

Highlights

– Jean Botomogno, Principal Economist

Total GRF sources in the first two months of FY 2020 were \$53.8 million (0.9%) above estimates published by the Office of Budget and Management (OBM) in August 2019. Year-to-date (YTD) GRF tax revenue was \$34.1 million (0.9%) above projections, including positive variances from the sales and use tax (\$35.4 million) and the commercial activity tax (CAT, \$28.7 million), though the personal income tax (PIT) was short \$14.3 million. On the other hand, GRF program expenditures through August were \$92.0 million (1.5%) below their anticipated levels.

Ohio's economy added 4,500 nonfarm payroll employees in July, and the state's unemployment rate remained at a seasonally adjusted 4.0%. The number of unemployed persons was approximately 235,200 in July 2019, 27,700 fewer than a year prior. Total nonfarm payroll employment was 5.59 billion, seasonally adjusted, in July, an increase of 25,200 from July 2018.

Through August 2019, GRF sources totaled \$5.94 billion:

- ❖ Sales and use tax receipts were \$35.4 million above estimate;
- ❖ Revenue from the PIT was \$14.3 million below estimate.

Through August 2019, GRF uses totaled \$6.88 billion:

- ❖ Program expenditures were \$92.0 million below estimate due primarily to Medicaid (\$47.9 million) and property tax reimbursements (\$20.4 million).

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Table 1: General Revenue Fund Sources**Actual vs. Estimate****Month of August 2019**

(\$ in thousands)

(Actual based on report run in OAKS Actuals Ledger on September 3, 2019)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	\$145,333	\$135,500	\$9,833	7.3%
Nonauto Sales and Use	\$785,262	\$757,200	\$28,062	3.7%
<i>Total Sales and Use</i>	<i>\$930,595</i>	<i>\$892,700</i>	<i>\$37,895</i>	<i>4.2%</i>
Personal Income	\$721,347	\$706,300	\$15,047	2.1%
Commercial Activity Tax	\$321,961	\$303,800	\$18,161	6.0%
Cigarette	\$78,807	\$77,800	\$1,007	1.3%
Kilowatt-Hour Excise	\$35,196	\$34,000	\$1,196	3.5%
Foreign Insurance	\$177	\$400	-\$223	-55.9%
Domestic Insurance	\$0	\$0	\$0	---
Financial Institution	-\$7,561	\$900	-\$8,461	-940.1%
Public Utility	\$31,873	\$31,700	\$173	0.5%
Natural Gas Consumption	\$11,449	\$12,500	-\$1,051	-8.4%
Alcoholic Beverage	\$3,894	\$5,300	-\$1,406	-26.5%
Liquor Gallonage	\$4,480	\$4,300	\$180	4.2%
Petroleum Activity Tax	\$0	\$0	\$0	---
Corporate Franchise	-\$40	\$0	-\$40	---
Estate	\$0	\$0	\$0	---
Total Tax Revenue	\$2,132,178	\$2,069,700	\$62,478	3.0%
Nontax Revenue				
Earnings on Investments	\$40	\$0	\$40	---
Licenses and Fees	\$5,199	\$4,806	\$393	8.2%
Other Revenue	\$63,525	\$1,684	\$61,841	3673.3%
Total Nontax Revenue	\$68,764	\$6,489	\$62,275	959.6%
Transfers In	\$69,480	\$68,570	\$911	1.3%
Total State Sources	\$2,270,422	\$2,144,759	\$125,664	5.9%
Federal Grants	\$708,551	\$751,710	-\$43,160	-5.7%
Total GRF Sources	\$2,978,973	\$2,896,469	\$82,504	2.8%

*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.

Table 2: General Revenue Fund Sources
Actual vs. Estimate (\$ in thousands)
FY 2020 as of August 31, 2019
(\$ in thousands)

(Actual based on report run in OAKS Actuals Ledger on September 3, 2019)

State Sources	Actual	Estimate*	Variance	Percent	FY 2019**	Percent
Tax Revenue						
Auto Sales	\$290,551	\$274,200	\$16,351	6.0%	\$272,116	6.8%
Nonauto Sales and Use	\$1,596,437	\$1,577,400	\$19,037	1.2%	\$1,532,377	4.2%
<i>Total Sales and Use</i>	<i>\$1,886,987</i>	<i>\$1,851,600</i>	<i>\$35,387</i>	<i>1.9%</i>	<i>\$1,804,493</i>	<i>4.6%</i>
Personal Income	\$1,351,212	\$1,365,500	-\$14,288	-1.0%	\$1,357,192	-0.4%
Commercial Activity Tax	\$387,456	\$358,800	\$28,656	8.0%	\$344,000	12.6%
Cigarette	\$99,364	\$100,900	-\$1,536	-1.5%	\$107,922	-7.9%
Kilowatt-Hour Excise	\$57,081	\$59,000	-\$1,919	-3.3%	\$63,135	-9.6%
Foreign Insurance	\$736	\$1,300	-\$564	-43.4%	\$2,561	-71.2%
Domestic Insurance	\$1	\$0	\$1	---	\$0	1566.7%
Financial Institution	-\$7,540	\$1,500	-\$9,040	-602.7%	\$466	-1718.3%
Public Utility	\$32,088	\$31,800	\$288	0.9%	\$32,305	-0.7%
Natural Gas Consumption	\$12,769	\$14,000	-\$1,231	-8.8%	\$14,839	-13.9%
Alcoholic Beverage	\$9,015	\$10,800	-\$1,785	-16.5%	\$10,440	-13.6%
Liquor Gallonage	\$8,709	\$8,600	\$109	1.3%	\$8,404	3.6%
Petroleum Activity Tax	\$0	\$0	\$0	---	\$0	---
Corporate Franchise	-\$30	\$0	-\$30	---	\$141	-121.4%
Estate	\$38	\$0	\$38	---	\$37	0.2%
Total Tax Revenue	\$3,837,886	\$3,803,800	\$34,086	0.9%	\$3,745,936	2.5%
Nontax Revenue						
Earnings on Investments	\$84	\$0	\$84	---	\$57	48.3%
Licenses and Fees	\$5,512	\$5,123	\$388	7.6%	\$6,178	-10.8%
Other Revenue	\$63,939	\$2,466	\$61,473	2492.4%	\$5,174	1135.8%
Total Nontax Revenue	\$69,535	\$7,590	\$61,945	816.2%	\$11,408	509.5%
Transfers In	\$69,480	\$68,570	\$911	1.3%	\$75,995	-8.6%
Total State Sources	\$3,976,901	\$3,879,959	\$96,942	2.5%	\$3,833,339	3.7%
Federal Grants	\$1,963,119	\$2,006,279	-\$43,160	-2.2%	\$1,872,048	4.9%
Total GRF SOURCES	\$5,940,020	\$5,886,238	\$53,782	0.9%	\$5,705,387	4.1%

*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

– Russ Keller, Senior Economist

Overview

This section compares actual GRF sources posted each month against OBM's estimates for FY 2020, which were released in August 2019. GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants, which are typically federal reimbursements for Medicaid and other programs.

This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts are 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 are lower than estimate.

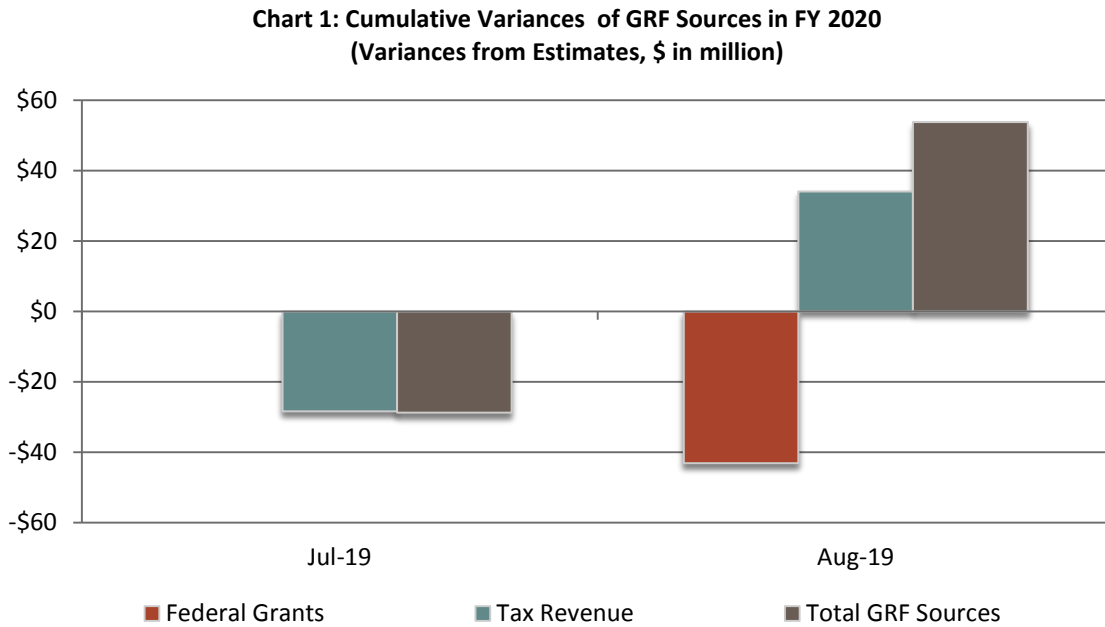
Table 1, which precedes this section, shows GRF sources for the most recent month, in this case August, relative to the OBM estimates, while Table 2 compares the sources for the YTD for FY 2020 to the estimates. The YTD table also presents the sum of the sources, respectively, for the corresponding months in the previous fiscal year and the percent change from the previous fiscal year to the current fiscal year. For example, Table 1 shows that sources for August were \$2.98 billion and OBM's estimates totaled \$2.90 billion. Thus, August sources had a positive variance of \$82.5 million (2.8%). Table 2 shows that YTD sources (including both July and August) totaled \$5.94 billion compared to an estimate of \$5.89 billion. So, the YTD variance is a positive \$53.8 million (0.9%). Table 2 also shows the sum of sources in July and August 2018 (FY 2019), which were \$5.71 billion. Thus, YTD GRF sources are 4.1% (\$234.6 million) higher than at the same time last fiscal year.

Referring to Table 1, in August 2019, federal grants and transfers in were short of anticipated receipts by \$42.2 million (5.2%). On the other hand, GRF tax sources and GRF nontax revenue were above projections by \$62.5 million (3.0%) and \$62.3 million (959.6%), respectively. GRF tax receipts from the sales and use tax, CAT, and PIT surpassed estimates, but those positive variances were partly offset by negative variances from other taxes, netting the surplus of \$62.5 million. Among GRF nontax sources, the other revenue category collected \$63.5 million in August whereas the OBM estimate only anticipated monthly receipts of \$1.7 million.

GRF tax revenue for the YTD was \$3.84 billion, \$34.1 million (0.9%) above the estimate, an encouraging start to the new fiscal year. GRF tax sources ended FY 2019 with a positive variance of \$651.2 million, driven up by large positive variances from the PIT (\$313.2 million) and the sales and use tax (\$234.3 million). Through the first two months of this fiscal year, the sales and use tax and the CAT posted a combined positive variance of \$64.0 million, while the PIT was \$14.3 million below its anticipated revenue, and the FIT experienced a shortfall of \$9.0 million. Most other GRF tax sources were below estimates, including the utility-related taxes (\$2.9 million)¹ and cigarette tax (\$1.5 million). Also, nontax revenue was \$61.9 million above projections and transfers in posted a surplus of \$0.9 million. Therefore, state sources were \$96.9 million above estimate. On the other

¹ Utility-related taxes include the kilowatt-hour excise tax, the public utility tax, and the natural gas consumption tax.

hand, federal grants were \$43.2 million (2.2%) short of YTD projections, due to GRF Medicaid spending having been below expectations so far this year. Chart 1, below, shows cumulative variances of GRF sources through August 2019.



Compared to the first two months of FY 2019, GRF tax sources increased \$91.9 million (2.5%) and federal grants increased \$91.1 million (4.9%). Among the largest tax sources, revenue from the sales and use tax and CAT increased \$82.5 million and \$43.5 million, respectively, but receipts from the cigarette tax fell \$8.6 million while PIT revenue declined by \$6.0 million.

Sales and Use Tax

Through August in FY 2020, total GRF sales and use tax receipts of \$1.89 billion were \$35.4 million (1.9%) above estimate, with both the nonauto and the auto portions of the tax above projections. Total revenue was also \$82.5 million (4.6%) above receipts in FY 2019 through August. The sales and use tax outperformed estimates in nearly every month of FY 2019. For the month of August, receipts of \$930.6 million were \$37.9 million (4.2%) above estimate. Compared to the same month last year, August receipts from this tax increased \$46.7 million (5.3%).

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

H.B. 166

H.B. 166, the main budget operating act for the biennium, made several changes to sales tax law. Most importantly, the budget act substantially modifies Ohio’s nexus assumptions. Remote sellers that have gross receipts in excess of \$100,000 from sales into Ohio or engage in 200 or more separate sales transactions into Ohio during the current or preceding

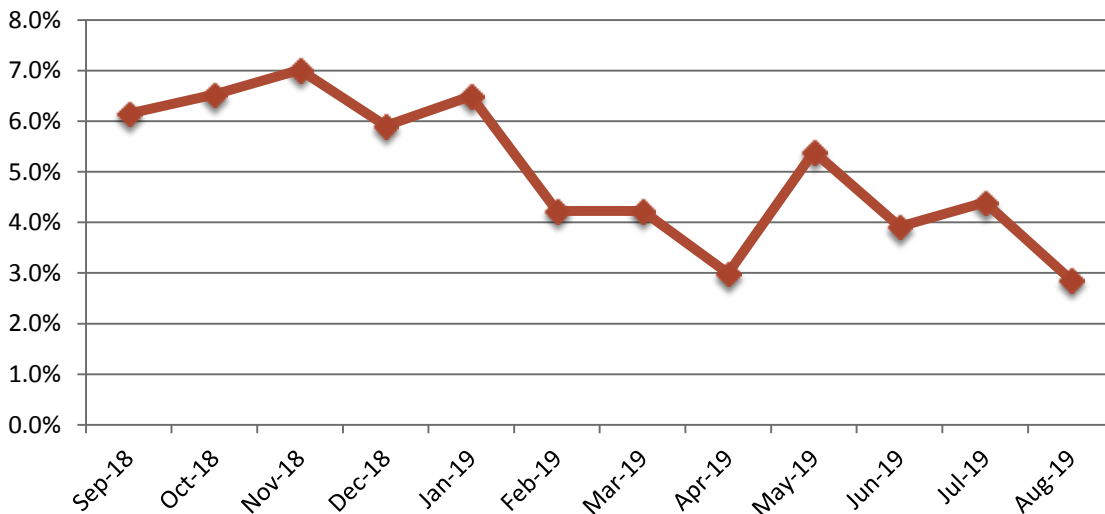
calendar year (CY) must collect use tax. The budget act generally requires persons that own, operate, or control a physical or electronic marketplace through which retail sales are facilitated on behalf of other sellers (i.e., “marketplace facilitators”) to register as a seller and collect and remit the use tax due on all transactions facilitated through that marketplace. These modifications of sales tax nexus are expected to increase revenue from the sales and use tax by \$121 million in FY 2020 and \$210 million in FY 2021. However, the revenue gains may be higher or lower depending on the behavioral response of remote sellers and market facilitators. Revenue from permissive county and transit authority taxes is expected to increase by \$30 million in FY 2020 and \$51 million in FY 2021.

Nonauto Sales and Use Tax

In August 2019, GRF revenue from the nonauto sales and use tax totaled \$785.3 million, an amount \$28.1 million (3.7%) above estimate. Compared to revenue in the same month in 2018, August nonauto sales and use tax revenue increased \$39.3 million (5.3%).

For the fiscal year, GRF receipts totaled \$1.60 billion, an amount \$19.0 million (1.2%) above estimate, and also \$64.1 million (4.2%) above revenue in the corresponding period in FY 2019. Chart 2, below, shows year-over-year growth in nonauto sales tax collections. For the fiscal year, OBM expects GRF nonauto sales tax collections to increase 4.3% compared to FY 2019.

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

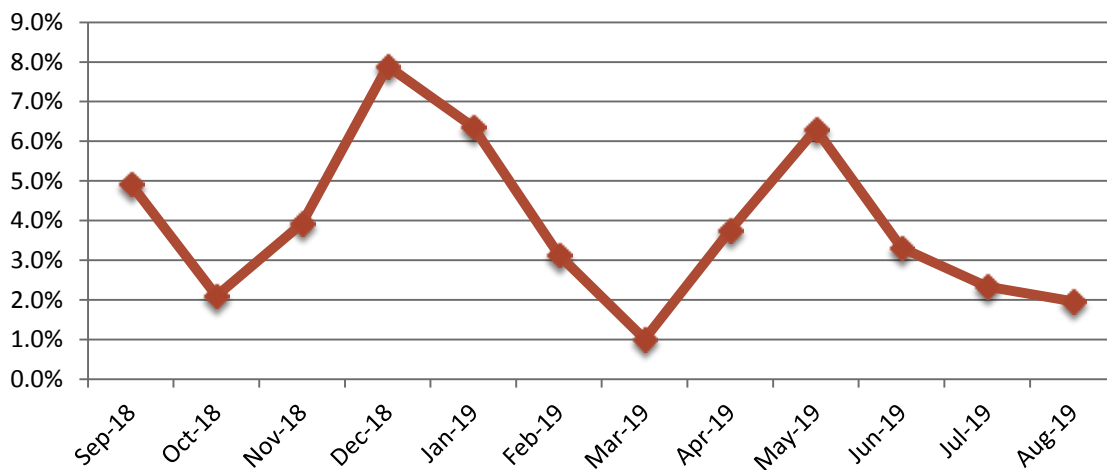


Auto Sales and Use Tax

August GRF revenue from the auto portion of the sales and use tax of \$145.3 million was above estimate by \$9.8 million (7.3%), and those receipts were \$7.4 million (5.4%) above revenue in August 2018. Through August, FY 2020 auto sales tax receipts of \$290.6 million were \$16.4 million (6.0%) above anticipated receipts. Compared to FY 2019, revenue growth was \$18.4 million (6.8%). The auto sales and use tax has generally experienced strong but uneven growth over the past year. As shown in Chart 3, the rate of growth has slowed in recent months when measured against more robust growth earlier in 2019.

Nationwide, new light vehicle (i.e., auto and light truck) sales in the last two months averaged 16.9 million units (at seasonally adjusted annual rates), which is consistent with the average pace in the first six months of 2019. The market share of passenger cars continues to shrink as it declined to 27% of all new light vehicle sales in August, which was an all-time low. Light truck sales and passenger cars evenly split the new light vehicle sales market as recently as CY 2012, but light truck sales continue to grow at a pace that lifts the entire new vehicle market. Light truck sales have shown no serious decline in recent years, but a sustained drop in those sales would negatively impact Ohio auto sales tax revenue. For the fiscal year as a whole, OBM expects auto sales tax collections to increase 3.1% compared to FY 2019.

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



Personal Income Tax

The PIT finished FY 2019 3.6% above estimate, which was entirely attributable to outsized tax receipts in the last fiscal quarter. However, in FY 2020, the PIT has fallen below projections. GRF revenue of \$1.35 billion through August was \$14.3 million (1.0%) below estimate, which reflects a negative variance of \$29.3 million (4.5%) in July that was partially offset by a surplus of \$15.0 million (2.1%) in August. As compared to year-ago receipts, FY 2020 revenue declined only \$6.0 million (0.4%) despite a 3.3% withholding rate reduction over that same period.²

PIT revenue is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,³ trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer

² Effective January 1, 2019, Ohio employer withholding tax rates were reduced by 3.3% in order to be fully consistent with the income tax rate reductions enacted in 2015 (H.B. 64 of the 131st General Assembly).

³ 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.

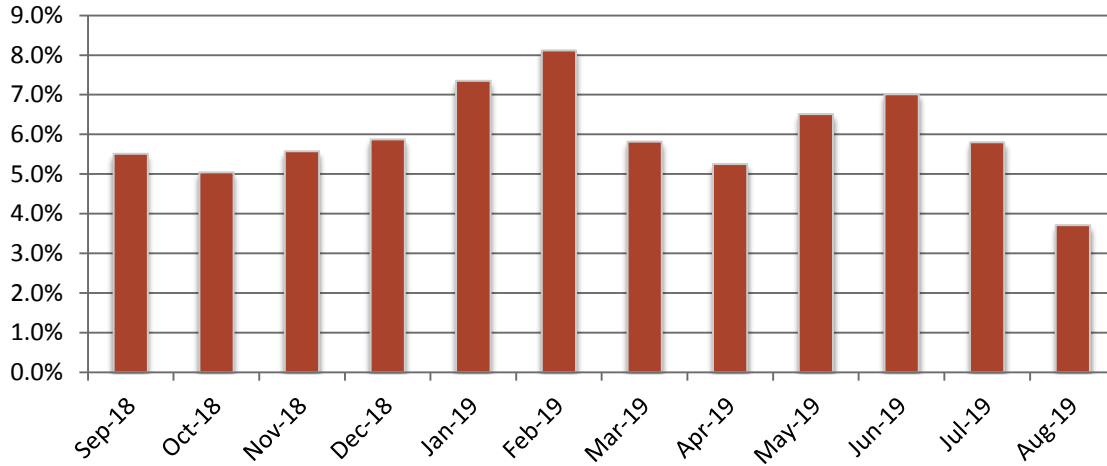
withholdings, which is the largest component of gross collections (about 81% of gross collections in FY 2019). Larger than expected refunds could also greatly affect the monthly performance of the tax.

For the YTD, revenues from each component of the PIT relative to estimates and revenue received in FY 2020 are detailed in the table below. It shows withholding, quarterly estimated payments, annual return payments, and trust payments were below estimates. Those negative variances were partially offset by a positive variance for miscellaneous payments, resulting in a shortfall of \$6.1 million for gross collections. The PIT shortfall increased because refunds were \$8.2 million higher than expected. FY 2020 refunds also increased compared to their amount in the July to August period last year.

FY 2020 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Changes from FY 2019	
	Amount (\$ in millions)	Percent (%)	Amount (\$ in millions)	Percent (%)
Withholding	-\$1.8	-0.1%	\$16.5	1.1%
Quarterly Estimated Payments	-\$3.6	-11.5%	-\$0.7	-2.4%
Trust Payments	-\$0.4	-17.2%	-\$0.3	-13.4%
Annual Return Payments	-\$1.1	-4.0%	\$2.4	10.1%
Miscellaneous Payments	\$0.8	6.4%	\$1.1	9.0%
Gross Collections	-\$6.1	-0.4%	\$19.0	1.2%
Less Refunds	\$8.2	6.7%	\$23.2	21.6%
Less LGF Distribution	\$0.0	0.0%	\$1.8	2.7%
GRF PIT Revenue	-\$14.2	-1.0%	-\$6.0	-0.4%

Compared to revenue in the corresponding period in FY 2019, gross collections were 1.2% higher, from increased receipts from withholding, which accounted for the majority of the growth in collections, and annual return payments. Quarterly estimated payments decreased by \$0.7 million compared to such revenue in the first two months of FY 2019. However, July and August are relatively small revenue months for this component of gross collections, while September will be the first big month of the fiscal year for this component. Through August, employer withholding was 0.1% below estimate in FY 2020. Revenue growth for this PIT component has been generally respectable in CY 2019, when adjusted for withholding rate cuts implemented at the outset of the year. The chart below illustrates the growth of monthly employer withholdings, as adjusted for the January 1 rate cut. The chart displays the adjusted receipts on a three-month moving average relative to one year ago. As can be seen from the chart, collections' growth decelerated below 5.0% in the latest month.

**Chart 4: Monthly Withholding Receipts Trend
Actual vs. Prior Year (with adjustment for rate cut)
(Three-month Moving Average)**



Commercial Activity Tax

The performance of the CAT improved in FY 2019 before growth tapered at the end of the year because of refunds claimed by taxpayers. Total GRF receipts of \$387.5 million in the first two months of FY 2020 were \$28.7 million (8.0%) above projections. The first CAT payment for quarterly return taxpayers, due in August, provided \$322.0 million to the GRF, an amount \$18.2 million (6.0%) above the monthly estimate, which buttressed a surplus of \$10.5 million (19.1%) from the previous month. Compared to FY 2019, YTD GRF receipts were \$43.5 million (12.6%) higher. Available economic data suggest the CAT positive variance and the gain in receipts relative to FY 2019 are likely due to a decrease in credit claims. For the fiscal year as a whole, OBM forecast modest growth of 0.5% for this tax source.

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%). Distributions to Fund 7047 and Fund 7081 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

August GRF revenue of \$78.8 million from the cigarette and other tobacco products tax was \$1.0 million (1.3%) above estimate. Revenue from this tax in July 2019 was \$2.5 million (11.0%) below estimate. Thus, the cumulative negative variance for the cigarette and other tobacco products tax totaled \$1.5 million (1.5%). Total revenue of \$99.4 million included \$85.6 million from the sale of cigarettes and \$13.7 million from the sale of other tobacco products.

FY 2020 revenue was \$8.6 million (7.9%) below revenue through August last year. Total revenue from the cigarette and other tobacco products tax usually trends downward at a slow pace. This is due to a decline in cigarette revenue, while receipts from the tax on other tobacco

products generally increase. Future collections for the sale of other tobacco products should further increase on account of law changes in the most recent operating budget, H.B. 166, which will impose an excise tax on vapor products beginning October 1, 2019.⁴ Nevertheless, OBM estimates a yearly revenue decline of about 2.9% compared to FY 2020.

Summary of OBM Estimates for GRF Sources for FY 2020

Estimated revenue by GRF source for the full fiscal year is provided below. As seen from the table, GRF sources are estimated to total \$34.07 billion in FY 2020. Based on this estimate, the sales and use tax, the PIT, the CAT, and the cigarette tax will provide nearly two-thirds of total GRF sources in FY 2020.

OBM Estimate for GRF Sources for FY 2020 (\$ in thousands)		
Revenue Source	Estimate	As a % of Total Source
Sales and Use Tax	\$11,013,800	32.3%
Individual Income Tax	\$8,726,400	25.6%
Commercial Activity Tax	\$1,638,500	4.8%
Cigarette & Other Tobacco Products Tax	\$891,700	2.6%
Domestic and Foreign Insurance Taxes	\$593,200	1.7%
Utility Taxes	\$552,600	1.6%
Other Taxes	\$305,700	0.9%
Subtotal – GRF Taxes	\$23,721,900	69.6%
Nontax Revenue and Transfers In	\$474,246	1.4%
Federal Grants	\$9,868,943	29.0%
Total GRF Sources	\$34,065,090	100.0%

⁴ The budget act levies a tax of 10¢ per milliliter (mL) of vapor product, or if the vapor product is sold in nonliquid form, the tax is levied on each gram. Vapor product is defined as any liquid solution or other substance that contains nicotine and is depleted as it is used in an electronic smoking product. Each vapor distributor of vapor products pays a license fee of \$125 each year.

Table 3: General Revenue Fund Uses**Actual vs. Estimate****Month of August 2019**

(\$ in thousands)

(Actual based on OAKS reports run September 5, 2019)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	\$753,993	\$758,575	-\$4,582	-0.6%
Higher Education	\$185,908	\$187,713	-\$1,805	-1.0%
Other Education	\$9,002	\$9,054	-\$52	-0.6%
Total Education	\$948,902	\$955,342	-\$6,440	-0.7%
Medicaid	\$1,119,861	\$1,167,732	-\$47,871	-4.1%
Health and Human Services	\$99,462	\$110,445	-\$10,982	-9.9%
Total Health and Human Services	\$1,219,323	\$1,278,177	-\$58,854	-4.6%
Justice and Public Protection	\$195,883	\$207,095	-\$11,212	-5.4%
General Government	\$34,753	\$29,839	\$4,914	16.5%
Total Government Operations	\$230,636	\$236,934	-\$6,298	-2.7%
Property Tax Reimbursements	\$201,355	\$221,795	-\$20,440	-9.2%
Debt Service	\$137,906	\$137,906	\$0	0.0%
Total Other Expenditures	\$339,262	\$359,701	-\$20,440	-5.7%
Total Program Expenditures	\$2,738,123	\$2,830,154	-\$92,031	-3.3%
Transfers Out	\$648,403	\$642,775	\$5,628	0.9%
Total GRF Uses	\$3,386,526	\$3,472,929	-\$86,403	-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 August 31, 2019

(\$ in thousands)

(Actual based on OAKS reports run September 5, 2019)

Program Category	Actual	Estimate*	Variance	Percent	FY 2019**	Percent
Primary and Secondary Education	\$1,456,515	\$1,461,097	-\$4,582	-0.3%	\$1,443,273	0.9%
Higher Education	\$353,466	\$355,271	-\$1,805	-0.5%	\$374,997	-5.7%
Other Education	\$17,656	\$17,708	-\$52	-0.3%	\$18,562	-4.9%
Total Education	\$1,827,637	\$1,834,077	-\$6,440	-0.4%	\$1,836,832	-0.5%
Medicaid	\$3,048,542	\$3,096,414	-\$47,871	-1.5%	\$2,876,450	6.0%
Health and Human Services	\$223,563	\$234,545	-\$10,982	-4.7%	\$223,129	0.2%
Total Health and Human Services	\$3,272,105	\$3,330,959	-\$58,854	-1.8%	\$3,099,579	5.6%
Justice and Public Protection	\$462,916	\$474,128	-\$11,212	-2.4%	\$454,243	1.9%
General Government	\$81,627	\$76,713	\$4,914	6.4%	\$74,963	8.9%
Total Government Operations	\$544,543	\$550,842	-\$6,298	-1.1%	\$529,206	2.9%
Property Tax Reimbursements	\$201,355	\$221,795	-\$20,440	-9.2%	\$279,337	-27.9%
Debt Service	\$386,012	\$386,012	\$0	0.0%	\$384,878	0.3%
Total Other Expenditures	\$587,367	\$607,807	-\$20,440	-3.4%	\$664,214	-11.6%
Total Program Expenditures	\$6,231,653	\$6,323,684	-\$92,031	-1.5%	\$6,129,832	1.7%
Transfers Out	\$648,403	\$642,775	\$5,628	0.9%	\$741,858	-12.6%
Total GRF Uses	\$6,880,056	\$6,966,459	-\$86,403	-1.2%	\$6,871,689	0.1%

*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 September 1, 2019)

Department	Month of August 2019				Year to Date through August 2019			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid								
GRF	\$1,050,412	\$1,097,308	-\$46,897	-4.3%	\$2,915,463	\$2,962,360	-\$46,897	-1.6%
Non-GRF	\$1,124,426	\$1,132,628	-\$8,202	-0.7%	\$1,164,092	\$1,172,294	-\$8,202	-0.7%
All Funds	\$2,174,838	\$2,229,936	-\$55,099	-2.5%	\$4,079,555	\$4,134,654	-\$55,099	-1.3%
Developmental Disabilities								
GRF	\$56,134	\$58,497	-\$2,362	-4.0%	\$115,747	\$118,110	-\$2,362	-2.0%
Non-GRF	\$184,353	\$185,729	-\$1,376	-0.7%	\$450,333	\$451,709	-\$1,376	-0.3%
All Funds	\$240,487	\$244,226	-\$3,738	-1.5%	\$566,080	\$569,819	-\$3,738	-0.7%
Job and Family Services								
GRF	\$12,472	\$10,836	\$1,636	15.1%	\$15,759	\$14,124	\$1,636	11.6%
Non-GRF	\$21,525	\$16,119	\$5,406	33.5%	\$32,954	\$27,548	\$5,406	19.6%
All Funds	\$33,997	\$26,955	\$7,042	26.1%	\$48,714	\$41,672	\$7,042	16.9%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	\$843	\$1,091	-\$248	-22.7%	\$1,573	\$1,820	-\$248	-13.6%
Non-GRF	\$3,839	\$5,055	-\$1,216	-24.1%	\$6,255	\$7,471	-\$1,216	-16.3%
All Funds	\$4,682	\$6,146	-\$1,464	-23.8%	\$7,828	\$9,292	-\$1,464	-15.8%
All Departments:								
GRF	\$1,119,861	\$1,167,732	-\$47,871	-4.1%	\$3,048,542	\$3,096,414	-\$47,871	-1.5%
Non-GRF	\$1,334,143	\$1,339,531	-\$5,387	-0.4%	\$1,653,635	\$1,659,022	-\$5,387	-0.3%
All Funds	\$2,454,005	\$2,507,263	-\$53,259	-2.1%	\$4,702,177	\$4,755,436	-\$53,259	-1.1%

*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 September 1, 2019)

Payment Category	Month of August 2019				Year to Date through August 2019			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Managed Care	\$1,374,145	\$1,392,102	-\$17,957	-1.3%	\$2,757,198	\$2,775,155	-\$17,957	-0.7%
CFC†	\$485,248	\$497,140	-\$11,893	-2.4%	\$977,093	\$988,985	-\$11,893	-1.2%
Group VIII	\$361,089	\$367,948	-\$6,859	-1.9%	\$718,008	\$724,867	-\$6,859	-1.0%
ABD†	\$229,918	\$233,867	-\$3,949	-1.7%	\$466,547	\$470,496	-\$3,949	-0.8%
ABD Kids	\$75,002	\$76,398	-\$1,396	-1.8%	\$150,879	\$152,275	-\$1,396	-0.9%
MyCare	\$222,889	\$216,749	\$6,140	2.8%	\$444,671	\$438,532	\$6,140	1.4%
Fee-For-Service	\$886,322	\$918,099	-\$31,778	-3.4%	\$1,606,463	\$1,638,240	-\$31,778	-1.9%
ODM Services	\$318,145	\$344,527	-\$26,382	-7.7%	\$700,311	\$726,693	-\$26,382	-3.6%
DDD Services	\$227,371	\$238,850	-\$11,479	-4.8%	\$546,789	\$558,268	-\$11,479	-2.1%
Hospital - HCAP†	\$340,681	\$334,722	\$5,959	1.8%	\$340,681	\$334,722	\$5,959	1.8%
Hospital - Other	\$125	\$0	\$125		\$18,681	\$18,557	\$125	6.7%
Premium Assistance	\$92,566	\$99,271	-\$6,705	-6.8%	\$179,676	\$183,048	-\$3,373	-1.8%
Medicare Buy-In	\$52,062	\$55,123	-\$3,061	-5.6%	\$102,148	\$105,209	-\$3,061	-2.9%
Medicare Part D	\$38,632	\$38,944	-\$312	-0.8%	\$77,528	\$77,839	-\$312	-0.4%
Administration	\$102,844	\$102,995	-\$152	-0.2%	\$158,841	\$158,993	-\$152	-0.1%
Total	\$2,454,005	\$2,507,263	-\$53,259	-2.1%	\$4,702,177	\$4,755,436	-\$53,259	-1.1%

*September 2019 estimates from the Department of Medicaid.

†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program.
Detail may not sum to total due to rounding.

Expenditures

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

This section compares actual monthly and YTD program expenditures and transfers from the GRF (GRF uses) with OBM’s estimates. The tables that precede this section summarize the data and are referred to in this section. Table 3 compares the uses for the most recent month with the estimates for that month, and Table 4 compares the uses for the fiscal YTD with the YTD estimates. The variance column in each table is calculated by subtracting the estimate from the actual; so if the actual use is higher than the estimate, the variance is positive and if the actual use is lower than the estimate, the variance is negative. The variance is shown both as a dollar value and a percent. Table 4 also shows the sum of the uses for the corresponding months in the previous fiscal year and the percent change from the previous fiscal year to the present fiscal year; a negative percent change means the value of the use has fallen from the prior year and a positive percent change means the value of the use has risen from the prior year. Program expenditures are broken out into nine program categories. Three are related to education, two to health and human services, and two to government operations. The remaining two are property tax reimbursements and debt service.

Tables 5 and 6 provide more detailed data on Medicaid expenditures from both the GRF and non-GRF funds. They compare actual Medicaid expenditures with estimates provided by the Department of Medicaid for each month and YTD. Table 5 presents the data by agency, and Table 6 presents the data by payment category. There are four main payment categories – Managed Care, Fee-For-Service (FFS), Premium Assistance, and Administration.

Through August, FY 2019 GRF program expenditures totaled \$6.23 billion. These expenditures were \$92.0 million (1.5%) below the estimate released by OBM in September 2019. All program expenditure categories had negative YTD variances except for General Government. The program category with the greatest negative YTD variance was Medicaid at \$47.9 million (1.5%). In addition to program expenditures, total uses include transfers out. Transfers out had a YTD positive variance of \$5.6 million (0.9%) at the end of August, resulting in a YTD negative variance of \$86.4 million (1.2%) for total uses. The rest of this section first discusses the variance in Medicaid and then summarizes the estimates for GRF uses and for all funds (including both the GRF and non-GRF) Medicaid expenditures for the full fiscal year.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars.⁵ GRF Medicaid expenditures were below both the monthly and YTD

⁵ Federal reimbursements for Medicaid expenditures made from the state GRF are deposited into the GRF as revenue to help support the GRF appropriations for Medicaid. Federal reimbursements for Medicaid expenditures made from state non-GRF funds are deposited into various non-GRF funds for expenditure. In recent years, the federal government has reimbursed about two-thirds of Ohio’s total Medicaid expenditures.

estimates by \$47.9 million. Non-GRF Medicaid expenditures were below both the monthly and YTD estimates by \$5.4 million. Including both the GRF and non-GRF, all funds Medicaid expenditures were \$53.3 million below both the monthly and YTD estimates.⁶

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. Expenditures were below their YTD estimates for all four payment categories. FFS (\$31.8 million, 1.9%) had the largest overall negative variance, followed by Managed Care (\$18.0 million, 0.7%), Premium Assistance (\$3.4 million, 1.8%), and Administration (\$0.2 million, 0.1%). A description of each of these categories and their subcategories is given below under the heading “**Summary of ODM Estimates for Medicaid.**”

Under the FFS category, expenditures on ODM Services and DDD (ODODD) Services were both below their YTD estimates by \$26.4 million and \$11.5 million, respectively. Expenditures from the Hospital – HCAP subcategory, were \$6.0 million above estimate. Under the Health Care Assurance Program (HCAP), the state makes subsidy payments to hospitals that provide uncompensated care to low-income and uninsured individuals at or below 100% of the federal poverty level.

Expenditures from all Managed Care categories were below their YTD estimates except for MyCare, which had a positive YTD variance of \$6.1 million. MyCare is a managed care program for Ohioans who are eligible for both Medicaid and Medicare.

The negative variance in the Premium Assistance category was dominated by a negative variance of \$3.1 million in the Medicare Buy-In subcategory. Medicare Buy-In helps certain Medicare eligible individuals who have limited income to pay Medicare premiums, deductibles, and coinsurance.

Summary of OBM Estimates for GRF Uses

The table below shows the estimates released by OBM in September 2019 for GRF uses for FY 2020. The program categories are ordered from largest to smallest annual estimate. Altogether, GRF program expenditures are estimated to total \$33.97 billion in FY 2020. Of this amount, \$15.52 billion (45.7%) will go to Medicaid and \$8.19 billion (24.1%) will go to Primary and Secondary Education. Together, these two program categories are expected to account for 69.8% of total program expenditures in FY 2020.

⁶ Expenditures for July are generally made before the estimates are complete, so estimates are set equal to expenditures for this month, resulting in August monthly variances being equal to August YTD variances.

In addition to program expenditures, OBM estimates that \$683.7 million will be transferred out of the GRF. Most of these transfers (\$648.4 million) occurred in August 2019. OBM also estimates that \$357.1 million of FY 2020 appropriations will be encumbered at the end of the fiscal year for expenditure in future fiscal years. This results in an estimated total of GRF uses for FY 2020 of \$35.01 billion.

OBM Estimates for GRF Uses for FY 2020 by Program Category (\$ in thousands)		
Program Categories	Expenditures	As a % of Total Program Expenditures
Medicaid	\$15,520,897	45.7%
Primary and Secondary Education	\$8,187,474	24.1%
Justice and Public Protection	\$2,493,163	7.3%
Higher Education	\$2,400,971	7.1%
Property Tax Reimbursements	\$1,842,600	5.4%
Debt Service	\$1,460,175	4.3%
Health and Human Services	\$1,453,397	4.3%
General Government	\$529,349	1.6%
Other Education	\$81,061	0.2%
Total Program Expenditures	\$33,969,088	100.0%
Transfers Out	\$683,675	--
Year-end Encumbrances	\$357,123	--
Total GRF Uses	\$35,009,885	--

Summary of ODM Estimates for Medicaid

The table below shows the estimates by payment category released by ODM in September 2019 for both GRF and non-GRF Medicaid expenditures for FY 2020. There are four main payment categories – Managed Care, FFS, Premium Assistance, and Administration.

Managed Care is a health care delivery system whereby ODM contracts with a managed care plan (MCP) to manage the cost and utilization of services in exchange for a set per-member, per-month payment for each recipient. Managed Care is broken into six subcategories. The largest subcategory both in terms of expenditures and enrollment is Covered Families and Children (CFC), which includes expenses for children with household incomes up to 206% of the federal poverty level (FPL), pregnant women up to 200% FPL, and

families (parents and children) who receive cash assistance under Ohio Works First or who have household incomes at or below 90% FPL. The second subcategory is Group VIII, which includes costs for nondisabled adults made Medicaid eligible under the Affordable Care Act (ACA). These individuals are under age 65 and have incomes at or below 138% FPL. The next subcategories are Aged, Blind, and Disabled (ABD) and ABD Kids. ABD includes expenditures related to individuals who are age 65 or older, who are significantly visually impaired, or who have a disabling condition that meets Supplemental Security Income requirements. These individuals must also meet income and asset limits. ABD Kids includes costs for children who are visually impaired or have a disabling condition as well as children in foster and adopted care. MyCare includes expenses for individuals enrolled in a demonstration project that coordinates the delivery of Medicare and Medicaid services for recipients eligible for both programs (otherwise known as “dual-eligibles”). The last Managed Care subcategory is Pay for Performance. Pay for Performance is an incentive program that rewards MCPs that achieve specific levels of performance in certain program priority areas.

The second category is FFS, which is a payment model in which qualified Medicaid providers are paid for each covered service. This category has four subcategories. The largest is ODM Services, which includes expenditures related to waiver-related services as well as other Medicaid covered services not paid for by MCPs (e.g., prescription drugs and payments to nursing facilities, hospitals, and physicians). The next subcategory is DDD Services, which includes institutional and noninstitutional services provided to individuals with an intellectual disability and reimbursed by ODODD. The next two subcategories are for supplemental payments to hospitals. Hospital – HCAP includes subsidy payments to hospitals that provide uncompensated, or charity, care to low-income and uninsured individuals. Hospital – Other includes upper payment limit (UPL) payments that comprise the difference between total base payments for services and the maximum payment level allowed under the UPL for those services as well as other miscellaneous payments.

The Premium Assistance Category includes two subcategories – Medicare Buy-In and Medicare Part D. Medicare Buy-In includes payments for individuals who receive assistance in paying their Medicare Part A or Part B premiums and other cost-sharing expenses such as copayments, coinsurance, and deductibles. Medicare Part D includes monthly payments to the federal Medicare Program for prescription drug costs for dual-eligibles.

The last category is Administration and includes costs related to administering Medicaid in Ohio. Costs are included for ODM, ODODD, and the other six “sister” Medicaid agencies.

ODM Estimates for Medicaid Expenditures for FY 2020 by Payment Category (\$ in thousands)		
Payment Categories	Expenditures	As a % of Total Medicaid Expenditures
Managed Care	\$17,910,201	62.9%
Covered Families and Children (CFC)	\$6,241,120	21.9%
Group VIII	\$4,666,438	16.4%
Aged, Blind, and Disabled (ABD)	\$3,033,996	10.7%
ABD Kids	\$971,026	3.4%
MyCare	\$2,717,174	9.5%
Pay For Performance	\$280,448	1.0%
Fee-For-Service (FFS)	\$8,308,222	29.2%
ODM Services	\$4,392,241	15.4%
DDD Services	\$3,101,882	10.9%
Hospital – HCAP	\$669,444	2.4%
Hospital – Other	\$144,655	0.5%
Premium Assistance	\$1,161,007	4.1%
Medicare Buy-In	\$670,605	2.4%
Medicare Part D	\$490,402	1.7%
Administration	\$1,093,428	3.8%
Total Medicaid Expenditures	\$28,472,857	100.0%

Issue Updates

Criminal Justice Services Awards \$3.1 million in Federal Family Violence Prevention and Services Act Grants

– Maggie West, Senior Budget Analyst

On July 30, 2019, the Office of Criminal Justice Services awarded \$3,085,964 in federal Family Violence Prevention and Services Act (FVPSA) grants for 63 projects in 45 counties. The grants were awarded to nonprofit and faith-based associations to establish, maintain, and expand projects that: (1) prevent incidents of family, domestic, or dating violence, (2) provide immediate shelter and related assistance for family, domestic, or dating violence victims and their dependents, and (3) provide specialized services for children exposed to family, domestic, or dating violence, underserved populations, and victims who are members of racial and ethnic minorities.

Both new and continuation projects were eligible to apply for funding. There was no funding cap for the grants; however, the amount awarded for each project was influenced by the number of applications received, as well as the availability of funds. Each organization that receives FVPSA funds is required to provide an in-kind or cash match of at least 35% for new projects, and at least 20% for projects that previously received funding. Four of the 63 grants were awarded for new projects. Individual project awards ranged from \$14,068 (Greene County) to \$68,000, which was received by six projects in five counties (Cuyahoga, Franklin, Hamilton (2 projects), Lucas, and Wood). The average award was \$48,984. A list of project awards can be found on the Office’s website: www.ocjs.ohio.gov.

STEM Committee Designates 14 New STEM and STEAM Schools for the 2019-2020 School Year

– Dan Redmond, Budget Analyst

On April 22, 2019, the Ohio Department of Education’s (ODE’s) STEM Committee designated 14 new STEM and STEAM schools for the 2019-2020 school year (see table below). A STEM or STEAM school designation may be given to a public school governed by either a traditional school board or an independent governing board.⁷ Public community or chartered nonpublic schools may be designated as a STEM or STEAM school equivalent. Designated schools are invited into the Ohio STEM Learning Network (OSLN), which is a public-private partnership managed by Battelle. OSLN supports designated schools and applicants through seven regional hubs that provide training for educators and other resources in STEM education and cultivate partnerships with stakeholder organizations in the area to improve STEM programming. To receive the STEM school designation, a school must present evidence of a working partnership with both public and private entities, including institutions of higher education and business organizations, and evidence the school will offer a rigorous and diverse

⁷ The Metro Early College High School in Columbus is an example of a STEM school governed by an independent board.

curriculum that emphasizes science, technology, engineering, and mathematics, along with the arts and humanities and personalized learning and teamwork skills. A STEAM school must follow those requirements as well as include an arts organization in their partnership and present evidence that the curriculum will integrate arts and design into STEM subjects. This is the second school year to include the STEAM designation and nine schools will operate as STEAM schools beginning this fall.

Including the 14 newly designated schools, there will be a total of 69 STEM and STEAM schools across the state, of which 44 are governed by traditional school boards, seven by independent boards, and 18 are STEM or STEAM school equivalents. The complete list of STEM and STEAM schools is available on the Department’s website at <http://education.ohio.gov/Topics/Career-Tech/STEM>.

Newly Designated STEM and STEAM Schools, 2019-2020 School Year			
County	School Name	Type	Governing Board
Cuyahoga	Franklin Elementary	STEM	Traditional school board
Cuyahoga	Gearity Professional Development School	STEM	Traditional school board
Cuyahoga	John Marshall Information Technology School	STEM	Traditional school board
Cuyahoga	St. Angela Merici	STEAM	STEAM school equivalent
Erie	St. Mary	STEM	STEM school equivalent
Franklin	Herbert Mills Elementary*	STEAM	Traditional school board
Franklin	St. Paul	STEAM	STEAM school equivalent
Franklin	Winchester Trail Elementary School	STEAM	Traditional school board
Hancock	Bigelow Hill Intermediate	STEAM	Traditional school board
Lucas	Chase STEMM Academy	STEM	Traditional school board
Lucas	Waterville Primary	STEAM	Traditional school board
Mahoning	Northeast Ohio Impact Academy	STEM	Traditional school board
Ross	Chillicothe Primary	STEM	Traditional school board
Stark	East Canton High School	STEM	Traditional school board

*Herbert Mills was previously designated a STEM school.

Number of High School Diplomas Awarded by Adult Programs Increased in FY 2019

– Jason Glover, Budget Analyst

In FY 2019, 1,482 adults ages 22 and older received high school diplomas through the 22+ Adult High School Diploma Program and the Adult Diploma Program, an increase of 22.7%, or 274 graduates, compared to the prior year. About half of this growth stemmed from the 22+ Adult High School Diploma Program, which helps adults earn a locally issued high school diploma from a school district, community school, or two-year college. The number of graduates from this program has grown strongly since the program's beginning in FY 2016. Preliminary data suggests that at least 784 graduates received a high school diploma through the program in FY 2019, though some providers have not yet completed reporting. In FY 2018, the final tally of graduates was 646, an increase of 257 (66.1%) from FY 2017. The Adult Diploma Program grew in FY 2019 as well, increasing by 136 (24.2%) to 698 in the fourth year of the program. In FY 2018, 562 adults completed the program. In addition to completing high school graduation requirements, participants receive skills training needed for a job in one of 20 in-demand career fields. Upon completion of the program, each participant also earns an industry-recognized credential or certificate.

State subsidy for these programs also continues to increase. During FY 2019, ODE paid \$5.2 million to providers in the 22+ Adult High School Diploma Program, up \$1.6 million (42.7%) from the \$3.7 million paid in FY 2018. Providers receive up to \$5,000 annually for each individual enrolled in the program depending on the extent of the individual's successful completion of high school graduation requirements. State subsidy to providers for students in the Adult Diploma Program was \$2.8 million in FY 2019, an increase of about \$598,000 (27.1%) compared to FY 2018. Payments to participating institutions for each student enrolled in an approved program of study are calculated according to a formula providing certain tiers of funding based on the number of hours of technical training required in the student's career pathway training program and the student's grade level upon initial enrollment into the program.

The GRF supports both programs. Beginning in FY 2018, H.B. 49 consolidated GRF funding for both programs into line item 200572, Adult Education Programs. The table below summarizes the numbers of graduates and state subsidies for the two programs.

22+ High School Diploma and Adult Diploma Programs Graduates and State Subsidy, FY 2016-FY 2019					
Measure	Program	FY 2016	FY 2017	FY 2018	FY 2019
Graduates	22+ High School Diploma	127	389	646	784*
	Adult Diploma	345	487	562	698
	Total	472	876	1,208	1,482
State Subsidy for Providers	22+ High School Diploma	\$545,962	\$2,434,397	\$3,653,106	\$5,211,948
	Adult Diploma	\$1,029,595	\$1,820,464	\$2,204,582	\$2,803,077
	Total	\$1,575,557	\$4,254,861	\$5,857,688	\$8,015,025

*Reporting is not yet completed for FY 2019

Ohio EPA Awards \$659,500 in Mosquito Control Grants

– Jessica Murphy, Budget Analyst

On June 7, 2019, the Ohio Environmental Protection Agency (Ohio EPA) announced the award of 35 mosquito control grants totaling \$659,500 for the 2019 grant cycle to be disbursed in FY 2020. The purpose of these competitively awarded grants is to support a larger statewide effort by the Ohio Department of Health to lessen the likelihood of an outbreak of mosquito-borne viruses such as Zika, West Nile, and La Cross Encephalitis.

The grant recipients include 33 local health departments and two cities, spread across 32 counties. Grant awards range from \$6,040 (Zanesville-Muskingum County Health Department) to six maximum amounts of \$25,000 (Ashland, Licking, Medina, Mahoning, and Ross county health departments, and the city of Kent). The average grant amount is \$18,843. Of the awarded total, \$543,673, or 82%, will be used for mosquito surveillance and control and \$115,827, or 18%, for breeding source reduction, specifically scrap tire removal.

Since initiating this funding opportunity in 2016, the Ohio EPA has now awarded 202 mosquito control grants totaling \$4.3 million. Historically, these grants have been paid with money appropriated from two funds used by the Ohio EPA: (1) the Scrap Tire Management Fund (Fund 4R50), primarily consisting of a 50¢ per tire fee on the sale of tires and (2) the Environmental Protection Remediation Fund (Fund 5410), consisting of money collected from enforcement settlement actions. The 2019 grants, however, will be paid exclusively with money appropriated from Fund 4R50.

Board of Nursing Announces \$3.0 million for Nurse Education Grant Programs

– Nicholas J. Blaine, Budget Analyst

In August 2019, the Ohio Board of Nursing announced 16 nursing education program awards totaling \$3.0 million for the 2019-2021 grant cycle (see table below). The grants are provided to programs that partner with health care facilities, community health agencies, or other education programs to increase nursing student enrollment capacity. Funds may be used to purchase educational equipment or to hire or contract with clinical faculty and instructional personnel. Grants are awarded to pre-licensure programs for licensed practical nurses (LPNs) and registered nurses (RNs), as well as post-graduate education programs. The grant program is funded by \$10 of each nursing license renewal fee, which is deposited into the Nurse Education Grant Program Fund (Fund 5AC0). A grant recipient may not receive more than \$200,000 in each grant cycle. Funds are typically disbursed quarterly.

Nursing Education Grant Program Awards September 1, 2019 to August 31, 2021	
Program Name	Award
LPN Pre-Licensure Programs	\$391,140
Collins Career Technical Center Practical Nursing Program	\$200,000
North Central State College Practical Nurse Program	\$191,140
RN Pre-Licensure Programs	\$1,121,860
Ashland University Dwight Schar College of Nursing and Health Services	\$200,000
Capital University, Department of Nursing	\$200,000
Ohio Northern University Bachelor of Science in Nursing Program	\$200,000
Ohio University School of Nursing	\$200,000
Muskingum University Bachelor of Science in Nursing Program	\$199,988
Walsh University Gary and Linda Byers School of Nursing	\$121,872
Post-Graduate Programs	\$1,513,000
Ashland University Dwight Schar College of Nursing and Health Services	\$200,000
Bowling Green State University RN to BSN Program	\$200,000
Capital University, Department of Nursing	\$200,000
Ohio University School of Nursing Master of Science in Nursing	\$200,000
The Ohio State University	\$200,000
Walsh University Gary and Linda Byers School of Nursing	\$199,999
Lourdes University Master of Science in Nursing Program	\$156,990
The University of Toledo College of Nursing	\$156,011
Total	\$3,026,000

Southern Ohio Agricultural and Community Development Foundation Awards \$1.7 million in Grants in FY 2019

– Shannon Pleiman, Budget Analyst

In FY 2019, the Southern Ohio Agricultural and Community Development Foundation awarded approximately \$1.7 million under seven grant programs. These programs are designed to help tobacco farm families and rural communities of the 22 burley tobacco-producing counties in southern Ohio diversify into farming other crops or start new business ventures. The total awarded also included \$125,000 issued under a new, one-time grant in FY 2019 designed to help youth development organizations reconstruct or construct their facilities. This grant was awarded to Canters Cave 4-H Camp, which serves ten counties in the foundation’s region. The table below shows the number of awards issued and the total amount by grant program in FY 2019.

Southern Ohio Agricultural and Community Development Foundation Awards in FY 2019			
Program	Program Description	Awards Issued	Total
Agricultural Development	Provides tobacco farmers with funding to diversify their businesses into nontobacco-related agricultural markets	25	\$527,291
Economic Development	Provides financial assistance to projects that create or expand job opportunities for residents in communities affected by reduced demand for tobacco	2	\$414,000
Young Farmer	Provides assistance to young farmers incorporating technology and conservation practices into their farming activities	12	\$250,823
Educational Assistance	Provides education and training assistance to tobacco farmers switching from tobacco production to other crops	82	\$159,000
Agricultural Society	Provides grants to agricultural societies for permanent improvements for youth education and agriculture at county fairgrounds	4	\$100,000
Educational Excellence	Provides grants for tuition, on-campus room and board, and books for students pursuing a bachelor’s degree	14	\$97,500
Youth Development	Provides grants for reconstruction and remodeling of existing buildings or construction of new structures for youth development facilities	1	\$125,000
Total		140	\$1,673,614

Since FY 2010, the foundation’s grant programs and operating expenses have been supported by an endowment fund and the investment and interest earning associated with that fund. The money in the endowment fund is not subject to the General Assembly’s appropriation process.

\$5.0 million in Federal Funds Awarded to Help with Substance Use Disorder in Rural Areas

– Ryan Sherrock, Economist

On August 8, 2019, the U.S. Department of Health and Human Services (HHS) awarded \$5.0 million to five Ohio entities to strengthen and expand substance use disorder (SUD) prevention, treatment, and recovery services in rural areas. The awards were provided under the Rural Communities Opioid Response Program (RCORP), which is a multi-year program aimed at reducing the morbidity and mortality of SUD in high-risk rural communities. Eligible applicants included private and public, for-profit and nonprofit entities whose target populations reside in HHS-designated rural counties or rural census tracts in urban counties. RCORP focus areas include the following: reducing the occurrence and risk of SUD, as well as fatal opioid-related overdoses; promoting infectious disease detection through community and provider education; implementing or expanding access to evidence-based practices; eliminating or reducing treatment costs for uninsured and underinsured patients; implementing or expanding access to treatment options that help patients start and stay in recovery; and expanding the ability of providers to bill for treatment services. In total, over \$111.0 million was awarded to 96 rural entities across 37 states. The table below shows the Ohio entities that received awards.

Ohio RCORP Grant Recipients		
Rural Entity	City	Grant Award
Adena Health System	Chillicothe	\$1,000,000
Erie County Health Department	Sandusky	\$1,000,000
Hopewell Health Centers, Inc.	Chillicothe	\$1,000,000
Ohio University	Athens	\$1,000,000
University of Cincinnati	Cincinnati	\$1,000,000
Total		\$5,000,000

Rural Fire Departments to Receive More Than \$95,000 in Volunteer Fire Assistance Grants

– Tom Wert, Budget Analyst

On August 14, 2019, the Department of Natural Resources (DNR) announced that 24 volunteer fire departments in ten rural counties would receive grants under the Volunteer Fire Assistance (VFA) Summer 2019 Wildland Fire Personal Protective Equipment and Wildland Fire Tools Competitive Grant Program. The program, administered by DNR's Division of Forestry, provides fire departments with up to ten complete sets of wildland fire personal protective equipment, which includes fire-resistant shirts and pants, hard hats, goggles, leather gloves, and various tools. Under the program, approximately 580 fire departments in DNR's wildfire protection area were eligible to apply. The wildfire protection area, which was expanded in February of 2019, includes all parts for the following counties: Adams, Ashland, Ashtabula, Athens, Belmont, Brown, Carroll, Clermont, Harrison, Henry, Highland, Hocking, Holmes, Jackson, Jefferson, Lawrence, Licking, Lucas, Knox, Meigs, Mahoning, Monroe, Morgan, Muskingum, Noble, Perry, Pike, Portage, Richland, Ross, Scioto, Stark, Trumbull, Tuscarawas, Vinton, and Washington. The number of fire departments and the totals received by county are shown in the table below.⁸

Wildland Fire Personal Protective Equipment and Wildland Fire Tools Grants by County – Summer 2019		
County	Number of Fire Departments	Amount
Ashtabula	5	\$19,318
Brown	3	\$13,075
Fulton	1	\$4,343
Geauga	2	\$8,885
Henry	2	\$5,120
Lucas	1	\$3,479
Mahoning	3	\$12,726
Portage	1	\$4,551
Stark	1	\$4,551
Trumbull	5	\$19,413
Total	24	\$95,461

⁸ A complete list of recipients can be found online at: http://ohiodnr.gov/portals/forestry/pdfs/fire/19Summer_PPEandToolsRecipients.pdf.

Ohio Department of Transportation Announces Wrong-Way Safety Pilot Project

– Tom Middleton, Senior Budget Analyst

On July 23, 2019, the Ohio Department of Transportation (ODOT) unveiled a \$1.3 million safety pilot project in Hamilton County to detect and deter wrong-way drivers. Under the pilot program, the Department will install 92 electronic signs and 82 detection devices at 23 locations on Interstate 71 in the Cincinnati metropolitan area. When the wrong-way system is activated, LED lights around the edge of several “Wrong Way” and “Do Not Enter” signs begin blinking. An alert is also sent to the ODOT Traffic Management Center in Columbus.

ODOT selected this pilot project area based on factors such as frequency of 911 calls, prior wrong-way and alcohol-related crashes, and ramp traffic volumes. The detection devices will allow ODOT to collect data and design systems to prevent future wrong-way occurrences. Although wrong-way crashes accounted for less than 1% of all traffic accidents in Ohio in 2018, they had a high rate of fatality. Overall, wrong-way accidents are 40 times more likely to result in death.

Funding for the Hamilton County pilot project totals \$1,268,356. Of total funding, 90% comes from the federal Highway Safety Improvement Program and 10% from state motor fuel tax funds. Both the federal and state funding is spent through the Highway Operating Fund (Fund 7002).

Tracking the Economy

– Eric Makela, Economist

Overview

The U.S. economy continued to grow through August. Employers added 130,000 nonfarm employees in August, and the unemployment rate remained very low at 3.7%. Nationally, inflation-adjusted gross domestic product (real GDP) rose at a 2.0% annual rate in the second quarter of 2019, buoyed by consumer spending on goods and services. Both the Federal Reserve Board's industrial production index (IPI) and the Institute for Supply Management (ISM) indicated a slowing of manufacturing activity in recent months. Sectors other than manufacturing continued to expand in August, according to another ISM survey of purchasing managers.

Ohio's economy added 4,500 jobs in July, and the state's unemployment rate remained at a seasonally adjusted 4.0%. YTD existing home sales, in terms of the number of units, were little changed (-0.2%) from January to July 2018; the average sale price of existing homes increased 6.4% over that time. Real GDP in Ohio grew at a seasonally adjusted rate of 3.5% in the first quarter of 2019, according to the most recent data available from the U.S. Bureau of Economic Analysis (BEA).

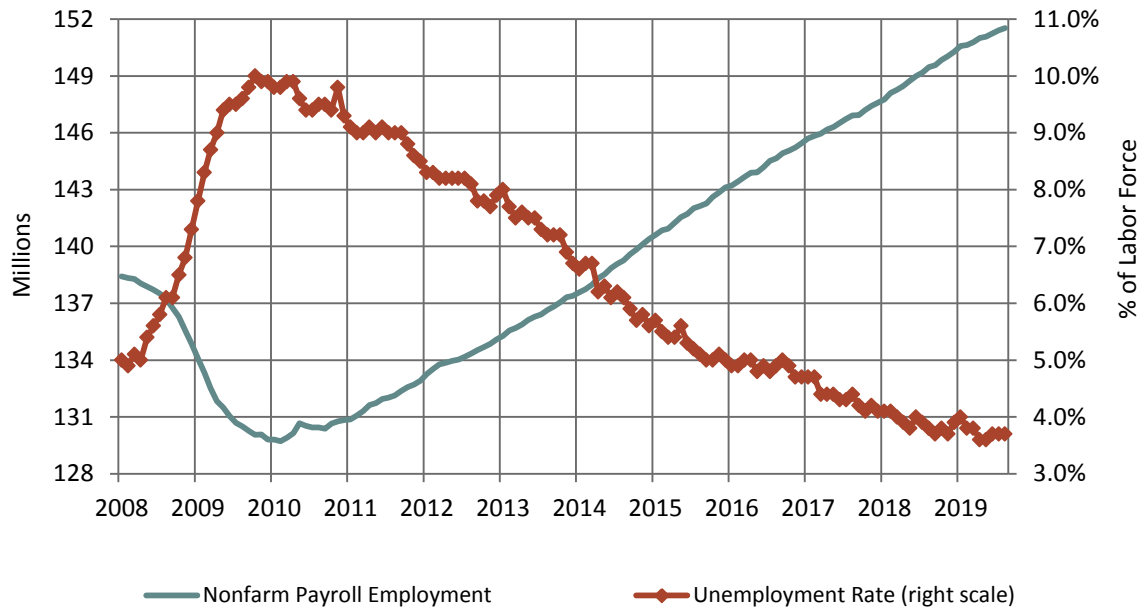
The National Economy

Nonfarm payroll employment increased by 130,000 workers in August. Employment in private goods-producing industries rose by 12,000, while private service-providing industries added 84,000 workers. The federal government added 28,000 workers in August, the majority to assist with Census 2020. Nationally, employment showed little change over the month for the construction, manufacturing, transportation and warehousing, and leisure and hospitality industries.

The national unemployment rate remained at 3.7% for the third month in a row. The U.S. civilian noninstitutional population age 16 and over increased an estimated 207,000 in August while around 571,000 persons entered the labor force, increasing the labor force participation rate to 63.2%, the highest level measured since 2013. Rates of unemployment increased for those workers without a high school diploma and were level or decreased for all other education groups. Chart 5, below, documents the national level of employment and the unemployment rate.

The Bureau of Labor Statistics (BLS) also announced a preliminary estimate of its annual benchmark revision to its payroll employment statistics. Monthly employment numbers are derived from the Current Employment Statistics (CES) survey, a sample of approximately 689,000 private and government worksites across the U.S. BLS anticipates a downward adjustment of 501,000 (-0.3%) to the March 2019 total employment estimate when the final benchmark revision is issued in February 2020. The CES sample is redrawn once a year, and in months between resampling, new firm births are estimated. The Quarterly Census of Employment and Wages, from states' unemployment insurance tax systems, is used for the annual benchmark to more accurately reflect worksites and workers in the nation as a whole.

Chart 5: U.S. Employment and Unemployment



According to the second estimate from the BEA, real GDP rose at a 2.0% annualized rate in the second quarter of 2019, a downward revision from the 2.1% annual growth rate first estimated. The personal consumption expenditures component of real GDP increased at a seasonally adjusted 4.7% rate, the fastest quarterly increase in this spending category since 2014. Nationally, residential fixed investment declined at a 2.9% rate, the sixth straight quarter of decline in real spending in this sector. The rate of investment in nonresidential structures fell. Exports declined and imports remained around the same level. In the first quarter of 2019, real GDP rose at a 3.1% annual rate.

During their most recent meeting on July 30 and 31, the Federal Reserve Bank's Open Market Committee (FOMC) voted to decrease the federal funds target range by 0.25 percentage point. Among meeting participants, those who favored a reduction in the rate primarily cited a deceleration in business fixed investment and manufacturing. Some committee members cited uncertainty in global trade markets, while some members also cited inflation remaining below the FOMC's 2.0% goal.⁹

U.S. industrial production fell 0.2% in July, after expanding 0.2% in June, and was 1.3% below its all-time peak in December 2018. This July's industrial production index was 0.5% greater than in July 2018, according to data from the Federal Reserve Board. Among major industry groups, manufacturing production declined 0.4% in July, while mining production dropped 1.8%. Manufacturing production this July was 1.6% lower than a peak in December and 0.5% below manufacturing production in July 2018; mining activity in July was 5.5% greater than a year prior. Factory production may be reported to have fallen again in August; the ISM manufacturing index contracted in August, the first decline in this measure of activity since 2016. ISM indexes are based on surveys of purchasing managers.

⁹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20190731.pdf>.

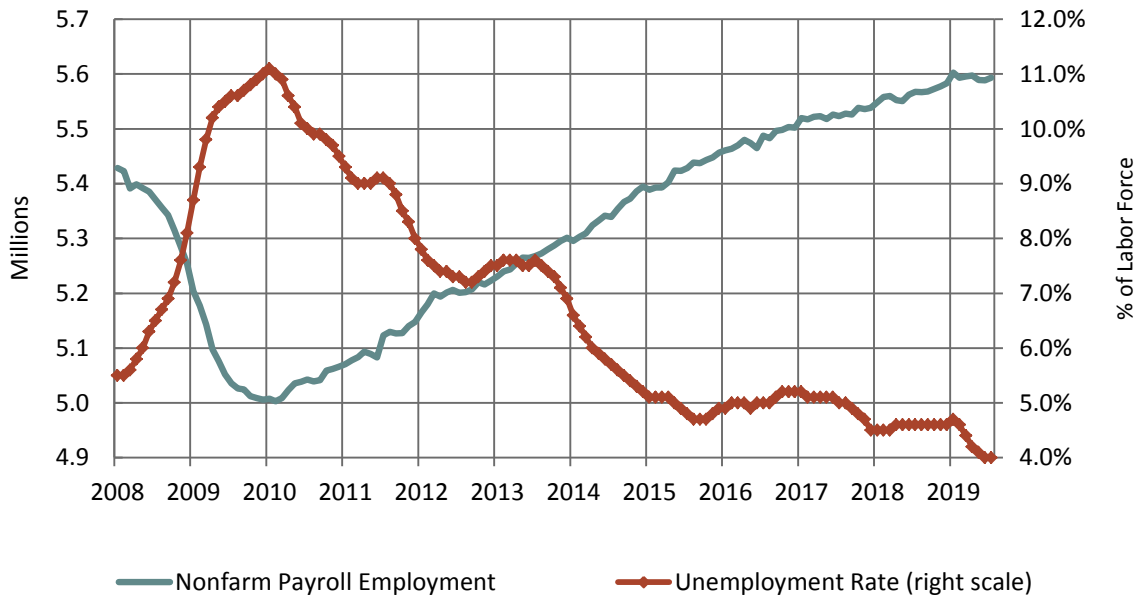
Nationally, the seasonally adjusted number of building permits issued for privately owned housing unit construction reached an annual rate of 1,336,000 in July, up from the 1,316,000 pace set in July 2018. According to the Census Bureau’s Building Permits Survey, the number of permits issued for new residential construction has slowed in 2019 as compared to last calendar year, a national trend which is also picked up in real GDP data. A similar slowing was evident in numbers of housing units started.

The consumer price index increased by a seasonally adjusted 0.3% in July according to the most recent BLS release. The price index which includes all items has increased 1.8% over the past year, while the price index which excludes the more volatile food and energy industries increased by 2.2% year over year. Energy prices rose last month, as the price index for energy¹⁰ increased by a seasonally adjusted 1.3% in July 2019, following a drop of 2.3% in the previous month. The price index for food¹¹ has remained unchanged the past two months.

The Ohio Economy

Ohio’s economy added 4,500 nonfarm payroll employees in July, and the state’s unemployment rate remained at a seasonally adjusted 4.0%. In July 2018, Ohio’s adjusted unemployment rate stood at 4.6%. The number of unemployed persons was approximately 235,200 in July 2019, 27,700 fewer than a year prior. Chart 6, below, shows trends in the state’s payroll employment and unemployment rate over the last ten years.

Chart 6: Ohio Employment and Unemployment



¹⁰ The energy index includes both energy commodities (mostly gasoline and fuel oil) and energy services (electricity, piped gas service).

¹¹ The food index includes food prepared both at home and at other locations.

The state's total nonfarm payroll employment was 5,593,000, seasonally adjusted, in July, an increase of 4,500 from the previous month and of 25,200 from July 2018. The industry which added the most jobs over the past month was the manufacturing industry (+3,200); the leisure and hospitality industry added 2,600 employees, while governments added 2,000 new workers.¹² Over the past 12 months, employment in private goods-producing industries has increased by 3,600, while employment in private service-providing industries has increased by 18,400. Government payrolls have increased by 3,200 workers over the same time period, with federal (+700), state (+1,800), and local (+700) governments realizing an increase in employment numbers.

Ohio's GDP grew at a seasonally adjusted 3.5% annual rate during the first quarter of 2019, following growth at a 1.4% rate in the previous quarter. In 2019's first quarter, Ohio's economy accounted for 3.3% of national GDP, unchanged from the prior four quarters. Growth in finance and insurance (+0.86 percentage point), nondurable goods manufacturing (+0.73 percentage point), retail trade (+0.65 percentage point), health care and social assistance (+0.52 percentage point), and mining, quarrying, and oil and gas extraction (+0.48 percentage point) contributed to Ohio's growth during the quarter.

According to Ohio realtors, a total of 15,439 existing homes were sold in July 2019, a 2.8% increase over the July 2018 total. The total dollar volume of sales in July was approximately \$3.19 billion, up 10.6% from the same month a year prior. The average sales price of an existing home in Ohio, from January to July 2019, was \$194,082.

Business activity in the Cleveland Federal Reserve District remained at a consistent level during the recent survey period, according to a recent Federal Reserve System publication, the Beige Book.¹³ Employment growth remained stagnant, and wage growth was moderate in most sectors. Home sales increased but home builders noted weaker demand. Retailers reported improving sales. Manufacturers in the region reported weaker demand for their products, citing uncertainty, trade tensions, and increased competition. Respondents reported strong nonresidential construction demand. Prices were little changed on net.

¹² The increase in government employment matches that at local governments.

¹³ 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 summarized above are from the latest edition of the Beige Book, a publication that summarizes comments from business and industry contacts outside of the Federal Reserve System collected on or before August 23, 2019.