

# Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MAY 2012

## STATUS OF THE GRF

### HIGHLIGHTS

—*Ross A. Miller, Chief Economist, 614-644-7768*

The April income tax filing season yielded GRF tax receipts that were \$84.5 million (4.1%) higher than estimate, likely ensuring that GRF tax revenues will end the year above estimate. The April revenue was sufficient to lift GRF state source receipts over the estimate for the year through April as well; year-to-date state-source receipts had been below estimate since January, when over \$500 million of expected nontax revenue was not received (see the Revenues section of this report for details).

The unemployment rate in Ohio dropped again in March, to 7.5%, despite a concurrent decline in payroll employment. Payroll employment grew strongly in January and February, though, such that Ohio's employment growth was fourth largest among the states for the first quarter of 2012, despite the March decline.

#### **Through April 2012, GRF sources totaled \$22.16 billion:**

- Revenue from the personal income tax was \$222.6 million above estimate;
- Sales and use tax receipts were \$161.8 million above estimate.

#### **Through April 2012, GRF uses totaled \$22.78 billion:**

- Program expenditures were \$811.0 million below estimate, due primarily to Public Assistance and Medicaid (\$437.0 million) and a timing-related variance affecting Tax Relief and Other (\$153.3 million).

### VOLUME 35, NUMBER 9

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<b>Table 1: General Revenue Fund Sources</b>				
<b>Actual vs. Estimate</b>				
<b>Month of April 2012</b>				
(\$ in thousands)				
(Actual based on report run in OAKS Actuals Ledger on May 4, 2012)				
	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>
<b>STATE SOURCES</b>				
<b>TAX REVENUE</b>				
Auto Sales	\$104,284	\$96,800	\$7,484	7.7%
Nonauto Sales and Use	\$619,688	\$592,200	\$27,488	4.6%
<b>Total Sales and Use Taxes</b>	<b>\$723,972</b>	<b>\$689,000</b>	<b>\$34,972</b>	<b>5.1%</b>
Personal Income	\$1,293,214	\$1,212,353	\$80,860	6.7%
Corporate Franchise	-\$2,068	\$28,800	-\$30,868	-107.2%
Public Utility	\$11	\$100	-\$89	-88.6%
Kilowatt Hour Excise	\$24,213	\$27,300	-\$3,087	-11.3%
Natural Gas Consumption (MCF)	\$3,362	\$4,100	-\$738	-18.0%
Commercial Activity Tax	\$10,670	\$12,400	-\$1,729	-13.9%
Foreign Insurance	\$481	\$1,600	-\$1,119	-69.9%
Domestic Insurance	\$13	\$0	\$13	---
Business and Property	\$5	\$0	\$5	---
Cigarette	\$71,206	\$64,200	\$7,006	10.9%
Alcoholic Beverage	\$5,026	\$5,100	-\$74	-1.5%
Liquor Gallonage	\$3,369	\$3,100	\$269	8.7%
Estate	\$18,937	\$19,900	-\$963	-4.8%
<b>Total Tax Revenue</b>	<b>\$2,152,411</b>	<b>\$2,067,953</b>	<b>\$84,458</b>	<b>4.1%</b>
<b>NONTAX REVENUE</b>				
Earnings on Investments	\$1,277	\$2,250	-\$973	-43.3%
Licenses and Fees	\$4,774	\$11,994	-\$7,219	-60.2%
Other Revenue	\$4,357	\$7,921	-\$3,564	-45.0%
<b>Total Nontax Revenue</b>	<b>\$10,408</b>	<b>\$22,165</b>	<b>-\$11,757</b>	<b>-53.0%</b>
<b>TRANSFERS</b>				
Liquor Transfers**	\$20,006	\$0	\$20,006	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	-\$6	\$0	-\$6	---
<b>Total Transfers In</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$20,000</b>	<b>---</b>
<b>TOTAL STATE SOURCES</b>	<b>\$2,182,819</b>	<b>\$2,090,118</b>	<b>\$92,701</b>	<b>4.4%</b>
Federal Grants	\$403,121	\$429,121	-\$26,000	-6.1%
<b>TOTAL GRF SOURCES</b>	<b>\$2,585,940</b>	<b>\$2,519,239</b>	<b>\$66,701</b>	<b>2.6%</b>
* Tax estimates of the Office of Budget and Management as of September 2011.				
**Liquor Transfers based on a report run in OAKS as of April 30, 2012.				
<i>Detail may not sum to total due to rounding.</i>				

	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>	<b>FY 2011</b>	<b>Percent Change</b>
<b>STATE SOURCES</b>						
<b>TAX REVENUE</b>						
Auto Sales	\$868,633	\$798,600	\$70,033	8.8%	\$798,777	8.7%
Nonauto Sales and Use	\$5,830,837	\$5,739,100	\$91,737	1.6%	\$5,535,499	5.3%
<b>Total Sales and Use Taxes</b>	<b>\$6,699,471</b>	<b>\$6,537,700</b>	<b>\$161,770</b>	<b>2.5%</b>	<b>\$6,334,276</b>	<b>5.8%</b>
Personal Income	\$6,958,354	\$6,735,754	\$222,599	3.3%	\$6,784,513	2.6%
Corporate Franchise	\$90,073	\$158,301	-\$68,228	-43.1%	\$177,829	-49.3%
Public Utility	\$79,515	\$88,600	-\$9,085	-10.3%	\$82,167	-3.2%
Kilowatt Hour Excise	\$262,193	\$281,000	-\$18,807	-6.7%	\$142,135	84.5%
Natural Gas Consumption (MCF)	\$34,690	\$35,700	-\$1,010	-2.8%	\$0	---
Commercial Activity Tax	\$312,001	\$291,500	\$20,501	7.0%	\$0	---
Foreign Insurance	\$279,316	\$264,299	\$15,017	5.7%	\$268,650	4.0%
Domestic Insurance	\$150	\$3,800	-\$3,650	-96.1%	\$3,308	-95.5%
Business and Property	-\$1,594	-\$1,500	-\$94	-6.3%	-\$992	-60.6%
Cigarette	\$641,641	\$620,400	\$21,242	3.4%	\$648,983	-1.1%
Alcoholic Beverage	\$47,562	\$47,200	\$362	0.8%	\$46,125	3.1%
Liquor Gallonage	\$32,834	\$30,700	\$2,134	7.0%	\$31,245	5.1%
Estate	\$56,320	\$49,200	\$7,120	14.5%	\$47,831	17.7%
<b>Total Tax Revenue</b>	<b>\$15,492,526</b>	<b>\$15,142,654</b>	<b>\$349,872</b>	<b>2.3%</b>	<b>\$14,566,068</b>	<b>6.4%</b>
<b>NONTAX REVENUE</b>						
Earnings on Investments	\$4,021	\$5,150	-\$1,129	-21.9%	\$5,327	-24.5%
Licenses and Fees	\$58,564	\$60,685	-\$2,121	-3.5%	\$58,013	0.9%
Other Revenue	\$28,009	\$588,062	-\$560,052	-95.2%	\$166,248	-83.2%
<b>Total Nontax Revenue</b>	<b>\$90,594</b>	<b>\$653,897</b>	<b>-\$563,303</b>	<b>-86.1%</b>	<b>\$229,588</b>	<b>-60.5%</b>
<b>TRANSFERS</b>						
Liquor Transfers**	\$92,638	\$69,500	\$23,138	33.3%	\$98,977	-6.4%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$229,555	\$10,598	\$218,958	2066.1%	\$799,089	-71.3%
<b>Total Transfers In</b>	<b>\$322,193</b>	<b>\$80,098</b>	<b>\$242,096</b>	<b>302.3%</b>	<b>\$898,066</b>	<b>-64.1%</b>
<b>TOTAL STATE SOURCES</b>	<b>\$15,905,313</b>	<b>\$15,876,648</b>	<b>\$28,665</b>	<b>0.2%</b>	<b>\$15,693,723</b>	<b>1.3%</b>
Federal Grants	\$6,252,877	\$6,409,405	-\$156,528	-2.4%	\$7,145,016	-12.5%
<b>TOTAL GRF SOURCES</b>	<b>\$22,158,190</b>	<b>\$22,286,054</b>	<b>-\$127,864</b>	<b>-0.6%</b>	<b>\$22,838,738</b>	<b>-3.0%</b>

\* Tax estimates of the Office of Budget and Management as of September 2011.  
\*\*Liquor Transfers based on a report run in OAKS as of April 30, 2012.  
Detail may not sum to total due to rounding.

# REVENUES

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

## Overview

The April 2012 tax filing season concluded with a surplus of \$80.9 million in personal income tax receipts. Overall, GRF tax sources posted a positive variance of \$84.5 million for the month, boosting the fiscal year's gain to \$349.9 million, up from \$265.4 million at the end of March 2012. April GRF sources, as a whole, were \$66.7 million above estimates. Through April, FY 2012 total GRF sources of \$22.16 billion were \$127.9 million below the estimates released by the Office of Budget and Management (OBM) in September 2011. Tables 1 and 2 show GRF sources for the month of April and for FY 2012 through April, respectively. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are federal reimbursements for human service programs such as Medicaid that receive federal funding.

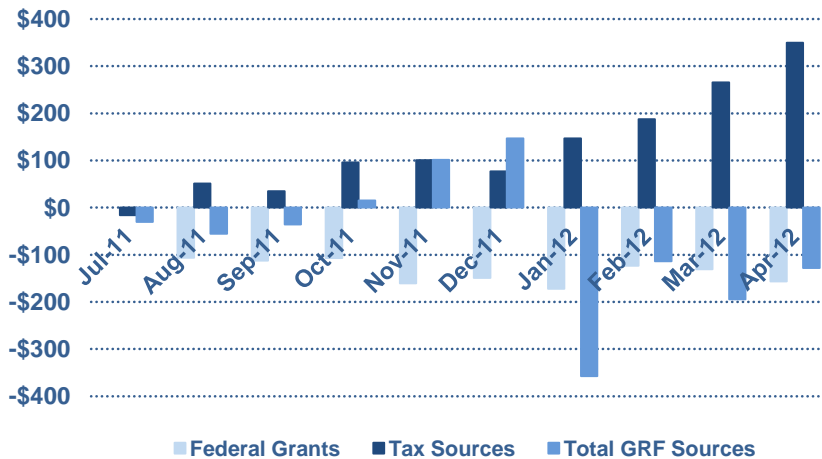
April GRF sources were \$66.7 million above estimate.

Receipts from the sales and use tax and the cigarette tax, the other two major tax sources, were \$35.0 million and \$7.0 million, respectively, above projections in April. Though GRF tax sources had another excellent month, the corporate franchise tax again lagged estimate, this month by \$30.9 million, which increased its year-to-date deficit to \$68.2 million through April. The third and final payment is due May 31; however, this tax source may finish with a large shortfall for the fiscal year. Nontax revenues were short of estimates by \$11.8 million for the month, but the GRF received \$20.0 million in liquor transfers when none were expected this month.

Through April, FY 2012 tax receipts were \$349.9 million above estimate.

Nontax revenues remained significantly below their year-to-date estimates. This negative variance was primarily due to the fact that anticipated payments of \$500 million related to the transfer of the state liquor franchise, and \$50 million related to the sale/leasing of state prisons, did not occur in January 2012 as projected by OBM. However, April's surplus in GRF tax revenues helped reverse the year-to-date shortfall in state-source receipts of \$64.0 million through March to a gain of \$28.7 million at the end of April. The deficit in year-to-date federal grants grew in April to \$156.5 million, up from \$130.5 million in March. As in previous months, this negative variance was due largely to lower than expected expenditures in the Medicaid Program. Chart 1 below shows the cumulative variances against estimate for federal grants, tax sources, and total GRF sources.

**Chart 1: Cumulative Variances of GRF Sources in FY 2012  
(Variance from Estimates, \$ in Millions)**



FY 2012 total GRF sources decreased \$680.5 million compared to receipts through April in FY 2011, due to decreases of \$892.1 million in federal grants,<sup>1</sup> \$575.9 million in transfers in, and \$139.0 million in nontax revenues. Those decreases were partly offset by an increase of \$926.5 million in GRF tax receipts. The increase in FY 2012 year-to-date tax revenues, compared to receipts a year ago, was due to the continuing economic recovery and to changes in H.B. 153 to the allocation of tax receipts. Collectively, H.B. 153 changes increased GRF tax receipts by about \$543 million, about 59% of the FY 2012 increase in tax revenue.

### Personal Income Tax

April GRF receipts from the personal income tax of \$1,293.2 million were \$80.9 million (6.7%) above estimate. Similarly to previous months, this positive variance was mostly due to less than anticipated refunds. For the third consecutive month and as anticipated, personal income tax receipts were below receipts in the corresponding period a year ago, though such decreases were less than estimated. GRF personal income tax receipts were \$117.1 million below receipts in April 2011, following similar declines of \$21.2 million in February and \$31.3 million in March, when compared to year-ago receipts. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund (LGF). Gross collections are the sum of

Through  
April,  
FY 2012  
GRF income  
tax receipts  
were  
\$222.6 million  
above  
estimate.

<sup>1</sup> The American Recovery and Reinvestment Act of 2009 (ARRA) boosted FY 2011 federal grants, a portion of which was deposited in the GRF. ARRA revenues are no longer available, so that federal grants in FY 2012 are expected to be below the level of FY 2011.

employer withholding, quarterly estimated payments,<sup>2</sup> trust payments, payments associated with annual returns, and miscellaneous payments.

In April, refunds and monthly employer withholding were below estimate by, respectively, \$103.4 million (28.3%) and \$20.6 million (3.3%). For the year through April, the GRF received \$6.96 billion from the personal income tax, \$222.6 million (3.3%) above estimates. Fewer refunds to taxpayers were mostly responsible for that positive variance, as gross collections were below estimates. Continuing a trend of underperformance, employer withholding was below estimate in April, and has been below estimates eight of the first ten months of the fiscal year, for a total shortfall of \$111.5 million through April 2012. The table below summarizes FY 2012 income tax revenue variances from estimates and annual changes by component.

Through  
April,  
FY 2012  
withholding  
receipts were  
\$111.5 million  
below  
estimate.

Through  
April,  
FY 2012  
employer  
withholding  
was  
\$254.9 million  
above similar  
receipts in  
FY 2011.

FY 2012 Year-to-Date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2011	
	Amount (\$ in millions)	Percentage (%)	Amount (\$ in millions)	Percentage (%)
Withholding	-\$111.5	-1.7%	\$254.9	4.1%
Quarterly Estimated Payments	\$7.7	0.8%	\$53.3	5.8%
Trust Payments	\$0.1	0.3%	\$2.8	8.5%
Annual Return Payments	\$34.3	3.4%	-\$101.7	-8.9%
Miscellaneous Payments	\$6.9	6.6%	\$8.2	7.9%
<b>Gross Collections</b>	-\$62.5	-0.7%	\$217.5	2.6%
Less Refunds	-\$290.1	-20.1%	\$117.9	11.4%
Less Local Government Fund Distribution	\$5.0	1.1%	-\$74.3	-13.4%
<b>Income Tax Revenue</b>	\$222.6	3.3%	\$173.8	2.6%

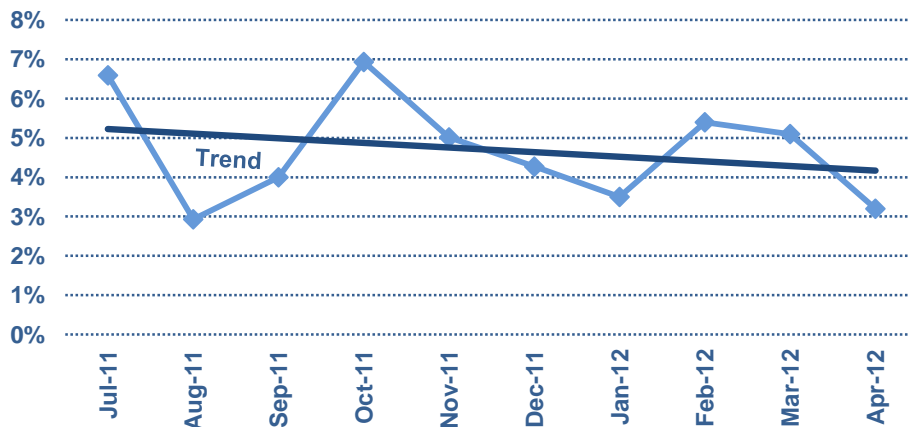
Through April, FY 2012 GRF receipts were \$173.8 million above receipts during the corresponding period in FY 2011. Revenues from employer withholding were \$254.9 million above receipts in this category last year, but growth of withholding receipts appears to have weakened lately, as shown in Chart 2 below. Though the unemployment rate has declined steadily, the Ohio labor market has shown mixed signals in the latest months; total nonfarm payroll employment in Ohio declined 9,500

<sup>2</sup> Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than \$500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. Most estimated payments are made by high-income taxpayers.



in March after sizable back-to-back gains in January and February totaling 52,200 (1.0%). Unemployment fell again in March, reducing the statewide unemployment rate to 7.5%, lowest since 2008. Quarterly estimated payments, the second most important income tax component, increased \$53.3 million (5.8%), and distributions to the Local Government Fund were \$74.3 million below amounts in that category through April in FY 2011.

**Chart 2: Monthly Withholding Receipts Trend  
Actual vs. Prior Year  
(Three-month Moving Average)**



## Sales and Use Tax

April GRF receipts from the sales and use tax of \$724.0 million were \$35.0 million (5.1%) above estimate and \$35.4 million (5.1%) above receipts in April 2011. Through April, FY 2012 GRF sales and use tax receipts totaled \$6.70 billion, \$161.8 million (2.5%) above estimate and \$365.2 million (5.8%) above receipts in the corresponding period last year.

For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections<sup>3</sup> generally arise from the sale of motor vehicles while nonauto sales and use tax collections arise from other sales. However, auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. Both tax sources have recorded strong performances this fiscal year, boosted by improved credit availability, a better job market, and higher personal income.

<sup>3</sup> The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

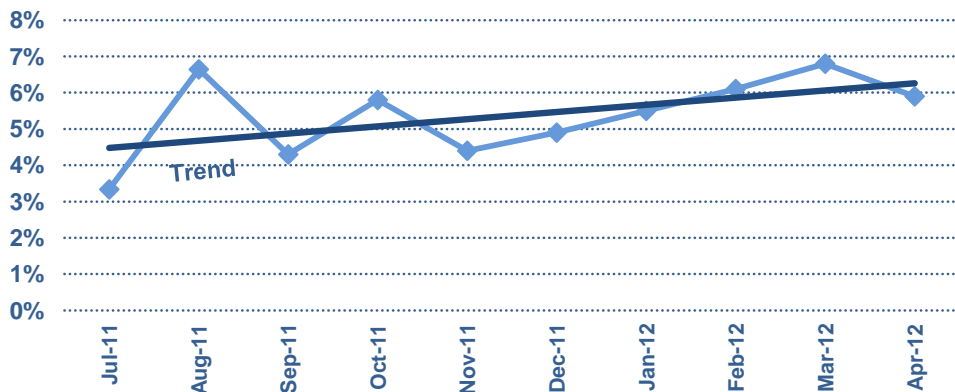
Through  
April,  
FY 2012  
GRF sales  
and use tax  
receipts  
were  
\$161.8 million  
above  
estimate.

### Nonauto Sales and Use Tax

Through April, GRF receipts from the nonauto sales and use tax were \$91.7 million above estimate.

Monthly receipts from the nonauto sales and use tax were \$619.7 million, \$27.5 million (4.6%) above estimate, and \$28.0 million (4.7%) above April 2011 receipts. Through April, FY 2012 GRF nonauto sales and use tax receipts were \$5.83 billion. Those receipts were \$91.7 million (1.6%) above estimate, and \$295.3 million (5.3%) above receipts in the corresponding period in FY 2011. Year-to-date receipts include \$292.1 million in tax payments by Medicaid health insuring corporations, up \$30.4 million (11.6%) in this category through April in FY 2011. Chart 3 below shows a steady increase in FY 2012 nonauto sales tax monthly receipts against prior-year receipts in the same month. The nonauto sales and use tax has performed well this fiscal year. Consumers continue to increase their spending at a strong pace. Nationwide, 2012 first-quarter retail sales (excluding motor vehicles and parts) grew 7.7% when compared to sales in the corresponding period in 2011.

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



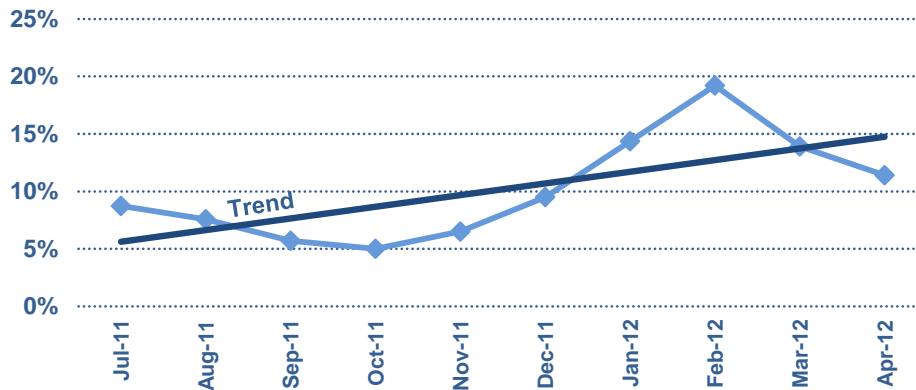
Through April, FY 2012 auto sales and use tax receipts were \$70.0 million above estimate.

### Auto Sales and Use Tax

The auto sales and use tax continued its robust performance in April. GRF receipts of \$104.3 million were \$7.5 million (7.7%) above estimate and \$7.4 million (7.7%) above April 2011 receipts. For the fiscal year, auto sales and use tax receipts totaled \$868.6 million, \$70.0 million (8.8%) above estimate and \$69.9 million (8.7%) above receipts through April in FY 2011. Chart 4 below compares FY 2012 monthly auto sales and use tax receipts with year-ago receipts in the same period. On a seasonally adjusted annualized basis, auto makers sold 14.4 million units in April, about 10% over a year ago. Despite high gasoline prices, vehicle sales grew strongly in the first four months of 2012, and are expected to continue rising modestly the rest of the year, according to most automobile analysts.



**Chart 4: Auto Sales and Use Tax Receipts Trend**  
**Actual vs. Prior Year**  
**(Three-month Moving Average)**



### Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of \$71.2 million in April 2012 were \$7.0 million (10.9%) above estimate and \$4.2 million (6.2%) above receipts in the corresponding period in FY 2011.

Through April, FY 2012 receipts of \$641.6 million were \$21.2 million (3.4%) above estimate. Receipts from cigarette sales were \$596.4 million, and sales of products other than cigarettes provided \$45.2 million. Compared to FY 2011, total receipts were \$7.3 million (1.1%) below receipts in the corresponding period. Receipts from the sale of cigarettes decreased \$10.1 million and those from the sale of other tobacco products increased \$2.8 million. Generally, cigarette tax receipts experience a sustained downward trend on a year-ago basis.

### Commercial Activity Tax

April GRF receipts from the commercial activity tax (CAT) of \$10.7 million were \$1.7 million (13.9%) below estimate. CAT receipts to the GRF in FY 2012 totaled \$312.0 million, \$20.5 million (7.0%) above estimate. Overall, FY 2012 total (all funds) CAT receipts of \$1.27 billion were \$138.1 million (12.2%) above receipts through April in FY 2011. The last fiscal year's payment for calendar quarter taxpayers is due May 10.

Through FY 2011, revenues from the tax were not deposited into the GRF as they were fully earmarked for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property.

**Table 3: General Revenue Fund Uses**  
**Actual vs. Estimate**  
**Month of April 2012**  
(\$ in thousands)  
(Actual based on OAKS reports run May 7, 2012)

<b>PROGRAM</b>	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>
Primary, Secondary, and Other Education	\$538,496	\$518,278	\$20,217	3.9%
Higher Education	\$161,544	\$160,017	\$1,526	1.0%
<b>Total Education</b>	<b>\$700,039</b>	<b>\$678,296</b>	<b>\$21,744</b>	<b>3.2%</b>
Public Assistance and Medicaid	\$855,603	\$926,254	-\$70,651	-7.6%
Health and Human Services	\$84,959	\$98,539	-\$13,580	-13.8%
<b>Total Welfare and Human Services</b>	<b>\$940,562</b>	<b>\$1,024,794</b>	<b>-\$84,231</b>	<b>-8.2%</b>
Justice and Public Protection	\$185,748	\$214,988	-\$29,240	-13.6%
Environment and Natural Resources	\$5,418	\$3,789	\$1,629	43.0%
Transportation	\$647	\$1,216	-\$569	-46.8%
General Government	\$18,446	\$19,655	-\$1,210	-6.2%
Community and Economic Development	\$4,164	\$6,134	-\$1,971	-32.1%
Capital	\$0	\$0	\$0	---
<b>Total Government Operations</b>	<b>\$214,423</b>	<b>\$245,783</b>	<b>-\$31,360</b>	<b>-12.8%</b>
Tax Relief and Other	\$199,301	\$312,652	-\$113,351	-36.3%
Debt Service	\$21,261	\$36,183	-\$14,923	-41.2%
<b>Total Other Expenditures</b>	<b>\$220,561</b>	<b>\$348,835</b>	<b>-\$128,273</b>	<b>-36.8%</b>
<b>Total Program Expenditures</b>	<b>\$2,075,586</b>	<b>\$2,297,706</b>	<b>-\$222,121</b>	<b>-9.7%</b>
<b>TRANSFERS</b>				
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$38,435	\$33,232	\$5,204	15.7%
<b>Total Transfers Out</b>	<b>\$38,435</b>	<b>\$33,232</b>	<b>\$5,204</b>	<b>15.7%</b>
<b>TOTAL GRF USES</b>	<b>\$2,114,021</b>	<b>\$2,330,938</b>	<b>-\$216,917</b>	<b>-9.3%</b>
* September 2011 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 2012 as of April 30, 2012**  
(\$ in thousands)  
(Actual based on OAKS reports run May 7, 2012)

<i>PROGRAM</i>	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>	<b>FY 2011</b>	<b>Percent Change</b>
Primary, Secondary, and Other Education	\$5,489,075	\$5,487,328	\$1,747	0.0%	\$5,949,501	-7.7%
Higher Education	\$1,764,730	\$1,783,466	-\$18,736	-1.1%	\$2,040,227	-13.5%
<b>Total Education</b>	<b>\$7,253,805</b>	<b>\$7,270,793</b>	<b>-\$16,988</b>	<b>-0.2%</b>	<b>\$7,989,728</b>	<b>-9.2%</b>
Public Assistance and Medicaid	\$10,654,793	\$11,091,745	-\$436,952	-3.9%	\$9,773,147	9.0%
Health and Human Services	\$858,378	\$867,256	-\$8,878	-1.0%	\$960,900	-10.7%
<b>Total Welfare and Human Services</b>	<b>\$11,513,171</b>	<b>\$11,959,001</b>	<b>-\$445,830</b>	<b>-3.7%</b>	<b>\$10,734,047</b>	<b>7.3%</b>
Justice and Public Protection	\$1,594,054	\$1,697,479	-\$103,425	-6.1%	\$1,640,783	-2.8%
Environment and Natural Resources	\$59,671	\$57,649	\$2,021	3.5%	\$59,720	-0.1%
Transportation	\$8,144	\$11,038	-\$2,894	-26.2%	\$12,017	-32.2%
General Government	\$240,046	\$264,948	-\$24,903	-9.4%	\$239,502	0.2%
Community and Economic Development	\$84,784	\$93,010	-\$8,225	-8.8%	\$88,673	-4.4%
Capital	\$120	\$0	\$120	---	\$24	402.1%
<b>Total Government Operations</b>	<b>\$1,986,819</b>	<b>\$2,124,124</b>	<b>-\$137,305</b>	<b>-6.5%</b>	<b>\$2,040,719</b>	<b>-2.6%</b>
Tax Relief and Other	\$1,084,763	\$1,238,057	-\$153,294	-12.4%	\$1,215,206	-10.7%
Debt Service	\$327,323	\$384,906	-\$57,583	-15.0%	\$450,367	-27.3%
<b>Total Other Expenditures</b>	<b>\$1,412,086</b>	<b>\$1,622,963</b>	<b>-\$210,877</b>	<b>-13.0%</b>	<b>\$1,665,573</b>	<b>-15.2%</b>
<b>Total Program Expenditures</b>	<b>\$22,165,881</b>	<b>\$22,976,882</b>	<b>-\$811,001</b>	<b>-3.5%</b>	<b>\$22,430,068</b>	<b>-1.2%</b>
<b>TRANSFERS</b>						
Budget Stabilization	\$246,899	\$246,899	\$0	0.0%	\$0	---
Other Transfers Out	\$365,939	\$142,855	\$223,084	156.2%	\$1,016,885	-64.0%
<b>Total Transfers Out</b>	<b>\$612,838</b>	<b>\$389,754</b>	<b>\$223,084</b>	<b>57.2%</b>	<b>\$1,016,885</b>	<b>-39.7%</b>
<b>TOTAL GRF USES</b>	<b>\$22,778,719</b>	<b>\$23,366,635</b>	<b>-\$587,916</b>	<b>-2.5%</b>	<b>\$23,446,953</b>	<b>-2.8%</b>

\* September 2011 estimates of the Office of Budget and Management.  
Detail may not sum to total due to rounding.

**Table 5: FY 2012 Medicaid Expenditures**  
(\$ in thousands)  
(Actuals based on OAKS report run on May 7, 2012)

Medicaid (600525) Payments by Service Category	April				Year to Date			
	Actual	Estimate	Variance	Percent Variance	Actual thru April	Estimate thru April	Variance	Percent Variance
Managed Care Plans	\$566,348	\$593,296	-\$26,948	-4.5%	\$5,302,585	\$5,455,283	-\$152,698	-2.8%
Nursing Facilities	\$209,628	\$206,051	\$3,577	1.7%	\$2,040,815	\$2,079,352	-\$38,537	-1.9%
Hospitals	\$154,847	\$138,807	\$16,040	11.6%	\$1,120,053	\$1,219,959	-\$99,906	-8.2%
Prescription Drugs	\$49,811	\$53,607	-\$3,796	-7.1%	\$817,862	\$849,556	-\$31,694	-3.7%
Aging Waivers	\$41,330	\$52,234	-\$10,904	-20.9%	\$503,011	\$513,485	-\$10,474	-2.0%
ICFs/MR	\$47,887	\$47,663	\$224	0.5%	\$464,237	\$468,252	-\$4,015	-0.9%
Physicians	\$31,241	\$37,720	-\$6,479	-17.2%	\$245,618	\$301,684	-\$56,066	-18.6%
ODJFS Waivers	\$29,332	\$33,261	-\$3,929	-11.8%	\$265,153	\$293,104	-\$27,951	-9.5%
All Other	\$146,069	\$158,381	-\$12,312	-7.8%	\$1,348,877	\$1,410,260	-\$61,383	-4.4%
<b>Total Payments</b>	<b>\$1,276,493</b>	<b>\$1,321,020</b>	<b>-\$44,527</b>	<b>-3.4%</b>	<b>\$12,108,211</b>	<b>\$12,590,935</b>	<b>-\$482,724</b>	<b>-3.8%</b>
<b>Total Offsets (non-GRF)</b>	<b>-\$537,859</b>	<b>-\$513,667</b>	<b>-\$24,192</b>	<b>4.7%</b>	<b>-\$2,354,833</b>	<b>-\$2,455,746</b>	<b>\$100,913</b>	<b>-4.1%</b>
<b>Total 600525 (net of offsets)</b>	<b>\$738,634</b>	<b>\$807,353</b>	<b>-\$68,719</b>	<b>-8.5%</b>	<b>\$9,753,378</b>	<b>\$10,135,189</b>	<b>-\$381,811</b>	<b>-3.8%</b>
<b>Medicare Part D (600526)</b>	<b>\$25,551</b>	<b>\$23,767</b>	<b>\$1,784</b>	<b>7.5%</b>	<b>\$216,198</b>	<b>\$230,248</b>	<b>-\$14,050</b>	<b>-6.1%</b>
<b>Total GRF</b>	<b>\$764,185</b>	<b>\$831,120</b>	<b>-\$66,935</b>	<b>-8.1%</b>	<b>\$9,969,576</b>	<b>\$10,365,437</b>	<b>-\$395,861</b>	<b>-3.8%</b>
<b>Total All Funds</b>	<b>\$1,302,044</b>	<b>\$1,344,787</b>	<b>-\$42,743</b>	<b>-3.2%</b>	<b>\$12,324,409</b>	<b>\$12,821,183</b>	<b>-\$496,774</b>	<b>-3.9%</b>

*Estimates from the Ohio Department of Job and Family Services (ODJFS)*

ICFs/MR - Intermediate Care Facilities for the Mentally Retarded

# EXPENDITURES

—Russ Keller, *Economist*, 614-644-1751

—Todd A. Celmar, *Senior Economist*, 614-466-7358

## Overview

For the first ten months of FY 2012, GRF uses totaled \$22.78 billion, \$587.9 million below the estimate released by the Office of Budget and Management (OBM) in September 2011. GRF uses consist primarily of program expenditures but also include transfers out. Through April, FY 2012 program expenditures totaled \$22.17 billion, \$811.0 million below estimate. This negative program expenditure variance was partially offset by a \$223.1 million positive variance in GRF transfers out, which totaled \$612.8 million through April. As reported in prior issues of *Budget Footnotes*, GRF transfers out will finish the fiscal year above estimate. This is largely due to the unanticipated temporary transfers made in November 2011. The transfers were made to address the cash flow issue related to tangible personal property tax loss reimbursements for schools and local governments. Reimbursements for those temporary transfers are recorded in Table 2 of the Revenues section of this report.

The Public Assistance and Medicaid program category accounted for \$437.0 million of the \$811.0 million negative year-to-date variance in GRF program expenditures. Tax Relief and Other contributed another \$153.3 million. Justice and Public Protection and Debt Service added \$103.4 million and \$57.6 million, respectively. The negative variances in these four categories are briefly discussed below.

## Public Assistance and Medicaid

Year-to-date GRF expenditures for Public Assistance and Medicaid totaled \$10.65 billion, \$437.0 million (3.9%) below estimate. Medicaid, including both state and federal shares, accounts for about 94% of expenditures in this program category. The federal share of Medicaid expenditures is about 64% and the state's share is about 36%. Medicaid is mainly funded by the GRF, but is also supported by various non-GRF funds. Through April, FY 2012 Medicaid GRF expenditures totaled \$9.97 billion, which was \$395.9 million (3.8%) below estimate. The state's share of this negative variance is about \$141.9 million. Across all funds, year-to-date Medicaid expenditures amounted to \$12.32 billion, which was \$496.8 million (3.9%) below estimate. The state's share of this negative variance is about \$178.1 million. Table 5 details Medicaid GRF expenditures by service category and also summarizes Medicaid expenditures across all funds.

Through  
April,  
FY 2012  
GRF uses  
were  
\$587.9 million  
below  
estimate.

Year-to-date  
GRF  
spending for  
Medicaid  
was  
\$395.9 million  
(\$141.9 million  
state share)  
below  
estimate.

Year-to-date  
all-fund  
spending for  
Medicaid  
was  
\$496.8 million  
(\$178.1 million  
state share)  
below  
estimate.

As seen from Table 5, Medicaid expenditures were below their year-to-date estimates for all categories. Categories with significant negative year-to-date variances include Managed Care Plans (\$152.7 million, 2.8%), Hospitals (\$99.9 million, 8.2%), All Other (\$61.4 million, 4.4%), and Physicians (\$56.1 million, 18.6%). As reported in prior issues of *Budget Footnotes*, OBM indicated that the negative variance in Managed Care Plans was mainly due to lower than projected managed care capitated rates for 2012. For the other categories, the main reason for the negative variances was the implementation of the Medicaid Information Technology System (MITS). There are programming issues in MITS that have affected timing of certain payments; such timing-related negative variances may narrow in the next two months. At the same time, MITS is expected to produce some savings as the new system has a more comprehensive mechanism to properly reject certain claims. Expenditures for several of the categories may be somewhat lower than estimated for the fiscal year.

### Tax Relief and Other

The month of April accounted for \$113.4 million of the \$153.3 million (12.4%) negative year-to-date variance in Tax Relief and Other. These variances were mainly due to timing and will likely narrow in the next two months. The vast majority of funds in this category are used to make property tax relief reimbursement payments through two GRF appropriation items: item 200901, Property Tax Allocation, in the Ohio Department of Education budget for making payments to schools and item 110901, Property Tax Allocation, in the Ohio Department of Taxation budget for making payments to other local governments. Reimbursements based on the August (2011) property tax settlement were completed in December; actual expenditures were \$23.0 million (2.7%) higher than the OBM estimates for these two items for the first six months of FY 2012. Reimbursements made in the second half of the fiscal year are based on the February (2012) property tax settlement.

Year-to-date  
GRF  
spending for  
Justice and  
Public  
Protection  
was  
\$103.4 million  
below  
estimate.

### Justice and Public Protection

GRF expenditures for Justice and Public Protection were \$29.2 million below estimate in April, increasing this program category's negative year-to-date variance to \$103.4 million (6.1%). The negative variance for the month of April was partially due to timing. The majority (\$9.1 million) of the estimated April expenditures for the Department of Rehabilitation and Correction's (DRC) appropriation item 501405, Halfway House, did not occur until early May. Due mainly to this monthly variance, year-to-date expenditures for item 501405 were



\$10.0 million below estimate. This item is used to make payments to governmental and private, nonprofit agencies for the delivery of community residential programs that provide supervision and treatment services to offenders enrolled in the program.

Actual expenditures for Justice and Public Protection have been below the OBM estimates every month since August 2011. As reported in prior issues of *Budget Footnotes*, these negative variances were mainly due to a higher than expected personnel vacancy rate related to the organizational restructuring in DRC and the Department of Youth Services (DYS), the two largest agencies within this program category. DRC's year-to-date expenditures were \$99.0 million (7.0%) below estimate. In addition to the \$10.0 million negative year-to-date variance in item 501405, DRC's two main appropriation items 501321, Institutional Operations, and 505321, Institution Medical Services, contributed another \$50.4 million and \$16.8 million, respectively. Year-to-date expenditures for DRC's appropriation item 502321, Mental Health Services, were also \$6.8 million below estimate. Finally, year-to-date expenditures for the largest appropriation item in the DYS budget, 470401, RECLAIM Ohio, were \$4.7 million below estimate.

### **Debt Service**

Through April, GRF expenditures for Debt Service totaled \$327.3 million, \$57.6 million (15.0%) below estimate. The funds in this program category are used to pay required debt service payments for general obligation bonds issued by the School Facilities Commission, the Public Works Commission, the Board of Regents, the Department of Development, the Department of Natural Resources, and the Department of Veterans Services. General obligation bonds are backed by the full faith and credit of the state. The state is required by the Ohio Constitution to make all required debt service payments for general obligation bonds it issued.

# ISSUE UPDATES

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## **Dayton Is First School District to Complete Accelerated Urban Initiative Project**

—Edward Millane, Senior Budget Analyst, 614-995-9991

In March, the Ohio School Facilities Commission (SFC) announced that the Dayton Public School District in Montgomery County was the first of six major urban school districts participating in the Accelerated Urban Initiative (AUI) to complete its state-assisted facilities project. The project included the construction or renovation of 26 school buildings completed over three segments for a total cost of approximately \$627 million. Of the \$627 million total project cost, \$194 million was for locally funded initiatives. These initiatives are included in the project at the discretion of the district and do not receive state funding. The remaining \$433 million consisted of a \$264 million (61%) state share and a \$169 million (39%) local share. Four of the 26 school buildings included in the project have been LEED (Leadership in Energy and Environmental Design) certified by the U.S. Green Building Council, while another seven buildings have certification requests pending.

Dayton was one of six major urban districts, also including Akron, Cincinnati, Cleveland, Columbus, and Toledo, approved for funding in 2002 under the AUI, a sub-program of SFC's main Classroom Facilities Assistance Program. The six districts have approximately 500 school buildings and their combined enrollment represents approximately 15% of the total student enrollment in the state. Total project costs in the six districts are estimated at approximately \$5.0 billion, with a combined state share estimated at approximately \$2.6 billion (52%). Each of the six districts has secured all or part of its required local share. Cincinnati and Toledo have reached their final scheduled segments, Cleveland has reached segment five of ten projected segments, and Akron and Columbus have reached phase three of six and seven projected segments, respectively.

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## **eTech Ohio Awards \$200,000 in Mobile Assistive Technology Grants**

—Michele Perch, Budget Analyst, 614-644-1262

In April, eTech Ohio awarded \$200,000 in state Mobile Assistive Technology grants to 20 schools and educational service centers (see table below). The grant awards of \$10,000 each are intended to be used to build the capacity of Ohio schools for using mobile assistive technologies in special needs classrooms and to enhance learning opportunities for special needs students. Mobile technologies that may be used in the

implementation of the grant include devices such as tablets, e-readers, smart phones, and Braille notes. As part of the grant requirements, schools must use at least 25% of the funding for professional development and no more than 8% for administration. Remaining funds may be used for any materials or activities related to the grant, including hardware, software, and evaluation of implementation. At the end of the grant period in December 2012, schools are required to submit a report documenting the most effective practices developed under the grant and anticipated next steps.

<b>Mobile Assistive Technology Grant Recipients, 2012</b>	
<b>Recipient Building (School District or Educational Service Center)</b>	<b>Recipient Building (School District or Educational Service Center)</b>
Alton Darby Elementary School (Hilliard City School District)	Mt. Healthy North Elementary School (Mt. Healthy City School District)
Barberton Middle School (Barberton City School District)	Paulding Middle School (Paulding Exempted Village School District)
Benjamin Logan Elementary School (Benjamin Logan Local School District)	POWER Plus/West Bridge Academy (Dublin City School District)
Conesville Elementary School (River View Local School District)	Ross Pike Educational Service District (Ross Pike Educational Service District)
Copley-Fairlawn High School (Copley-Fairlawn City School District)	St. Mary's Intermediate School (St. Mary's City School District)
Edgewood Middle School (Wooster City School District)	Union Local Elementary School (Union Local School District)
Fairlawn Elementary School (Fairlawn Local School District)	Urbana East Elementary School (Urbana City School District)
Galion Middle School (Galion City School District)	Warrensville Heights Middle School (Educational Service Center of Cuyahoga County)
Greensview Elementary School (Upper Arlington City School District)	West Geauga Middle School (West Geauga Local School District)
Minerva Elementary School (Minerva Local School District)	Wright Brothers Elementary School (Huber Heights City School District)

### **Academic Distress Commission Provides Flexibility for Youngstown City School District in Anticipation of Decreased State Education Aid**

—Jason Phillips, Senior Budget Analyst, 614-466-9753

On March 15, 2012, the Youngstown Academic Distress Commission (YADC) adopted a series of resolutions to respond to an anticipated reduction in state education aid for the Youngstown City School District for FY 2013. Due to declining enrollment, the district expects its state education aid to decrease by about \$4 million for the

upcoming school year. In response, the YADC eliminated a requirement in the district's academic recovery plan (ARP) for a 15:1 student to teacher ratio in kindergarten and first grade and, as authorized under current law, exempted the district from some requirements contained in the collective bargaining agreement between the district and the local teachers' union, the Youngstown Education Association. Namely, the district has been permitted, subject to YADC's overall authority over these decisions, to determine appropriate class sizes apart from collective bargaining agreement specifications and to implement a reduction in force without adhering to certain effective date and notification requirements. In addition, the district plans on placing a tax levy proposal on the November 2012 ballot.

The YADC also amended the ARP to expand the number of students required to receive additional literacy classroom time and to require all literacy and math coaches to have certain qualifications. Further, the YADC outlined a number of strategies in its annual ARP update to improve academic achievement, including increased community engagement, more school options, expanded learning opportunities, additional professional development for principals, greater financial planning and collaboration between the school district's treasurer and superintendent, and development of up-to-date plans based on Ohio academic standards. The Superintendent of Public Instruction approved the ARP update in April 2012.

An academic distress commission is created when a district is rated as in "academic emergency" and has failed to meet adequate yearly progress in four or more consecutive years. Such a commission is charged with improving academic performance in the school district, primarily through the adoption and implementation of an ARP. The YADC, the only academic distress commission currently active in the state, was created in January 2010. The YADC will cease to exist once the district has achieved a rating of "in need of continuous improvement" or better in two of the previous three school years. The district's rating for the 2010-2011 school year was "academic watch."

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## Free eTutoring Program to Go Statewide

—Mary Turocy, Senior Budget Analyst, 614-466-2927

In March, the Ohio Board of Regents (BOR) announced expanded access to free online tutoring to students of Ohio institutions of higher education, through the Ohio eTutoring Collaborative. The eTutoring program, operated by the Connecticut Distance Learning Consortium (CTDLC), is a platform that facilitates real-time online tutoring through "eChat" sessions and provides students a forum to post "eQuestions" at any time. Students may also submit papers for review through the "eWriting" lab. Institutions participating in the Ohio eTutoring Collaborative provide the tutors, who are trained in the eTutoring program. In fall 2011, approximately 2,400 Ohio students at

21 participating institutions were tutored through the program. In FY 2012, each institution was charged a one-time startup fee of \$1,000 to join the Collaborative and an annual participation fee of \$1,500. Beginning in FY 2013, all public and private institutions will be able to participate in the Collaborative without paying a participation fee. BOR has negotiated with CTDLA to waive startup fees and charge BOR \$1,500 per year for each participating institution. Grant dollars from the federal College Access Challenge Grant will be used to fund the program in FY 2013, and future years will be funded by eStudent Services, a division of the Ohio Technology Consortium (OH-Tech). More than 41 new institutions have expressed interest in the Ohio eTutoring Collaborative since the new cost structure was announced.

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### **Controlling Board Authorizes Increased Funding for Oil and Gas Permitting and Regulation**

—*Brian Hoffmeister, Senior Budget Analyst, 614-644-0089*

On April 23, 2012, the Controlling Board approved \$2.0 million in additional funding for the oversight activities performed by the Division of Oil and Gas Resources Management within the Department of Natural Resources. The Division will use this additional funding to expand permitting and regulatory operations as a result of increased oil and gas exploration activity in the Marcellus and Utica shale formations underlying parts of the eastern half of the state. The \$2.0 million increase covers the first phase of this expansion, including the purchase of new supplies and equipment for office and field work, and hiring 14 new employees. Overall, the Division plans on adding a total of 70 new employees in three phases by the end of FY 2013, with the final two phases of hiring expected in the next fiscal year. The Division's regulatory activities are covered by oil and gas well drilling and plugging fees, a share of proceeds from the severance tax on oil and natural gas, and transfers from the GRF, if needed.<sup>4</sup> These receipts are deposited into the Oil and Gas Well Fund (Fund 5180). Including the funding approved by the Controlling Board, the FY 2012 appropriations for the Division total about \$8.9 million, of which just over \$8.6 million comes from Fund 5180.

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<sup>4</sup> If revenues to Fund 5180 from permitting fees, oil and gas severance taxes, and other sources are insufficient to cover the increased workload in FY 2012 and FY 2013, H.B. 153 authorizes DNR to request a transfer of funds from the GRF to cover any needed costs and repay those amounts at a later date. As of April 2012, no such transfer has been made.

## Ohio EPA Awards \$2.7 million in Nonpoint Source Pollution Grants

—Matthew L. Stiffler, Budget Analyst, 614-466-5654

On April 16, 2012, the Ohio Environmental Protection Agency (EPA) announced 12 nonpoint source pollution grant program awards totaling \$2.7 million (see table below). These grant awards are designed to provide financial assistance to projects that eliminate or reduce the water quality impairments due to nonpoint source pollution. This type of pollution is a result of water moving through land used for a variety of purposes such as farming, development, logging, resource extraction, or land disposal. Grant recipients may be awarded up to \$350,000 over a three-year period and must provide at least a 20% match in cash or in-kind contributions and services. The program is administered by the EPA's Division of Surface Water in accordance with the federal Clean Water Act and is supported by annual federal nonpoint source implementation grants deposited into the state's Nonpoint Source Pollution Management Fund (Fund 3F50). The grants are awarded twice annually and the application deadline for the next round is June 1.

Nonpoint Source Pollution Grant Program Awards, FY 2012			
Project Site County	Grant Recipient	Project Name	Grant Award
Franklin	Columbus & Franklin County Metropolitan Park District	Blacklick Creek Stream Restoration	\$308,220
Franklin	New Albany	Storm Water Demonstration & Rose Run Stream Restoration	\$230,885
Geauga	Holden Arboretum	Chagrin River-East Branch Stream Restoration	\$163,450
Greene	Greene County Park District	Gladly Run Stream Restoration & Stabilization	\$226,962
Jackson	Ohio Valley Conservation Coalition	Salt Creek Streambank & Wetlands Restoration	\$285,900
Lorain	Elyria	Black River-Cascade Park Stream Restoration	\$260,586
Lucas	Toledo Metropolitan Area Council of Governments	Upper Swan Creek Stream Stabilization & Restoration	\$80,741
Medina	Wadsworth	City Parking Lot Storm Water Control	\$134,280
Summit	Metro Parks	Pond Brook Stream Restoration	\$326,900
Summit	New Franklin	City Hall Storm Water Demonstration	\$186,800
Tuscarawas	Huff Run Watershed Restoration Partnership	Hilltop Mine Land Reclamation	\$326,900
Union	The River Institute	Powderlick Run Stream Restoration	\$214,306
<b>Total</b>			<b>\$2,745,930</b>



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## **Department of Youth Services New Treatment Alternative for Females Operates at Full Capacity**

*—Maggie Wolniewicz, Budget Analyst, 614-995-9992*

As of April 2012, the Department of Youth Services' new 8-bed community residential program, the Parmadale Treatment Alternative for Females, was fully operational. The Parmadale Treatment Alternative for Females, which opened in January is a secure facility located in Parma. The program is a partnership between the Department, the Parmadale Institute (a residential treatment provider), and Beech Brook (a local behavioral health agency). Under this partnership, the Department pays Parmadale and Beech Brook for the provision of treatment services. The program is a GRF-funded treatment option for females with behavioral health needs who have been sentenced to the care and custody of the Department. Participants are selected for the program based on a combination of factors including behavioral health needs, security assessments, and consent of the juvenile court.

The treatment alternative will cost the Department \$467 per bed-day, with some of those costs likely to be subject to federal reimbursement through Medicaid, Title IV-E, or both. If the service providers are able to recoup some of their costs from Medicaid, the amount the Department owes for those services will be reduced accordingly. If a participant is eligible for federal foster care assistance under Title IV-E of the Social Security Act, the Department will receive reimbursement of up to \$328 per day.

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## **Number of Individuals Receiving BCMH Treatment Services Increases in FY 2012**

*—Wendy Risner, Senior Budget Analyst, 614-644-9098*

As of April 26, 2012, the Treatment Services Program of the Bureau for Children with Medical Handicaps (BCMh) had provided services to over 30,000 individuals, which was an increase of almost 1,000 individuals from the previous fiscal year. On April 9, 2012, the Controlling Board approved the Department of Health's request and authorized an additional \$3.5 million in expenditures in FY 2012 from non-GRF line item 440607, Medically Handicapped Children – County Assessment, to pay for treatment costs associated with the growth in enrollment. This funding increase is supported by funds generated from county property tax assessments. State law requires counties to provide up to one-tenth of one mill of the county's property tax revenue to the Department to pay for BCMh treatment services.

BCMh is a health care program that links families of children with special health care needs to a network of providers and helps families pay for necessary services. BCMh treatment services are paid for with the GRF, county tax assessments, federal grants, third-party reimbursements, and donations. To be eligible for treatment

services, an individual must be under the age of 21, be under the care of an approved physician, and have an eligible condition. In addition, the family's income may not exceed 185% of the federal poverty guidelines (\$42,643 annually for a family of four). However, for eligibility purposes, a family's income may be reduced by the amount of out-of-pocket medical expenses incurred by the family. Other factors such as child care expenses and insurance premium payments are also considered. Additionally, BCMH has a cost share program whereby an individual may become eligible for services once a cost share is met.

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### **BWC Introduces the Workplace Wellness Grant Program**

—Tom Wert, Budget Analyst, 614-466-0520

As of April 30, 2012, 76 employers had applied and 29 were approved for grant funding under the Workplace Wellness Grant Program, a program launched by the Bureau of Workers' Compensation (BWC) in February 2012. The goal of the program is to reduce the cost of workers' compensation claims by addressing health concerns such as obesity, the rising incidence of chronic diseases, and aging in the workplace. Employers who obtain their workers' compensation coverage through BWC are eligible to participate.<sup>5</sup> Grant recipients may receive up to \$15,000 over four years. The funding may only be used to pay a vendor to implement a wellness program. Participating employers are required to collect and submit aggregated biometric data, aggregated health risk appraisal data, and other information that BWC will use to evaluate the effectiveness of the program. They are also required to provide benchmark information within three months of the grant approval. Overall, up to \$4.0 million will be made available from the Safety and Hygiene Fund (Fund 8260) for the grant program over a four-year period. Fund 8260 receives a portion of the premiums paid by employers to provide various workplace safety services to employers.

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### **Ohio Receives Final Allotment of \$16.2 million Federal Grant for Flood Cleanup Efforts in Southeast Counties**

—Todd A. Celmar, Economist, 614-466-7358

In April, Ohio received the final allotment of a \$16.2 million federal grant for cleanup efforts in the state's southeast counties that experienced heavy damage from severe storms and flooding last spring. This final allotment of \$7.7 million follows two prior allotments of \$3.5 million (August 2011) and \$5.0 million (January 2012). Grant funds are received by the Ohio Department of Job and Family Services (ODJFS), which

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<sup>5</sup> State agencies and self-insured employers are not eligible for the grants.

then disburses funds to the local workforce investment areas in the 15 counties that are eligible for assistance (listed below).

Counties Eligible for Assistance		
Athens	Jackson	Morgan
Belmont	Jefferson	Ross
Gallia	Lawrence	Scioto
Guernsey	Meigs	Vinton
Hocking	Monroe	Washington

Local workforce areas use grant funds to employ workers to remove flood debris from public land and waterways and to help repair damaged public facilities such as shelter houses at parks. As of March 31, 558 individuals have been working at these locations. ODJFS expects that the final grant allotment will continue to support wages for these individuals while also allowing another 175 individuals to be hired. All those hired may work for up to about six months and receive compensation of up to \$12,000 each; wages generally range from \$10.50 to \$11.50 per hour. Employment is generally restricted to those who are otherwise unemployed. As part of their employment, workers receive training related to safety, wildlife protection, conservation, and medical care.

Severe storms and flooding occurred in Ohio's southeast counties from April 4 to May 15, 2011. In June, the Governor requested assistance from the federal government. In July, after the areas were surveyed, the President declared parts of southeast Ohio disaster areas eligible for federal assistance.

# TRACKING THE ECONOMY

—Phil Cummins, Senior Economist, 614-387-1687

## Overview

The economic expansion is continuing, in the nation and Ohio. Inflation-adjusted gross domestic product (real GDP) grew at a 2.2% annual rate in this year's first quarter. Total nonfarm payroll employment rose further in April, but the monthly increase was the smallest since last October. The nationwide average unemployment rate fell to 8.1% in April, lowest since 2009, but the share of the population age 16 and older that was either employed or actively looking for work (the labor force participation rate) was the lowest since 1981. In Ohio, the statewide average unemployment rate fell to 7.5% in March, lowest since 2008, and nonfarm payrolls rose nearly 43,000 in the first three months of this year, fourth largest among the 50 states, though employment fell in Ohio in March.

Total industrial production was unchanged in February and March, and manufacturing output fell in March after large gains earlier in the first quarter. Manufacturing output and activity at other types of businesses expanded in April, based on purchasing managers' reports. Early indicators on consumer spending in April are mixed. The rate of light motor vehicle sales was up slightly from March. Overall sales gains at large retailers were anemic, compared with a year earlier. Housing starts and home sales slowed in March, and remain at low levels, but starts and permits for new housing construction are well up from a year earlier, particularly for multifamily housing.

Inflation at the finished goods level continues somewhat higher than 2%, on a year-over-year basis.

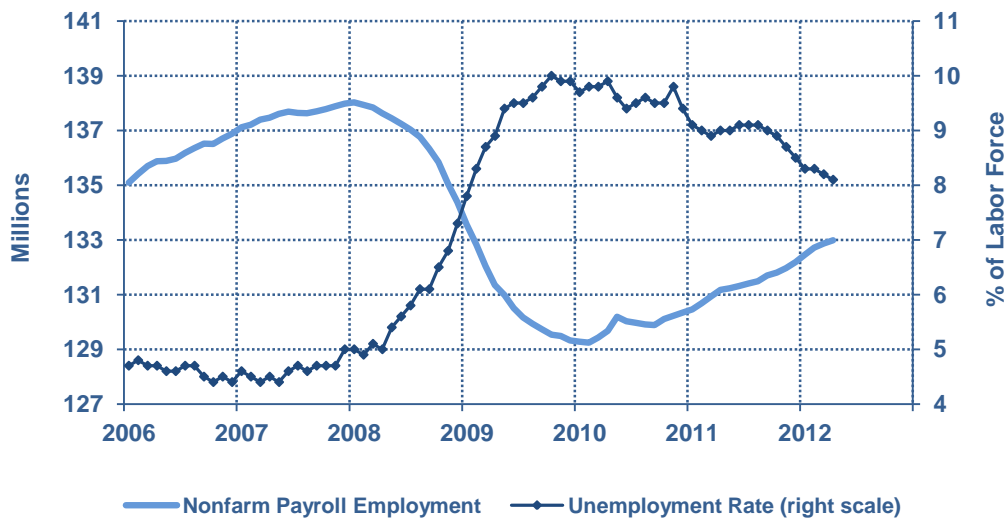
## The National Economy

### Employment and Unemployment

Total nonfarm payroll employment nationwide rose by 115,000 in April, the smallest monthly increase since last October. The number of people counted as unemployed edged down to 12.5 million in April, 8.1% of the labor force, the lowest U.S. unemployment rate since January 2009. Trends in the nation's employment and unemployment are shown in Chart 5.

Total  
nonfarm  
payroll  
employment  
nationwide  
rose by  
115,000 in  
April, the  
smallest  
monthly  
increase  
since last  
October.

Chart 5: U.S. Employment and Unemployment



Employment increased last month in professional and business services, retail trade, and health care but fell in transportation and warehousing. Employment gains in professional and business services included more jobs in architectural and engineering services, computer systems design, and temporary help services. The retail sector added jobs at general merchandise stores and at building material and garden supply stores. Food services and drinking places, and manufacturing, also added to employment.

The unemployment rate fell in April from 8.2% the month before and has trended irregularly downward since a peak of 10% in October 2009. Of the 12.5 million persons actively looking for work, 5.1 million, or 41.3%, had been out of work for more than six months. The labor force participation rate, the share of the civilian population age 16 and over that is either employed or actively looking for work, fell to 63.6%, lowest since 1981.

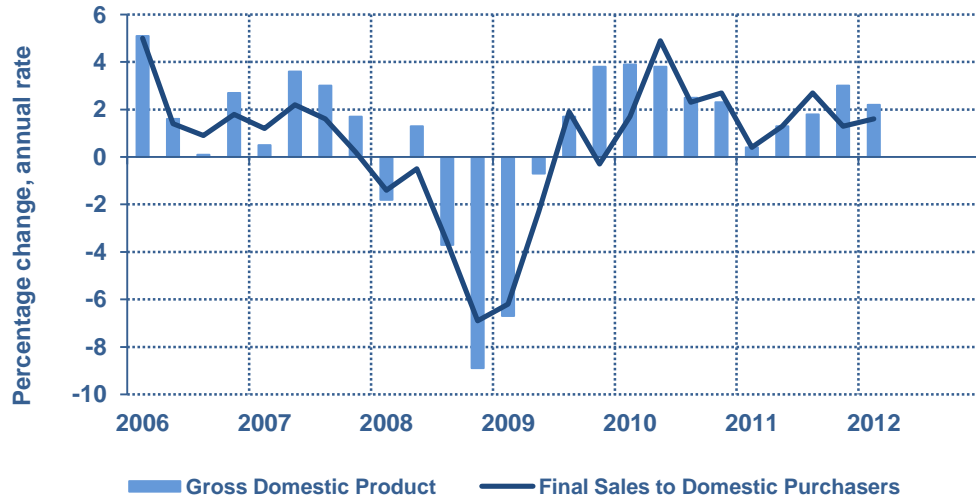
### Production, Shipments, and Inventories

Real GDP rose at a 2.2% annual rate in the first quarter, in the initial estimate for the period from the U.S. Bureau of Economic Analysis. This increase, the eleventh consecutive quarter of economic expansion, was down from a 3.0% annual rate of growth in last year's fourth quarter. Growth picked up to a somewhat stronger pace than this following the 2007-2009 recession, but then was slower in the first three quarters of last year. Consumer spending growth turned higher in this year's first quarter. Residential fixed investment and exports also grew, and the rate of additions to inventories increased. But nonresidential fixed investment fell, its first decline since 2009, and government spending contracted again. Changes in real GDP and in final sales to domestic purchasers

Real GDP rose at a 2.2% annual rate in the first quarter, down from 3.0% in last year's fourth quarter.

(consumers, businesses, and government, but not including investment in inventories) are shown in Chart 6.

Chart 6: Real Gross Domestic Product and Related Measure



Total industrial production was flat in February and March.

Total industrial production was flat in February and March, after increasing in the previous nine months. Manufacturing production fell 0.2% in March following increases averaging over 1% in the previous three months. On a quarterly average basis, factory output rose at a 10.4% annual rate in the January-March period, with gains broad based across industries. Growth of durable goods production continued to outpace nondurables. Output of utilities rose in March, but fell sharply averaged across the first quarter as unseasonably warm weather depressed heating demand.

An April survey of purchasing managers with manufacturers, conducted by the Institute for Supply Management (ISM), suggests that growth of factory output resumed last month. Survey respondents saying production increased last month far outnumbered those saying production fell, and a seasonally adjusted index based on responses to this question rose to its highest level since March 2011. New orders also increased but order backlogs fell. Prices paid increased, for the fourth consecutive month. A comparable ISM survey of purchasing managers with organizations other than manufacturers showed growing business activity, new orders, and order backlogs, along with rising prices paid.

**Consumer Spending**

The dollar value of personal income rose an estimated 0.4% in March, as continued growth of wages and salaries, particularly from service industries, was accompanied by an upturn in growth of transfer



payments such as Social Security. Consumer spending rose 0.3% in current dollars in March, and only 0.1% adjusted for inflation, the smallest increase since late last year. Consumer spending on durable goods fell in March after large gains in earlier months.

In April, light motor vehicle sales strengthened slightly, from a 14.3 million unit seasonally adjusted annual rate in March to 14.4 million units. Sales in February were at a 15.0 million unit annual rate, highest since early 2008. In 2007 and before, annual light vehicle sales exceeded 16 million units.

Sales at large retail chains that report their results monthly, as compiled by the International Council of Shopping Centers (ICSC), were only 0.6% higher in April than a year earlier, compared with a 4.1% increase in March. ICSC attributed the weakness to weather and the shift in the timing of Easter. Sales in March and April combined were 2.4% higher than a year earlier, and 4.6% higher excluding drug stores. The latter adjustment excludes the impact of a shift of prescription filling for Express Scripts away from Walgreens. The sales results are reported on a comparable store basis, including only store locations open in the current and year-earlier period.

### Construction and Real Estate

Housing starts slowed in March, seasonally adjusted, as starts on units in apartment buildings dropped after rising sharply in February. On a year-to-date basis, housing starts in the first three months of 2012 were 19% higher than a year earlier, with starts on single-family dwellings 17% higher and starts on units in buildings with five or more units 28% higher than in January-March 2011. Data on permits for new housing construction, collected separately from the survey on which the housing starts estimates are based, show a 31% increase in the first three months of 2012, compared with a year earlier, with permits for home starts 18% higher and permits for starts on apartments in buildings with five or more units 63% higher.

New home sales also slowed in March, declining 7% from the sales pace in February, seasonally adjusted. Sales of new homes in the first three months of the year were 16% higher than a year earlier, with the strongest gains in the South, followed by the West.

Home sales reported by the National Association of Realtors (NAR), generally previously occupied homes, declined 3% in March, seasonally adjusted. Sales in the first three months of the year were 8% higher than a year earlier, with the strongest gains in the Midwest (18%).

Year-to-date  
housing  
starts in this  
year's first  
three  
months  
were 19%  
higher than  
a year  
earlier.

The consumer price index in March was 2.7% higher than a year earlier.

Total construction spending, the dollar value of new construction put in place, was 7% higher in the first three months of 2012 than during the first quarter of 2011. Private residential construction was 6% higher and private nonresidential construction was 16% higher, while public construction was 3% lower than a year earlier.

**Inflation**

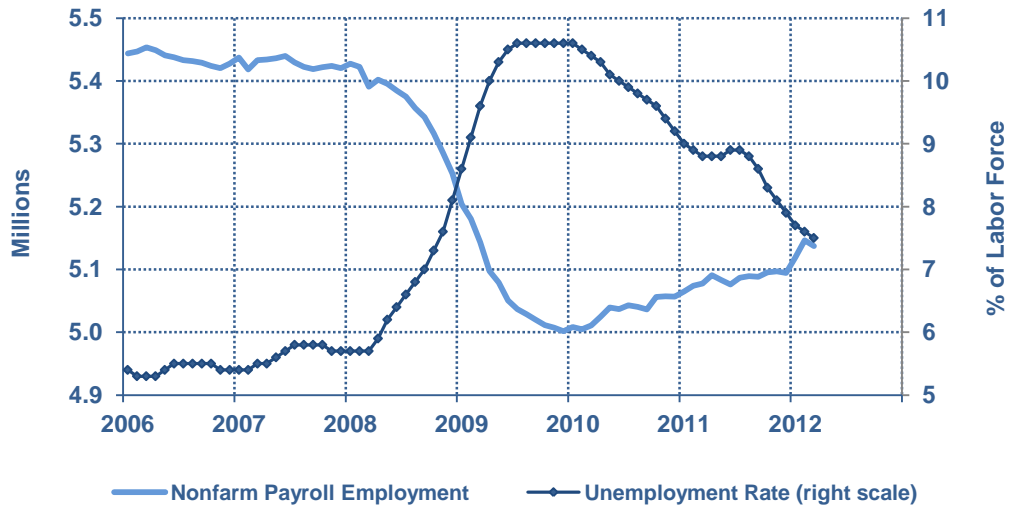
The consumer price index (CPI) rose 0.3% in March, seasonally adjusted. The index was 2.7% higher than a year earlier. Gasoline prices continued to rise in March, and food prices increased, on average. The price index for all items less food and energy rose 0.2% in March, to 2.3% higher than in March 2011.

In contrast with the CPI, finished gasoline prices in the producer price index (PPI) fell in March. The total finished goods index was unchanged from February to March, and was 2.8% higher than a year earlier. Excluding food and energy, the change was similar, with finished goods prices 2.9% higher in March than a year earlier. At earlier stages in the production process, prices for intermediate materials, supplies, and components were 2.9% higher in March than a year earlier, and crude materials prices were little changed (up 0.1%) from a year earlier.

**The Ohio Economy**

Total nonfarm payroll employment in Ohio declined 9,500 (0.2%) in March after sizable back-to-back gains in January and February totaling 52,200 (1.0%). Unemployment fell again in March, reducing the statewide unemployment rate to 7.5%, lowest since 2008. Ohio nonfarm payroll employment and the unemployment rate are shown in Chart 7.

**Chart 7: Ohio Employment and Unemployment**



The decline in total nonfarm payroll employment in Ohio in March reflected contraction in construction employment and in several service industries, including healthcare and social assistance, accommodation and food services, and arts, entertainment, and recreation. Local government employment fell. Compared with a year earlier, total nonfarm payroll employment was 59,600 (1.2%) higher, with durable goods employment, health care and social assistance, retail trade, and wholesale trade accounting for the largest gains.

Among the 50 states, the largest decline in total nonfarm payrolls in March was in Ohio, following the second largest increase in February, based on revised data, and the third largest increase in January. For the year to date, total nonfarm payroll employment rose 42,700 in Ohio, fourth largest among the 50 states. The largest increase was in Texas, followed by New York and California.

Ohio's unemployment rate of 7.5% in March compares with a nationwide average unemployment rate in that month of 8.2%. In part, the fall in Ohio's unemployment rate, from a peak of 10.6% in the second half of 2009 and in January 2010, reflected shrinkage in the state's labor force, those either employed or actively seeking work. More recently, during the past eight months or so, reductions in numbers of persons unemployed in the state tracked more closely with increases in total employment. Contraction of the labor force slowed ahead of a low point in January, and the state's labor force rose in February and March.

The Ohio Association of Realtors' report on home sales in the state for March indicated that sales during this year's first quarter were at the highest level since 2008. Unit sales during the quarter were 13% higher than a year earlier. The average sales price was 3% higher.

For the year to date, total nonfarm payroll employment rose 42,700 in Ohio, fourth largest among the 50 states.