state share index is an element in the state foundation aid formula used to account for each district's capacity to raise local revenues. Lower wealth districts have higher state share index values and vice versa.

In order to receive funds, districts are required to remove at least one regular service bus eight years old or older from regular bus service for each bus acquired using an award. ODE will notify school districts awarded funds on or before March 20, 2020. In turn, districts must notify ODE, by June 1, 2020, of their intent to use the funding. H.B. 166 financed the program through a one-time transfer of $20 million from the FY 2019 GRF year-end balance to the School Bus Purchase Fund (Fund 5VU0).

ODE Announces Quality Community School Support Awards

– Nick Ciolli, Budget Analyst

In January 2020, ODE announced the schools awarded Quality Community School Support funds for the 2019-2020 school year. H.B. 166 established the program to provide additional funding to community schools that meet certain criteria with respect to sponsor ratings, report card performance, and other factors. Designated community schools receive up to $1,750 for each economically disadvantaged student and up to $1,000 for each other student. The budget allocates $30 million each fiscal year from lottery profits for the program. A total of 63 community schools serving more than 20,000 students, 18,000 (nearly 90%) of whom are economically disadvantaged, qualified for funding. The number of students in qualifying schools required each school's payment to be prorated to 88.6% of the calculated amount to fit within the appropriation. Individual awards ranged from about $50,000 to Huber Heights Preparatory Academy to $2.1 million to KIPP Columbus.

A community school must meet at least one of three criteria to earn the Quality Community School designation, all of which require the school's sponsor to have been rated as "exemplary" or "effective" on its most recent evaluation. The table below summarizes the number of schools and award amounts by the designation criteria met. As the table shows, 47

(74.6%) schools receiving a total of $24.5 million qualified under Criteria 1, which focuses on the academic performance of the schools. In general, this criteria takes into account performance index scores relative to the school district in which the school is located, the value-added progress dimension on the report cards, and the school's economically disadvantaged percentage. Six (9.5%) schools, receiving a total of about $940,000, qualified under Criteria 2, which designates certain schools that are either new or opened within the last four years and that are replicating an instructional or operational model of a school designated under Criteria 1. Ten (15.9%) schools, receiving a total of $4.6 million, qualified under Criteria 3, which depends on certain characteristics of school operators that also operate schools in other states.

Summary of Quality Community School Support Awards, FY 2020				
Criteria	Number of Schools	Economically Disadvantaged Students	Total Students	Total Award ($ in millions)
1 – Academic performance	47	14,801	16,511	$24.5
2 – New or newer school replicating model of school qualifying under Criteria 1	6	454	722	$0.9
3 – Schools contracting with certain operators	10	2,887	3,031	$4.6
Total	**63**	**18,142**	**20,265**	**$30.0**

Schools that receive the designation retain it for the subsequent two fiscal years, although the size of awards may change based on the school's enrollment and as additional schools receive awards. Payments for each fiscal year are calculated using the final full-time equivalent (FTE) number of students enrolled in the school for the prior fiscal year. However, if a school is in its first year of operation, the payment is calculated using the school's FTE number of students for the current fiscal year as of the date the payment is made.

State Forest Timber Sales Provide $1.5 million to Local Governments and School Districts

– Shannon Pleiman, Senior Budget Analyst

On January 17, 2020, the Department of Natural Resources (DNR) announced that 14 school districts, 23 townships, and 13 county governments will receive over $1.5 million from the sale of timber from state forest lands in FY 2019. Under current law, 65% of the net proceeds from the sale of timber must be distributed to the county, townships, and school districts from which the timber was harvested. The remaining 35% is retained by DNR's Division of Forestry and deposited to the credit of the State Forest Fund (Fund 5090). Of the amount distributed to local communities, 50% goes to school districts, 25% goes to townships, and 25% goes to the county. The table below shows the amounts received by each type of recipient by county in this latest distribution of timber sales revenue. A full list of recipients can be found at: ohiodnr.gov. More than $32.0 million in timber revenue has been distributed to school districts, townships, and counties since the distribution started in CY 1999. There are 23 state forests across the state, the largest being Shawnee State Forest located in Scioto and Adams counties.

FY 2019 Timber Sale Distributions by Recipient Type				
County	**School Districts**	**County**	**Townships**	**Total**
Scioto	$256,784	$128,392	$128,392	$513,568
Vinton	$169,833	$84,917	$84,917	$339,666
Ross	$156,874	$78,437	$78,437	$313,748
Adams	$101,615	$50,807	$50,807	$203,230
Pike	$44,135	$22,067	$22,067	$88,269
Athens	$8,004	$4,002	$4,002	$16,007
Highland	$4,528	$2,264	$2,264	$9,055
Meigs	$3,379	$1,690	$1,690	$6,758
Ashland	$2,488	$1,244	$1,244	$4,976
Fulton	$1,300	$650	$650	$2,599
Jackson	$1,300	$650	$650	$2,599
Jefferson	$1,300	$650	$650	$2,599
Muskingum	$195	$97	$97	$390
Total	**$751,735**	**$375,867**	**$375,867**	**$1,503,469**

Department of Natural Resources Awards $250,000 in Boating Safety Education Grants

– Tom Wert, Senior Budget Analyst

On January 28, 2020, DNR announced the recipients of Boating Safety Education Grants totaling $250,000. As shown in the table below, 19 community boating safety programs in 14 counties will receive grants of between nearly $4,500 and $24,500. These grants are used by state and local governments, nonprofit organizations, educational institutions, and other eligible entities to provide watercraft safety programs that benefit the general boating public. Boating Safety Education Grants may range from $1,000 to $30,000 and require a grantee cost share or in-kind contribution of 25%. Grants are made from the Waterways Safety Fund (Fund 7086), which receives a portion of Ohio's motor fuel tax revenues (0.875% of the first 28¢ per gallon taxed), boating registration and related fees, federal grants, and fines.

FY 2020 Boating Safety Education Grant Recipients		
County	**Grant Recipient**	**Grant Amount**
Ashtabula	Ashtabula County YMCA	$9,300
Cuyahoga	Bay Sea Scouts	$7,043
	City of Cleveland	$7,584
	Cleveland Metroparks	$24,514
Erie	City of Sandusky	$15,599
	Erie Metroparks	$9,232
Fairfield	River Rangers	$16,793
Franklin	Boy Scouts of America – Simon Kenton Council	$4,548
	West Ohio Conference United Methodist Church	$22,217
Geauga	Camp Ho Mita Koda	$6,899
Hamilton	Rivers Unlimited	$16,384
Hocking	Big Brothers/Big Sisters	$14,622
Lake	Lake Metroparks	$10,835
Logan	Kirkmont Center	$4,488
Lorain	Lorain Metroparks	$16,687
Lucas	Toledo Power Squadron	$18,200
Mahoning	Youngstown State University	$16,507
Summit	Akron Sail & Power Squadron	$13,789
	Girl Scouts of NE Ohio	$14,762
	Total	**$250,000**

$9.2 million Made Available to Expand Quality Child Care

– Nicholas J. Blaine, Budget Analyst

On January 29, 2020, ODJFS announced that $9.2 million in funds would be made available to expand access to quality child care. Of this amount, $6.2 million was awarded in the form of capacity-building grants to nine organizations located across Ohio. All 88 counties will be served by at least one of the organizations selected. The organizations will work with child care providers in their service area to help them become rated or to improve their rating in the Step Up to Quality (SUTQ) Program. Specifically, funds will be used to improve workforce recruitment and retention and to provide professional development and technical assistance. In addition, some funds may also be used to provide facility improvement and classroom supplies and to support curriculum development and assessment. The remaining $3.0 million will be offered in the form of incentive payments to help providers become rated or to improve their rating in SUTQ. Unrated programs that submitted an SUTQ registration and one-star and two-star rated programs that improved their ratings between January 1, 2020, and February 29, 2020, are eligible for an incentive payment. Child care centers can receive $4,000 and family child care providers are eligible to receive $2,000. Funding for both activities is provided through GRF appropriation item 600555, Quality Infrastructure Grants.

SUTQ is a five-star quality rating and improvement system administered by ODE and ODJFS. The system recognizes and promotes learning and development programs that meet quality program standards that exceed licensing health and safety regulations. Beginning July 1, 2020, all licensed child care providers that receive state funding are required to participate in SUTQ (ODJFS reports 86% of providers are currently quality rated). Additionally, ODJFS is responsible for ensuring that the share of providers rated three-stars or higher in SUTQ increases to 60% by June 30, 2021, 80% by June 30, 2023, and 100% by June 30, 2025.

Comprehensive Primary Care Program for Kids is Launched

– Nelson V. Lindgren, Economist

In January 2020, ODM launched the Comprehensive Primary Care (CPC) for Kids Program. CPC for Kids is a value-based reimbursement program aimed at improving child health and wellness by focusing on preventive health services. Pediatric primary care providers that wish to participate in the program must meet certain eligibility requirements including serving at least 150 children enrolled in Medicaid. In addition, these providers must adhere to certain access and care standards, such as providing 24/7 and same-day access to care and offering a team-based care coordination framework. ODM has provided $8 million for this initiative in FY 2020. Of this amount, $6 million will be distributed to participating providers or practices and used for primary-care activities. The remaining $2 million will be distributed as a performance bonus for high-performing providers or practices that provide counseling for nutrition and physical activity to children and adolescents and make the greatest improvements in well-child visits and child lead screenings.

While the CPC for Kids is a new initiative, a broader CPC program that covers individuals of all ages has been in effect in Ohio since January of 2017. The program's goal is to improve quality of care and lower healthcare costs. Participating providers may receive two forms of financial support: (1) a per-member, per-month payment based on a patient's risk tier that is used to support required activities and (2) a shared savings payment that is used to reward practices for achieving total cost of care savings. CPC additionally leverages its program data to assist practices via the provision of reports and quantitative information, which provide actionable information to enable providers to make the best care and referral decisions for their patients. The program currently covers approximately 1.4 million Medicaid enrollees through 250 enrolled primary care providers.

Supreme Court Awards $3.2 million in Court Technology Grants

– Robert Meeker, Budget Analyst

On January 6, 2020, the Ohio Supreme Court announced the award of 54 court technology grants totaling $3.2 million to 45 appellate, common pleas, municipal, and county courts in 34 counties. Individual grants range from $1,034 (Ross County Court of Common Pleas) to $232,033 (Wyandot County Court of Common Pleas) with an average award of $59,308. The table below summarizes the grants by the four types of projects funded. Projects focused on upgrading existing case management systems received the largest amount of funding with 33 grants totaling $2.6 million.

Court Technology Grant Awards by Project Type			
Project Type	**Award Count**	**Award Total**	**Average Award**
Case management system	33	$2,619,897	$79,391
Physical security of courtroom or building	13	$439,220	$33,786
Pretrial/risk assessment technology[10]	4	$75,975	$18,994
Nonsecurity-related hardware, software, or equipment	4	$67,530	$16,882
Total	**54**	**$3,202,622**	**$59,308**

A 27-member committee scored all of the grant applications using a formula that assigned weights to project priorities and considered factors such as geographical impact and the poverty index.[11] Priority was given to courts located within an area deemed high need (poverty level, fiscal emergency, or economic distress) and to courts that had not been awarded funding during the prior 2015 through 2019 grant cycles. Including this year, about $17 million in GRF-backed grants have been awarded to appellate, common pleas, municipal, and county courts for more than 450 projects.

[10] Pretrial risk assessments are designed to provide information about the risk of failure that a given person poses if released before adjudication of his or her case.

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

Adjutant General's Ohio Cyber Reserve Underway

– Shaina Morris, Budget Analyst

Effective January 24, 2020, S.B. 52 of the 133rd General Assembly created the Ohio Cyber Reserve (OhCR). Similar to how the Ohio National Guard is placed on state active duty, OhCR is available at the direction of the Governor to assist in responding to eligible small governments affected by cyberattacks and is tasked with providing recommendations to reduce cyber threats.

For expenses related to establishing and maintaining OhCR, S.B. 52 appropriated to the Adjutant General $100,000 in FY 2020 and $550,000 in FY 2021 from the GRF. The funding is to be used to create and support up to five, regionally based ten-person teams that can be expanded based on need. Members are provided training, equipment (including laptops), and identification badges and uniforms. While in training status, members are not paid, but when activated are paid as state civilian employees. The teams will work out of Ohio National Guard readiness centers.

OhCR is an initiative born from the Ohio Cyber Collaboration Committee (OC3), an Ohio partnership of the Adjutant General with representatives from public, private, military, and educational organizations. OC3 was originally formed in 2017 to develop a stronger cybersecurity infrastructure and workforce in the state. The OC3 initiative has developed the Ohio Cyber Range, a virtual environment used for cybersecurity training and technology development. The range currently has sites at the University of Cincinnati and the University of Akron. The range is available for cyber competitions, training, and testing for schools, governments, and businesses. Sites will continue to grow as Ohio's cyber defense capabilities increase.

Tracking the Economy

– Phil Cummins, Senior Economist

– Ruhaiza Ridzwan, Senior Economist

Overview

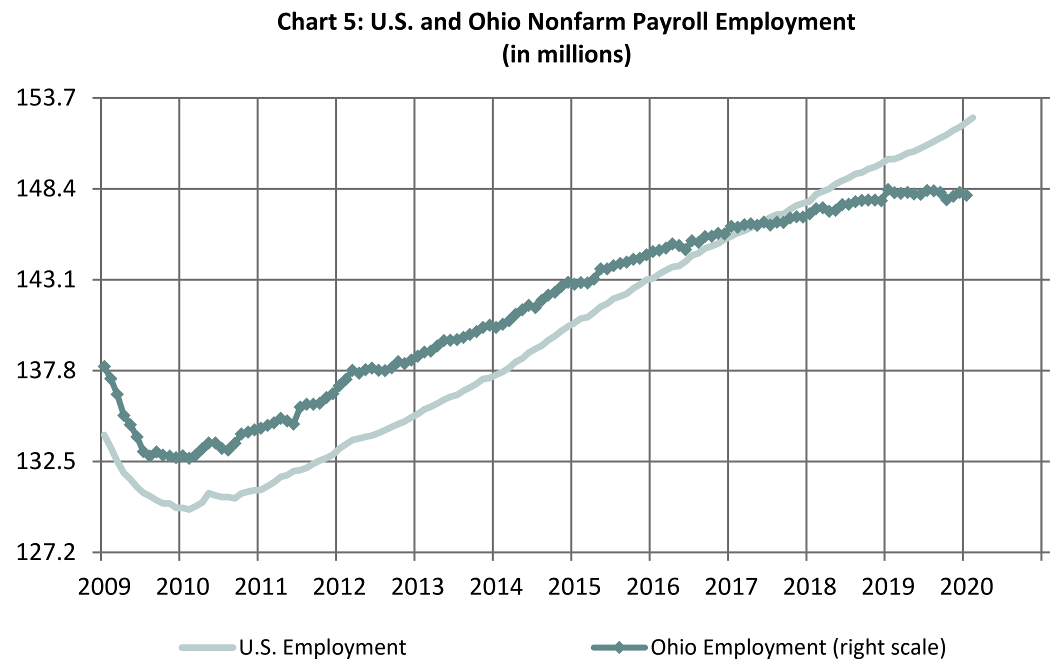
The U.S. economy continued to grow through February. The evolving COVID-19 crisis is slowing economies abroad, disrupting supply chains serving markets across a range of U.S. industries, beginning to adversely affect travel and tourism in this country, altering buying patterns, and posing risks of more severe effects on the U.S. economy. The Federal Reserve on March 3 responded to these risks by cutting its short-term interest rate target for federal funds by one-half percentage point to a range of 1.0% to 1.25%. In announcing the change, the central bank noted that U.S. economic fundamentals remain strong. The interest rate cut follows reductions totaling 0.75 percentage point last year. Employment and incomes rose in January and February. Industrial output slowed in January. Inflation-adjusted gross domestic product (real GDP) continued to expand at a slow pace through last year's fourth quarter. Consumer price inflation remained low through January.

Total nonfarm payroll employment in Ohio fell 6,300 from December to January, following gains in December and November. Ohio's total nonfarm payroll employment was also lower in January than a year ago. The unemployment rate in Ohio was at 4.1% in January, unchanged from the month before and little changed since February 2019. Economic activity in the region continued to expand into early 2020, according to a Federal Reserve report.

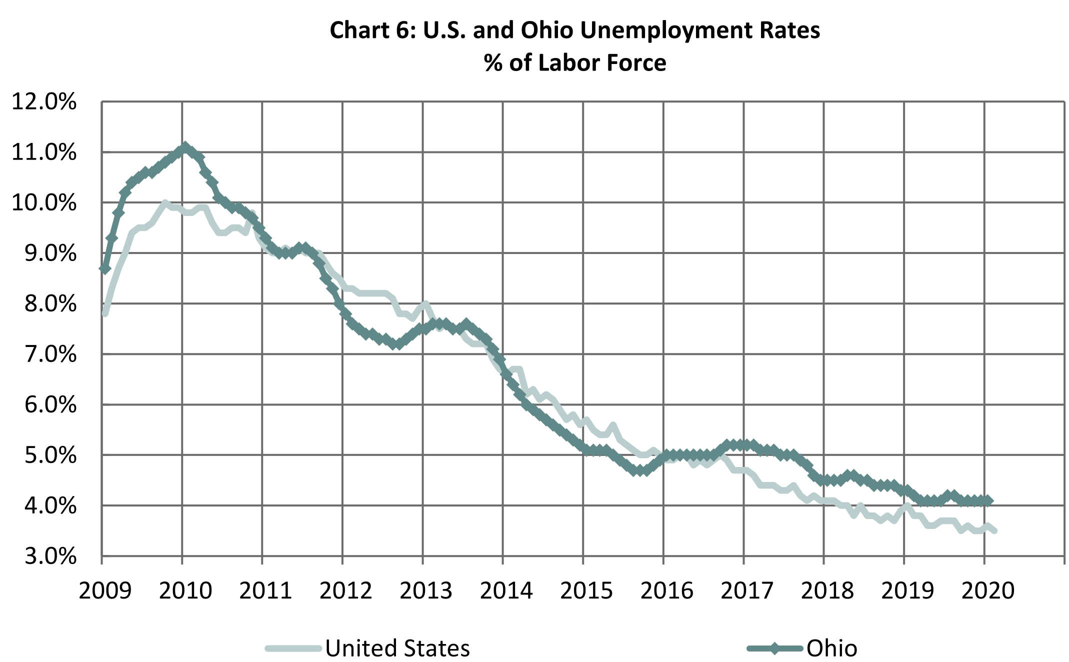
The National Economy

Total nonfarm payroll employment nationwide rose a strong 273,000 in both January and February. Unemployment as a share of the labor force fell slightly to 3.5%, matching the 50-year low reached last year. The surveys on which these figures are based were conducted for the pay period and the calendar week, respectively, that included the 12th of each month, so were little affected by mounting concerns about the COVID-19 virus. Chart 5 shows total U.S. nonfarm payroll employment since recession year 2009, and Chart 6 shows the nationwide unemployment rate.

Employment rose in February in several service-sector industries including health care and social assistance, food services and drinking places, professional and technical services, financial activities, and government, and also rose in goods-producing industries including construction and various manufacturing industries. Aggregate private-sector hours worked and payrolls, proxies for production and incomes, continued to advance. Average hourly earnings of all private-sector employees in February were 3.7% higher than a year earlier, continuing gains of 3.0% or more in most recent months.



In February, 5.8 million people were counted as unemployed nationwide, down from 6.2 million a year earlier. Of these, 1.1 million had been looking for work for more than six months, down from 1.3 million in February 2019. Persons working part time for economic reasons, such as slack work or unfavorable business conditions, inability to find full-time work, or seasonal declines in demand, totaled 4.3 million, about unchanged from a year earlier.



U.S. real GDP grew at a 2.1% annual rate in last year's fourth quarter, and by 2.3% for all of last year, slower than a year earlier when real GDP rose 2.9%. Since the current expansion began in 2009, real GDP growth has averaged 2.3% per year, half of the 4.6% average growth rate in previous post-World War II expansions.

In the fourth quarter, growth of real personal consumption expenditures (PCE) slowed to a 1.7% annual rate of increase, and rose in January at about the same slow pace. In contrast, private residential fixed investment expanded in the fourth quarter at a brisk 6.2% annual rate, after 4.6% in the third quarter. This upturn, in apparent response to lower mortgage rates, followed six consecutive quarters of falling investment. Stronger housing construction continued in January, likely aided by mild weather for the month. But business fixed investment fell in the fourth quarter for the third consecutive time, declining at a 2.3% annual rate. Further weakness appears likely in the current quarter as a result of cessation of Boeing 737 MAX production and disruption of international supply chains by the spreading COVID-19 virus.

Industrial production fell 0.3% in January, as factory output fell 0.1% and utility output dropped 4.0%. The fall in manufacturing production resulted from reductions in several industries, notably a 7.4% fall in output of aerospace and miscellaneous transportation equipment. Lower output of electric and natural gas utilities was attributed to unseasonably warm weather. Both total industrial production and manufacturing fell on balance during 2019 and as of January remained below recent peaks in December 2018.

The consumer price index (CPI) rose 0.1% in January to 2.5% higher than a year earlier, the largest increase in this measure in 15 months. Gasoline prices fell in January but were 12.8% higher than in January 2019. Excluding prices for food and energy, the CPI was 2.3% higher in January than a year earlier, the same as in the previous three months. A related measure, the price index for PCE, also rose 0.1% in January, to 1.7% higher than in the year-earlier month. The PCE price index excluding food and energy was 1.6% higher than a year earlier, below the Federal Reserve's 2% inflation target.

The Ohio Economy

In January, Ohio's economy lost 6,300 jobs and the state's unemployment rate held steady. The state's unemployment rate was 4.1% in January, same as the revised unemployment rate in December, but dropped from 4.3% in January of last year. The U.S. unemployment rate for January was 3.6%, 3.5% in December, and 4.0% in January of last year. The number of unemployed workers in Ohio increased from 237,000 in December to 238,000 in January, 1,000 more than in December, and 10,000 less than January of last year. Chart 5 shows Ohio employment, and Chart 6 shows the Ohio unemployment rate.

Ohio's total nonfarm payroll employment, seasonally adjusted, decreased from the revised total of 5,591,900 in December to 5,585,600 in January. Employment in private goods-producing industries and government contracted by 900 and 8,600, respectively, while employment in private service-providing industries increased by 3,200. Job gains in private service-producing industries, mostly in educational and health services, leisure and hospitality, and trade, transportation, and utilities, exceeded losses in professional and business services and financial activities. The goods-producing industries showed decreases in manufacturing and in mining and logging but an increase in construction. Employment in state and local governments shrank, but the federal government added jobs in Ohio.

The state's nonfarm payroll employment lost 12,500 jobs between January 2019 and January 2020. The biggest job losses among major private sector industries during the past year were in professional and business services, durable goods manufacturing, and trade, transportation, and utilities. Job losses also occurred in state and local governments; a 12,200 decline in overall government employment accounted for nearly all of the total job loss for the year.

The economy in the Cleveland Federal Reserve District continued to expand modestly, though at a slower pace during the past seven weeks, according to the Beige Book.[12] Overall employment in the region increased slightly with most job gains in the service sector. Wage growth remained modest in most sectors, but some freight haulers reported wages were flat. Overall manufacturing activity remained steady, while activity in the aerospace parts manufacturing sector weakened due to stopped production of Boeing 737 MAX airplanes. In addition, many manufacturing contacts were worried about slow global economic growth and supply-chain disruptions as the result of shutdowns of various commercial centers in China because of the COVID-19 virus outbreak. Retail contacts and auto dealers reported mild winter temperatures, a strong economy, and low interest rates as factors contributing to strong sales. Residential real estate demand in the region continued to increase modestly. Demand for commercial building remained strong. Activity in freight services was stable but at lower volumes. Overall lending activity was stable while mortgage demand improved due to low interest rates.

The number of homes sold in Ohio increased from 7,878 in January 2019 to 8,692 in January 2020, or a 10.3% increase, according to the Ohio Association of Realtors. In January, the average sale price of homes sold statewide was $197,410, or 15.8% higher than in the same month in 2019.

[12] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. Comments here are derived from the latest edition of the Beige Book, a Federal Reserve publication that summarizes reports from business and industry contacts outside of the Federal Reserve System collected on or before February 24, 2020.