LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Ross Miller, Chief Economist

November GRF tax revenues were $46.4 million greater than the estimate published by the Office of Budget and Management (OBM) in September. Sales and use tax revenue continued its strong performance; it was $39.0 million above estimate. The positive variance for GRF taxes over the first five months of FY 2021 was $393.6 million.

Very unusually, GRF revenue for the first five months of the year exceeded GRF expenditures (see below); typically, revenues trail expenditures for the whole fiscal year until June, even in years that end with a surplus. The unusual relative positions are partly due to enhanced Medicaid reimbursements from the federal government, which has boosted revenue from federal grants by about $476 million so far this year, and partly to the delay in the filing deadline for personal income tax (PIT) returns from April (i.e., FY 2020) until July.

Through November 2020, GRF sources totaled $17.00 billion:

- Revenue from the sales and use tax was $306.9 million above estimate;
- PIT receipts were $69.9 million above estimate.

Through November 2020, GRF uses totaled $16.85 billion:

- Program expenditures were $554.4 million below estimate, including GRF Medicaid expenditures, which were $411.9 million below estimate;
- Expenditures from all other program categories were below estimate except for Primary and Secondary Education, which was above estimate by $20.9 million.

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$128,772	$115,500	$13,272	11.5%
Nonauto Sales and Use	$847,993	$822,300	$25,693	3.1%
Total Sales and Use	*$976,765*	*$937,800*	*$38,965*	*4.2%*
Personal Income	$636,654	$634,600	$2,054	0.3%
Commercial Activity Tax	$327,498	$333,800	-$6,302	-1.9%
Cigarette	$75,121	$71,800	$3,321	4.6%
Kilowatt-Hour Excise	$20,903	$25,600	-$4,697	-18.3%
Foreign Insurance	$977	-$9,700	$10,677	110.1%
Domestic Insurance	$0	$0	$0	---
Financial Institution	$1,184	-$2,800	$3,984	142.3%
Public Utility	$25,458	$27,900	-$2,442	-8.8%
Natural Gas Consumption	$5,284	$5,900	-$616	-10.4%
Alcoholic Beverage	$6,630	$6,000	$630	10.5%
Liquor Gallonage	$4,932	$4,100	$832	20.3%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	-$39	$0	-$39	---
Business and Property	$0	$0	$0	---
Estate	$1	$0	$1	---
Total Tax Revenue	**$2,081,367**	**$2,035,000**	**$46,367**	**2.3%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$719	$621	$98	15.8%
Other Revenue	$814	$2,379	-$1,565	-65.8%
Total Nontax Revenue	**$1,533**	**$3,000**	**-$1,466**	**-48.9%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,082,900**	**$2,038,000**	**$44,901**	**2.2%**
Federal Grants	**$1,352,738**	**$1,261,773**	**$90,965**	**7.2%**
Total GRF Sources	**$3,435,638**	**$3,299,773**	**$135,866**	**4.1%**

*Estimates of the Office of Budget and Management as of September 2020 (H.B. 166 estimate, adjusted for the shift of income tax filings from April (FY 2020) to July (FY 2021)).
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2021 as of November 30, 2020
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2020)

State Sources	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Tax Revenue						
Auto Sales	$754,838	$657,100	$97,738	14.9%	$681,487	10.8%
Nonauto Sales and Use	$4,175,636	$3,966,500	$209,136	5.3%	$3,951,423	5.7%
Total Sales and Use	*$4,930,474*	*$4,623,600*	*$306,874*	*6.6%*	*$4,632,910*	*6.4%*
Personal Income	$4,240,081	$4,170,200	$69,881	1.7%	$3,601,894	17.7%
Commercial Activity Tax	$758,599	$780,000	-$21,401	-2.7%	$799,015	-5.1%
Cigarette	$347,917	$321,900	$26,017	8.1%	$329,253	5.7%
Kilowatt-Hour Excise	$133,139	$145,700	-$12,561	-8.6%	$144,848	-8.1%
Foreign Insurance	$176,637	$161,800	$14,837	9.2%	$174,253	1.4%
Domestic Insurance	$824	$0	$824	---	$7	11818.3%
Financial Institution	-$14,968	-$23,500	$8,532	36.3%	-$29,917	50.0%
Public Utility	$60,814	$62,700	-$1,886	-3.0%	$59,228	2.7%
Natural Gas Consumption	$19,004	$22,700	-$3,696	-16.3%	$18,291	3.9%
Alcoholic Beverage	$27,868	$24,300	$3,568	14.7%	$22,487	23.9%
Liquor Gallonage	$24,313	$21,000	$3,313	15.8%	$21,579	12.7%
Petroleum Activity Tax	$878	$1,900	-$1,022	-53.8%	$1,796	-51.1%
Corporate Franchise	$248	$0	$248	---	$43	476.6%
Business and Property	$15	$0	$15	---	$0	---
Estate	$12	$0	$12	---	$38	-67.1%
Total Tax Revenue	**$10,705,854**	**$10,312,300**	**$393,554**	**3.8%**	**$9,775,725**	**9.5%**
Nontax Revenue						
Earnings on Investments	$17,577	$13,750	$3,827	27.8%	$41,475	-57.6%
Licenses and Fees	$14,815	$8,959	$5,857	65.4%	$10,617	39.5%
Other Revenue	$82,867	$75,352	$7,515	10.0%	$73,610	12.6%
Total Nontax Revenue	**$115,260**	**$98,060**	**$17,199**	**17.5%**	**$125,702**	**-8.3%**
Transfers In	**$79,832**	**$77,932**	**$1,900**	**2.4%**	**$75,548**	**5.7%**
Total State Sources	**$10,900,946**	**$10,488,292**	**$412,654**	**3.9%**	**$9,976,975**	**9.3%**
Federal Grants	**$6,096,280**	**$6,396,743**	**-$300,463**	**-4.7%**	**$4,089,613**	**49.1%**
Total GRF SOURCES	**$16,997,226**	**$16,885,035**	**$112,191**	**0.7%**	**$14,066,588**	**20.8%**

*Estimates of the Office of Budget and Management as of September 2020 (H.B. 166 estimate, adjusted for the shift of income tax filings from April (FY 2020) to July (FY 2021)).
**Cumulative totals through the same month in FY 2020.
Detail may not sum to total due to rounding.

Revenues[1]

– Jean Botomogno, Principal Economist

Overview

FY 2021 GRF sources through November of $17.00 billion were $112.2 million (0.7%) above the estimate released by OBM in September 2020. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants (which was the only GRF category with a negative variance). GRF tax sources, nontax revenue, and transfers in were above projections by $393.6 million (3.8%), $17.2 million (17.5%), and $1.9 million (2.4%), respectively. Those positive variances were partially offset by a shortfall of $300.5 million (4.7%) for federal grants. Revenue for this GRF category is related to spending for Medicaid and other human services programs; GRF Medicaid expenditures were $411.9 million below estimate through November. Tables 1 and 2 show GRF sources for the month of November and for FY 2021 through November, respectively.

Five months into FY 2021, GRF tax sources have been unexpectedly robust. The sales and use tax, the PIT, and the cigarette tax were $306.9 million, $69.9 million, and $26.0 million above their respective estimates. However, the commercial activity tax (CAT) had a year-to-date (YTD) shortfall of $21.4 million, primarily due to poor tax payments in August tied to COVID-19-related measures in the spring quarter.[2] Regarding the other taxes, the foreign insurance tax, the financial institutions tax (FIT), the alcoholic beverage tax, and the liquor gallonage tax were above their respective YTD revenue targets by $14.8 million, $8.5 million, $3.6 million, and $3.3 million. On the other hand, the kilowatt-hour tax, the natural gas consumption tax, the public utility tax, and the petroleum activity tax experienced negative variances of $12.6 million, $3.7 million, $1.9 million, and $1.0 million, respectively.

November GRF sources were ahead of expectations by $135.9 million due to positive variances of $91.0 million (7.2%) for federal grants and $46.4 million (2.3%) for GRF taxes. Nontax revenue fell short of estimate by $1.5 million (48.9%); no transfers in occurred or were expected during the month. The sales and use tax, the PIT, and the cigarette tax were above their anticipated revenue levels by $39.0 million, $2.1 million, and $3.3 million, respectively, but the second quarterly payment by CAT taxpayers resulted in a deficit of $6.3 million for the GRF. Though negative, this variance was much smaller than the $30.4 million CAT shortfall of August 2020. Foreign insurance taxpayers were expected to receive net refunds of $9.7 million in November; instead, this tax had receipts of $1.0 million, for a monthly positive variance of $10.7 million. In addition, the FIT had a positive variance of $4.0 million. Partially offsetting the

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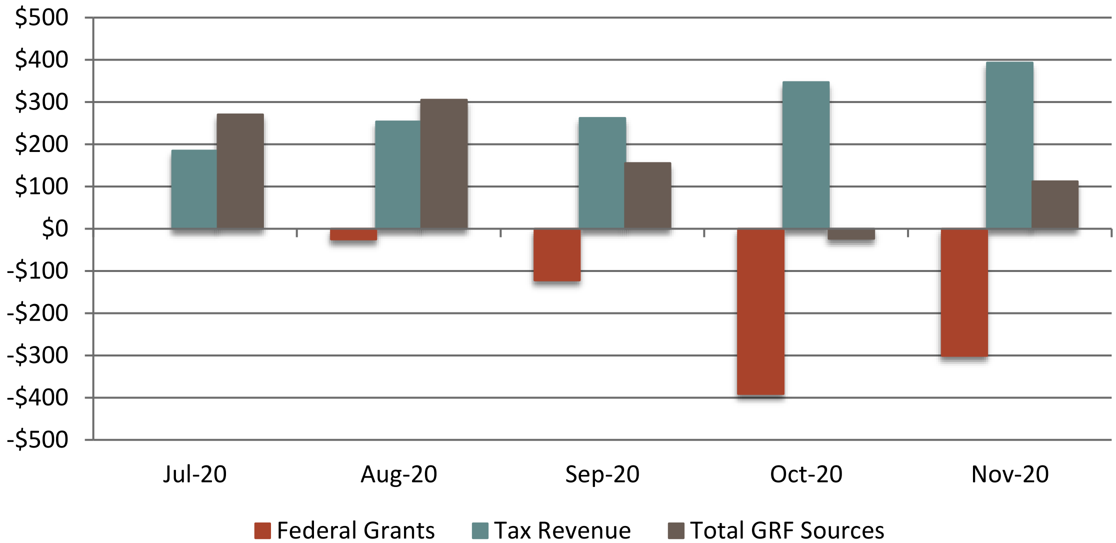
[1] This report compares actual monthly and year-to-date (YTD) GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than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

[2] To slow the pandemic outbreak, the Governor issued an emergency declaration on March 9, 2020, and various public health orders followed, including a stay-at-home requirement and some business closures. Those measures reduced economic activity and taxable gross receipts in the spring quarter, which was the basis for the tax paid by quarterly CAT taxpayers in August 2020.

positive variances, the kilowatt-hour tax and the public utility tax experienced deficits of $4.7 million and $2.4 million, respectively. Chart 1, below, shows cumulative YTD variances of GRF sources in the first five months of FY 2021.

Chart 1: Cumulative Variances of GRF Sources in FY 2021
(Variances from Estimates, $ in millions)



YTD GRF sources rose $2.93 billion (20.8%) compared to YTD sources in FY 2020. The growth was due to increases in federal grants ($2.01 billion, 49.1%) and tax sources ($930.1 million, 9.5%). The growth for federal grants was due in part to a COVID-19-related temporary rise in the share of federal reimbursements for Medicaid. This increase, which was authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, accounted for $476.1 million of the $2.01 billion growth in federal grants. Transfers in also rose by $4.3 million (5.7%), but nontax revenue fell by $10.4 million (8.3%). The growth in GRF tax sources was led by an increase of $638.2 million in PIT revenue and $297.6 million for the sales and use tax. The increase in PIT revenue was primarily due to a delay in the tax filing deadline from April until July, as explained in more detail in the PIT section below, while sales and use tax revenue has been supported by federal income support programs, as explained further in the section on that tax. Also, revenue from the cigarette tax, the FIT, the alcoholic beverage tax, and the liquor gallonage tax increased by $18.7 million, $14.9 million, $5.4 million, and $2.7 million, respectively. On the other hand, revenue declined for the CAT ($40.4 million) and the kilowatt-hour tax ($11.7 million).

Sales and Use Tax

The sales and use tax has been stronger than expected so far in FY 2021, with both portions of the tax (i.e., auto and nonauto) exceeding their respective estimates. Through November, FY 2021 revenue totaled $4.93 billion. This amount was $306.9 million (6.6%) above OBM projections, with a positive variance for the auto sales tax of nearly 15%. YTD receipts were also 6.4% above receipts in the corresponding period in FY 2020. November GRF sales and use tax revenue of $976.8 million was $39.0 million (4.2%) above estimate, with both portions of the tax above their respective projections. Compared to receipts last year in the same month, November 2020 sales and use tax revenue was higher by $34.9 million (3.7%).

As mentioned in a previous edition of *Budget Footnotes,* various federal income support programs since the spring have buttressed FY 2021 sales and use tax revenue by offsetting the economic drag from the COVID-19 pandemic.[3] A more recent program, the Lost Wages Supplement Payment Assistance Program also provided a temporary boost of up to $1,800 in September and October for individuals who were partially or totally unemployed because of COVID-19. The impact of all current federal income support programs may be waning, and hiring growth appear to have slowed in the last few months, but the strong performance of the sales and use tax has continued. A potential explanation for that strength could be the positive effect of the recovery in Ohio employment levels among high-wage earners, though low-wage earners continue to struggle. Employment rates among workers in the bottom wage quartile decreased by 13.7%, while that of the highest quartile increased 1.6%, compared to January 2020. In the corresponding period, total spending by all Ohio consumers was estimated to have increased by 1.8% compared to January 2020; retail spending (including online purchases, excluding groceries) by all consumers increased by 18.7%.[4]

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

Nonauto Sales and Use Tax

YTD FY 2021 GRF nonauto sales and use tax receipts totaled $4.18 billion, an amount $209.1 million (5.3%) above estimate and $224.2 million (5.7%) above revenue in FY 2020 through November. The fiscal performance of the nonauto sales and use tax has been good due to stronger than expected consumer spending on durable goods, most of which are taxable under Ohio sales tax law. Available data suggest that spending on services has substantially decreased since the beginning of the calendar year.

November receipts of $848.0 million were $25.7 million (3.1%) above estimate. The monthly tally was also $24.6 million (3.0%) above revenue in November 2019. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. The future performance of this tax source is likely to be dependent on improvement in the Ohio economy and labor markets, any additional federal personal transfer payments, and potential statewide restrictions on economic activity due to a rise in COVID-19 infections.

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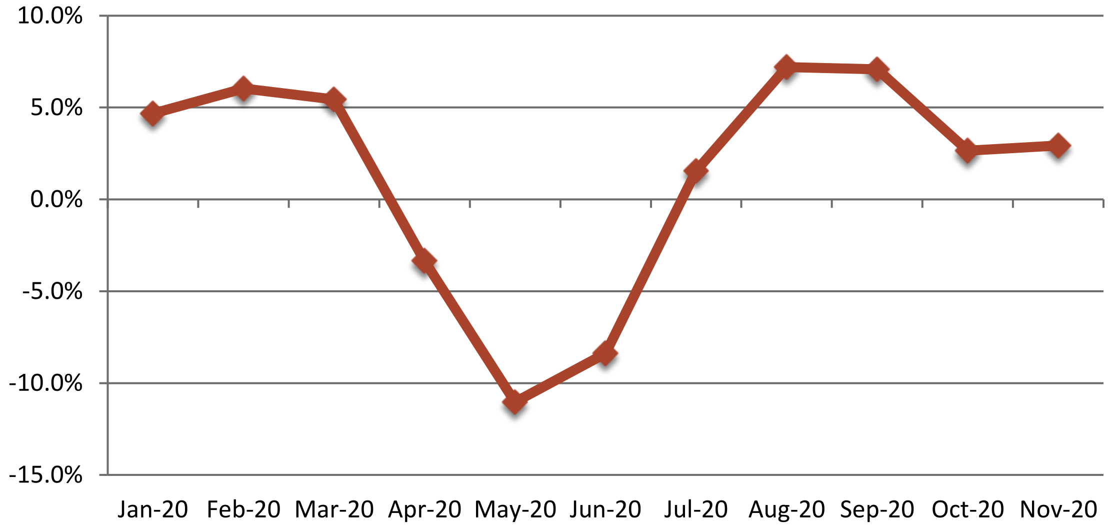
[3] To address the economic fallout from COVID-19, the U.S. Congress passed the CARES Act at the end of March 2020. The Act included cash payments of up to $1,200 (plus $500 for each child age 16 or under) for each qualifying adult, an additional $600 per week on top of any state-provided unemployment benefits through July 31, 13 weeks of unemployment benefits above that of each state's unemployment program, and unemployment benefits for self-employed and "gig" workers. The payroll protection program is a loan program intended to subsidize payroll costs for eight weeks after those loans, some of which are forgivable, are made. In the months following passage of the CARES Act, other federal support programs have been enacted or modified.

[4] For these purposes, high-wage earners are defined as those earning in excess of $60,000 per year. Low-wage earners are those earning below $27,000 per year. Employment rates as of September 30, 2020; spending data as of November 22, 2020. Data available at: https://tracktherecovery.org/.

Chart 2, below, provides year-over-year growth in nonauto sales and use tax collections since January 2020. After strong growth at the start of the fiscal year, the chart shows growth has returned to a more measured pace in recent months.

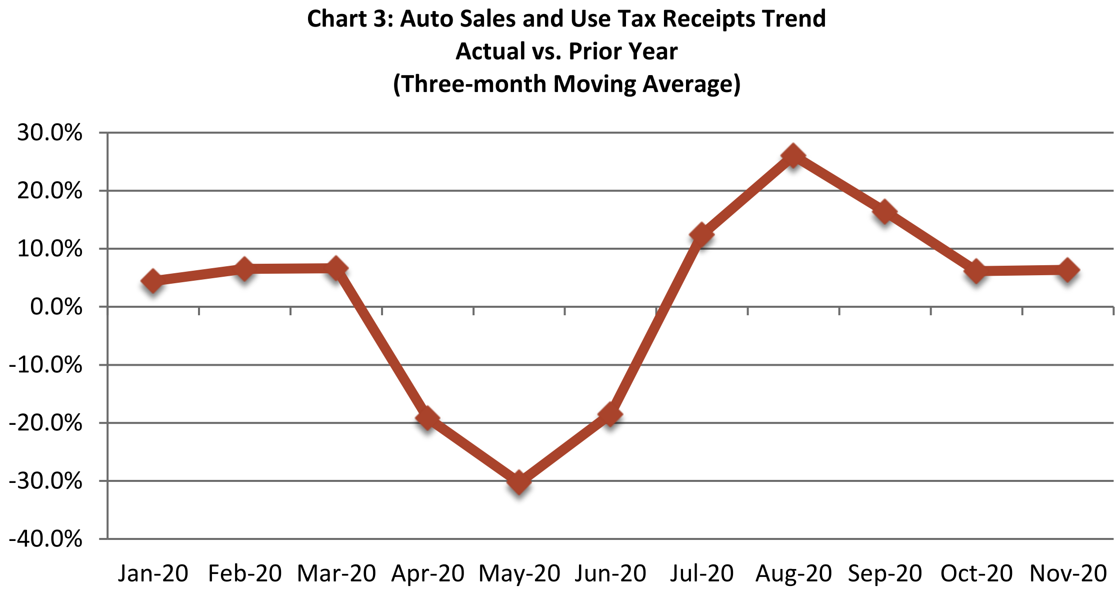
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

The performance of the auto sales and use tax has been stellar this fiscal year. Through November, FY 2021 auto sales and use tax receipts of $754.8 million were $97.7 million (14.9%) above estimate and $73.4 million (10.8%) above revenue in the corresponding period in FY 2020. In November, auto sales and use tax revenue was $128.8 million, $13.3 million (11.5%) above estimate and $10.3 million (8.7%) above such receipts in November 2019. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, the pandemic-related revenue declines earlier in the calendar year from both low demand and low supply of vehicles, and the subsequent rebound starting in late spring. Recently, revenue growth for this tax source has essentially returned to growth rates at the start of the calendar year before the pandemic.

Cheap credit and high demand for SUVs and pickup trucks have continued to sustain the Ohio auto sales and use tax. The pandemic may have led persons avoiding public transportation (either for work or leisure) to purchase motor vehicles; the increased demand likely raised vehicle prices, which mitigates reductions in unit sales. As with the nonauto portion, the future performance of this tax source is likely to be dependent on improvement in the Ohio economy and labor markets and any additional federal personal transfer payments.



Personal Income Tax

YTD FY 2021 GRF receipts from the PIT of $4.24 billion were $69.9 million (1.7%) above estimate and $638.2 million (17.7%) above such revenue in FY 2020 through November. Though this tax source is above estimate for the fiscal year to date, the PIT has lost momentum in the last three months, as it was a combined $26.5 million (1.2%) below the estimate, a shortfall driven mostly by higher than estimated refunds.

The large year-over-year PIT revenue growth (which is expected to decrease over time) is directly attributable to the delay of income tax filings from April to July 2020. Excluding July receipts, combined PIT GRF revenue was $88.0 million (3.0%) above receipts in the August to November period in FY 2020. Among measures designed to combat the impact of the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments, which he did for this tax, to match the extended deadline for federal income tax returns. Thus, in July 2020, payments associated with annual returns of $501.9 million were $492.5 million above such payments in July 2019;[5] PIT GRF revenue for the month was $550.1 million (87.3%) above receipts in July 2019.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 87% of gross collections in FY 2020). Larger or smaller than expected refunds (which decrease gross collections) could also

[5] In April 2020, this component was $697.8 million below anticipated revenue.

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

greatly affect the monthly performance of the tax. The income tax filing delay introduced some volatility in the monthly trends of most PIT components. However, this volatility for payments with annual returns and for refunds is expected to decrease in the coming months as taxpayers continue to file tax year 2019 tax returns.

November PIT revenue to the GRF of $636.7 million was $2.1 million (0.3%) above anticipated revenue. Gross collections were $9.0 million (1.2%) above target, driven by positive variances of $7.9 million for employer withholding, $1.9 million for miscellaneous payments, and $0.3 million for quarterly estimated payments. Those positive variances were partially offset by a negative variance of $1.1 million for taxes due with annual returns, while trust payments were essentially on target. Refunds were $7.0 million higher than anticipated, and LGF distributions nearly matched the estimate.

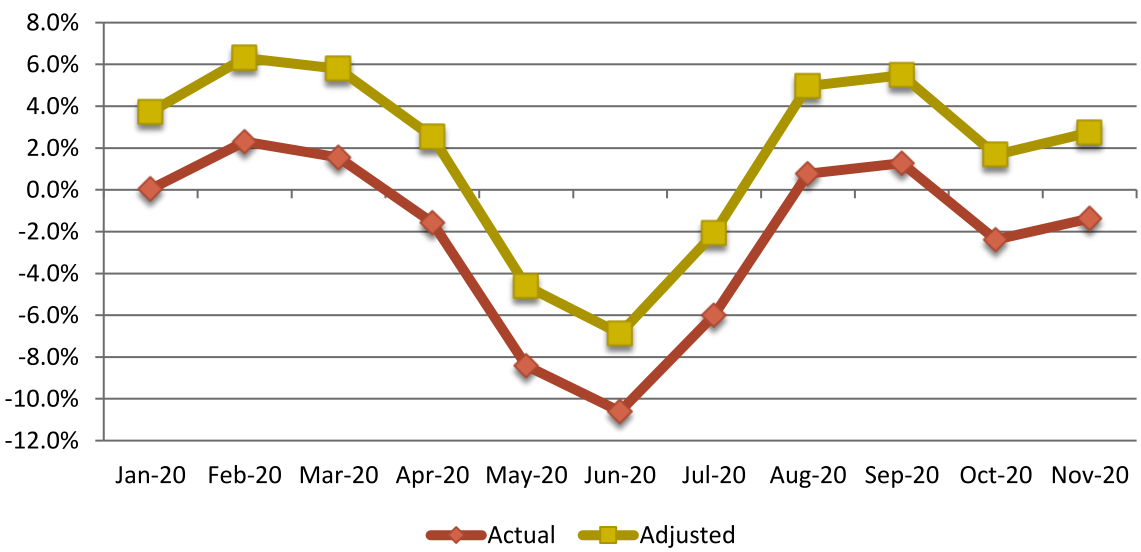
For FY 2021 through November, revenues from each component of the PIT relative to estimates and revenue received in FY 2020 are detailed in the table below. FY 2021 gross collections were $41.5 million above anticipated revenue. Quarterly estimated payments and trust payments were above their respective projections by $43.6 million and $14.1 million, respectively. Those positive variances were partially offset by shortfalls of $2.6 million for employer withholding, $10.2 million for payments due with annual returns, and $3.4 million for miscellaneous payments. Refunds were $42.3 million below estimate, but LGF distributions were above expectation by $13.8 million, thus resulting in the YTD positive variance of $69.9 million for the GRF.

Compared to the corresponding YTD period last year, gross collections have been higher in FY 2021, due to the income tax filing delay. They grew $779.3 million, driven by an increase of $592.2 million from payments due with annual returns. In addition, quarterly estimated payments and trust payments increased by $146.9 million and $44.8 million, respectively. On the other hand, employer withholding and miscellaneous payments were $1.2 million and $3.4 million lower than in FY 2020, respectively. Year-over-year growth in withholding receipts in calendar year (CY) 2020 is limited because of a 4.0% reduction in withholding rates effective January 2020 due to H.B. 166’s reduction of income tax rates for nonbusiness income. FY 2021 refunds and LGF distributions were higher than those in FY 2020 by $126.3 million and $14.9 million, respectively. Therefore, growth in PIT GRF revenue totaled $638.2 million relative to YTD receipts in FY 2020.

FY 2021 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2020	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$2.6	-0.1%	-$1.2	-0.0%
Quarterly Estimated Payments	$43.6	11.3%	$146.9	51.9%
Trust Payments	$14.1	28.0%	$44.8	229.6%
Annual Return Payments	-$10.2	-1.4%	$592.2	486.5%
Miscellaneous Payments	-$3.4	-11.0%	-$3.4	-11.0%
Gross Collections	$41.5	0.8%	$779.3	18.6%
Less Refunds	-$42.3	-7.4%	$126.3	31.1%
Less LGF Distribution	$13.8	7.7%	$14.9	8.4%
GRF PIT Revenue	$69.9	1.7%	$638.2	17.7%

The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts in FY 2021 and estimated withholding receipts adjusted for the decrease in the withholding tax rate. Payrolls are estimated to have increased about 2.7%, on average, in the last three months (without any adjustment for tax rates).

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



Commercial Activity Tax

YTD GRF receipts from CAT taxpayers were $758.6 million, $21.4 million (2.7%) below estimate. November GRF revenue of $327.5 million, which included the second payment for quarterly calendar return taxpayers, was $6.3 million (1.9%) below estimate and $2.8 million (0.9%) below November 2019 revenue. The CAT recorded a first-quarter GRF shortfall of $23.5 million; however, in the October to November period, the CAT was $2.1 million (0.5%) above estimate. The November payment was based on taxable gross receipts from the July to September quarter. The first quarterly payment for FY 2021 in August of $278.1 million, based on taxable gross receipts from the April to June quarter, was short of estimate by $30.4 million. Gross collections through November totaled $968.5 million, a decrease of $36.9 million (3.7%) relative to gross collections in FY 2020 through November. Refunds and credits were $70.0 million, an increase of $11.0 million (18.7%) above those items in FY 2020.

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). The 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 generally transferred back to the GRF.

Cigarette and Other Tobacco Products Tax

YTD through November, FY 2021 revenue from the cigarette and other tobacco products (OTP) tax totaling $347.9 million was above estimate by $26.0 million (8.1%). This total included $305.5 million from the sale of cigarettes and $42.4 million from the sale of OTP. For the month of November, receipts from this tax source of $75.1 million were $3.3 million (4.6%) above estimate and $2.9 million (4.0%) above revenue in November 2019.

Through November, FY 2021 receipts grew $18.7 million (5.7%) relative to revenues in the corresponding period in FY 2020. Receipts from cigarette sales and OTP sales increased by $8.9 million (3.0%) and $9.8 million (30.1%), respectively. The increase in OTP revenue is due, in part, to additional revenue from the vapor tax. H.B. 166 levied a tax of 10¢ per milliliter (or gram) of vapor product (depending on the form of the product) which is defined as any liquid solution or other substance that contains nicotine and is depleted as it is used in an electronic smoking product.[7] The OTP tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base (about 9% of the total tax base) grows with OTP price increases.

On a yearly basis, revenue from the cigarette tax usually trends downward, generally at a slow pace. However, that historical trend has been suspended since March 2020 by the impact on smokers of the COVID-19 pandemic. Smokers are spending less on travel and entertainment during the pandemic and thus have more disposable income for cigarettes. Fewer social interactions and more time at home allow for more tobacco use occasions. Also, some smokers may have switched back to traditional cigarettes due to recent federal restrictions on e-cigarette flavors.

[7] Of total receipts in FY 2020 of $82.4 million from the sale of OTP, the tax on vapor products contributed $3.6 million, or about 4%, according to the Ohio Department of Taxation.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of November 2020
($ in thousands)
(Actual based on OAKS reports run December 7, 2020)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$678,431	$640,666	$37,766	5.9%
Higher Education	$197,499	$196,570	$929	0.5%
Other Education	$3,527	$4,150	-$623	-15.0%
Total Education	**$879,457**	**$841,386**	**$38,072**	**4.5%**
Medicaid	$1,965,873	$1,832,177	$133,695	7.3%
Health and Human Services	$121,604	$116,355	$5,248	4.5%
Total Health and Human Services	**$2,087,476**	**$1,948,533**	**$138,944**	**7.1%**
Justice and Public Protection	$160,312	$172,098	-$11,786	-6.8%
General Government	$33,721	$32,818	$904	2.8%
Total Government Operations	**$194,033**	**$204,915**	**-$10,883**	**-5.3%**
Property Tax Reimbursements	$81,334	$76,289	$5,045	6.6%
Debt Service	$26,309	$26,320	-$11	0.0%
Total Other Expenditures	**$107,643**	**$102,609**	**$5,034**	**4.9%**
Total Program Expenditures	**$3,268,609**	**$3,097,443**	**$171,167**	**5.5%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$3,268,609**	**$3,097,443**	**$171,167**	**5.5%**

*September 2020 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 2021 as of November 30, 2020
($ in thousands)
(Actual based on OAKS reports run December 7, 2020)

Program Category	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Primary and Secondary Education	$3,443,752	$3,422,886	$20,866	0.6%	$3,556,395	-3.2%
Higher Education	$954,777	$966,328	-$11,552	-1.2%	$935,853	2.0%
Other Education	$38,479	$39,440	-$960	-2.4%	$43,999	-12.5%
Total Education	**$4,437,008**	**$4,428,654**	**$8,354**	**0.2%**	**$4,536,247**	**-2.2%**
Medicaid	$8,683,799	$9,095,661	-$411,861	-4.5%	$6,755,892	28.5%
Health and Human Services	$595,332	$657,248	-$61,916	-9.4%	$631,624	-5.7%
Total Health and Human Services	**$9,279,132**	**$9,752,909**	**-$473,777**	**-4.9%**	**$7,387,516**	**25.6%**
Justice and Public Protection	$1,124,940	$1,177,506	-$52,566	-4.5%	$1,071,195	5.0%
General Government	$190,310	$208,247	-$17,938	-8.6%	$187,517	1.5%
Total Government Operations	**$1,315,250**	**$1,385,754**	**-$70,504**	**-5.1%**	**$1,258,711**	**4.5%**
Property Tax Reimbursements	$902,217	$918,601	-$16,384	-1.8%	$903,562	-0.1%
Debt Service	$503,972	$506,080	-$2,108	-0.4%	$884,338	-43.0%
Total Other Expenditures	**$1,406,189**	**$1,424,681**	**-$18,492**	**-1.3%**	**$1,787,901**	**-21.3%**
Total Program Expenditures	**$16,437,579**	**$16,991,998**	**-$554,419**	**-3.3%**	**$14,970,375**	**9.8%**
Transfers Out	**$411,475**	**$445,900**	**-$34,425**	**-7.7%**	**$662,799**	**-37.9%**
Total GRF Uses	**$16,849,054**	**$17,437,898**	**-$588,844**	**-3.4%**	**$15,633,173**	**7.8%**

*September 2020 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2020.
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 December 7, 2020)

	Month of November 2020				Year to Date through November 2020			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,906,056	$1,773,769	$132,287	7.5%	$8,391,874	$8,795,200	-$403,326	-4.6%
Non-GRF	$576,482	$590,741	-$14,259	-2.4%	$3,453,247	$3,514,350	-$61,103	-1.7%
All Funds	$2,482,538	$2,364,510	$118,028	5.0%	$11,845,121	$12,309,550	-$464,429	-3.8%
Developmental Disabilities								
GRF	$50,007	$50,380	-$373	-0.7%	$248,958	$250,199	-$1,241	-0.5%
Non-GRF	$236,183	$231,757	$4,426	1.9%	$1,136,454	$1,046,728	$89,725	8.6%
All Funds	$286,190	$282,137	$4,054	1.4%	$1,385,412	$1,296,927	$88,485	6.8%
Job and Family Services								
GRF	$8,946	$7,054	$1,892	26.8%	$37,762	$44,984	-$7,221	-16.1%
Non-GRF	$18,945	$15,146	$3,800	25.1%	$74,090	$82,553	-$8,463	-10.3%
All Funds	$27,891	$22,200	$5,692	25.6%	$111,853	$127,537	-$15,684	-12.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$864	$975	-$111	-11.4%	$5,206	$5,278	-$73	-1.4%
Non-GRF	$1,618	$4,904	-$3,285	-67.0%	$12,735	$18,394	-$5,659	-30.8%
All Funds	$2,482	$5,878	-$3,396	-57.8%	$17,940	$23,672	-$5,732	-24.2%
All Departments:								
GRF	**$1,965,873**	**$1,832,177**	**$133,695**	**7.3%**	**$8,683,799**	**$9,095,661**	**-$411,861**	**-4.5%**
Non-GRF	**$833,229**	**$842,547**	**-$9,318**	**-1.1%**	**$4,676,526**	**$4,662,026**	**$14,500**	**0.3%**
All Funds	**$2,799,101**	**$2,674,724**	**$124,377**	**4.7%**	**$13,360,325**	**$13,757,687**	**-$397,361**	**-2.9%**

*September 2020 estimates from the Office of Budget and Management and 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 December 7, 2020)

	Month of November 2020				Year to Date through November 2020			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,978,468**	**$1,788,711**	**$189,757**	**10.6%**	**$8,812,792**	**$9,065,187**	**-$252,395**	**-2.8%**
CFC†	$596,874	$623,134	-$26,260	-4.2%	$3,030,640	$3,110,476	-$79,836	-2.6%
Group VIII	$513,664	$578,974	-$65,310	-11.3%	$2,549,616	$2,670,277	-$120,662	-4.5%
ABD†	$250,960	$258,451	-$7,490	-2.9%	$1,256,644	$1,276,858	-$20,213	-1.6%
ABD Kids	$80,241	$83,468	-$3,227	-3.9%	$402,447	$410,808	-$8,360	-2.0%
My Care	$238,378	$244,685	-$6,307	-2.6%	$1,194,628	$1,218,796	-$24,167	-2.0%
P4P†	$298,350	$0	$298,350	---	$378,817	$377,973	$844	0.2%
Fee-For-Service	**$640,754**	**$704,840**	**-$64,085**	**-9.1%**	**$3,727,866**	**$3,820,165**	**-$92,298**	**-2.4%**
ODM Services	$367,793	$427,577	-$59,784	-14.0%	$1,762,388	$1,914,817	-$152,429	-8.0%
DDD Services	$272,989	$277,263	-$4,274	-1.5%	$1,342,845	$1,260,881	$81,964	6.5%
Hospital - HCAP&Other†	-$27	$0	-$27	---	$622,633	$644,466	-$21,834	-3.4%
Premium Assistance	**$94,693**	**$94,026**	**$667**	**0.7%**	**$439,046**	**$434,146**	**$4,900**	**1.1%**
Medicare Buy-In	$60,068	$59,518	$551	0.9%	$299,479	$294,163	$5,316	1.8%
Medicare Part D	$34,625	$34,508	$117	0.3%	$139,568	$139,983	-$415	-0.3%
Administration	**$85,185**	**$87,147**	**-$1,962**	**-2.3%**	**$380,621**	**$438,189**	**-$57,568**	**-13.1%**
Total	**$2,799,101**	**$2,674,724**	**$124,377**	**4.7%**	**$13,360,325**	**$13,757,687**	**-$397,361**	**-2.9%**

*September 2020 estimates from the Office of Budget and Management and Department of Medicaid.

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

Detail may not sum to total due to rounding.

Expenditures[8]

– Melaney Carter, Director, Legislative Budget Office

Overview

FY 2021 GRF program expenditures totaled $16.44 billion at the end of November. These expenditures were $554.4 million (3.3%) below the estimate released by OBM in early September 2020. All program categories, except for Primary and Secondary Education, had negative YTD variances at the end of November. The program category with the largest negative variance was Medicaid, which had a negative YTD GRF variance of $411.9 million (4.5%), largely due to a negative variance of $429.5 million in October, which was partially offset by a positive variance of $133.7 million in November. It should be noted that these variances are measured against estimates that are approximately $3 billion higher for all funds Medicaid expenditures for the fiscal year than the estimates established when H.B. 166 was enacted. Health and Human Services had the second largest negative YTD variance at $61.9 million (9.4%), which, like Medicaid, was largely due to a negative variance in October ($47.0 million). The only positive YTD variance was $20.9 million (0.6%) for the Primary and Secondary Education category. This positive variance resulted from two consecutive positive monthly variances, $57.5 million in October and $37.8 million in November, offsetting negative variances from earlier in the fiscal year. YTD variances are shown in the preceding Table 4, while Table 3 shows November variances.

In addition to program expenditures, total uses include transfers out. Transfers out totaled $411.5 million YTD and had a negative YTD variance of $34.4 million (7.7%) at the end of November. Combining program expenditures and transfers out, total GRF uses for FY 2021 were $16.85 billion at the end of November. These uses were $588.8 million (3.4%) below estimate. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in Health and Human Services and Primary and Secondary Education, followed by an update on prior year GRF encumbrances that were still outstanding at the end of November.

Medicaid

GRF Medicaid expenditures were above their monthly estimate in November by $133.7 million (7.3%) but remained below their YTD estimate, by $411.9 million (4.5%), at the end of November. Non-GRF Medicaid expenditures were below their monthly estimate, by $9.3 million (1.1%), yet remained above their YTD estimate, by $14.5 million (0.3%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $124.4 million (4.7%) above estimate in November and $397.4 million (2.9%) below their YTD estimate at the end of November. The Medicaid expenditure and caseload estimates used in this report were updated by the Ohio Department of Medicaid (ODM) for FY 2021. These updates were precipitated by the COVID-19 pandemic and are thus different from the expenditure and caseload estimates outlined in H.B. 166. The updated expenditure estimates include approximately $3 billion in increases for the fiscal year, related to many impacts of the COVID-19 pandemic.

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

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all funds positive variance in November of $118.0 million (5.0%), while YTD expenditures remained below estimate, with a negative variance of $464.4 million (3.8%). ODODD had a November all funds positive variance of $4.1 million (1.4%) and ended the month with a YTD positive variance of $88.5 million (6.8%). The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for three of the four payment categories as of the end of November. Managed Care had the largest negative variance of $252.4 million (2.8%), followed by Fee-For-Service's negative variance of $92.3 million (2.4%), and Administration's negative variance of $57.6 million (13.1%). Premium Assistance YTD expenditures were above estimate by $4.9 million (1.1%).

In March, Congress passed three acts to allocate additional federal funding to states for several programs to address the COVID-19 pandemic. These three acts are: the Coronavirus Preparedness and Response Supplemental Appropriations Act (signed March 6), the Families First Coronavirus Response Act (FFCRA, March 18), and the CARES Act (March 27). The second act passed by Congress, the FFCRA, increases the federal medical assistance percentage (FMAP) by 6.2 percentage points for certain Medicaid expenditures incurred after January 1, 2020, and throughout the duration of the COVID-19 emergency.[9] To qualify for the increase, a state must do the following: (1) maintain eligibility standards or procedures that are no more restrictive than those in place on January 1, 2020, (2) not charge premiums that exceed those in place on January 1, 2020, (3) provide testing, services, and treatments including vaccines, specialized equipment, and therapies related to COVID-19 without cost-sharing requirements, (4) provide continuous coverage to individuals enrolled onto the program during the emergency period,[10] and (5) not require local political subdivisions to pay a greater portion of the nonfederal share of expenditures than was required on March 11, 2020.

The Medicaid program is jointly funded by states and the federal government. The federal share for most Medicaid expenditures is determined by a state's FMAP, which is calculated annually for each state using a formula established in federal statute.[11] However, there are

[9] The increased FMAP is available for each calendar quarter occurring during the emergency. The U.S. Secretary of Health and Human Services declared COVID-19 an emergency on January 31, 2020. Thus, the increase is available for qualifying expenditures incurred on or after January 1, 2020, through the end of the quarter in which the emergency ends.

[10] States cannot terminate Medicaid coverage for individuals enrolled onto the program during the emergency period unless the individual voluntarily terminates eligibility or is no longer a resident of the state.

[11] The statute considers a state's per capita income for the three most recent years relative to the nation's per capita income over the same time period.

exceptions to the regular FMAP formula for certain services and populations. In general, the 6.2 percentage point increase applies only to those Medicaid expenditures subject to the regular FMAP and not to expenditures made for these exceptions. As a result, the increase does not apply to administrative expenditures or service expenditures for the expansion population under the Affordable Care Act (typically referred to as "Group VIII"), among others. Ohio's FMAP was 63.02% from October 1, 2019, through September 30, 2020, and temporarily increased to 69.22% because of the FFCRA. Ohio's FMAP is 63.6% from October 1, 2020, through September 30, 2021, and is currently temporarily increased to 69.8% because of the FFCRA. In November, this 6.2 percentage point FMAP increase represented approximately $122.2 million in increased federal funding for Ohio Medicaid. The majority of this increased funding was for GRF funds ($107.6 million), with the remaining $14.6 million going to non-GRF funds.

The impact of the COVID-19 pandemic began to show in March's Medicaid caseloads, and the impacts have continued to show through monthly caseload increases since March. From March through November of 2020, caseloads have increased by 33,900 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility and an increase in the number of new applications and approvals, due to the economic impacts of the COVID-19 pandemic. Based on updated FY 2021 ODM estimates, November's caseload of 3.1 million enrollees is approximately 160,500 cases (4.9%) below estimate.

Health and Human Services

The Health and Human Services program category includes all non-Medicaid GRF expenditures by several state agencies. This category had a positive variance of $5.2 million (4.5%) in November, decreasing its YTD negative variance to $61.9 million (9.4%).

Job and Family Services

The Ohio Department of Job and Family Services (ODJFS) was responsible for $43.2 million of the YTD variance. ODJFS's variances were dominated by three appropriation items as listed below:

- 600413, Child Care State/Maintenance of Effort, was $1.5 million under estimate in November and $10.9 million under estimate YTD;
- 600523, Family and Children Services, was $5.6 million over estimate in November and $10.5 million under estimate YTD;
- 600535, Early Care and Education, was $8.5 million under estimate in November and $9.1 million under estimate YTD.

Items 600413 and 600535 are used to provide publically funded child care. The uses of item 600523 include providing funding to public children services agencies for child protection, supplementing federal Title XX funds provided to counties, and supporting foster parents.

Mental Health and Addiction Services

The Ohio Department of Mental Health and Addiction Services (OhioMHAS) was mainly responsible for this category's positive November variance. OhioMHAS had a positive variance in November of $8.2 million that partially offset negative variances in August and September, resulting in a negative YTD variance at the end of November of $4.5 million. OhioMHAS's positive variance in November came mainly from item 336421, Continuum of Care Services, which was over its November estimate by $8.3 million, resulting in a positive YTD variance for this item of $1.4 million. Item 336421 is mainly used to distribute funds to local boards of alcohol, drug addiction, and mental health.

Primary and Secondary Education

The Primary and Secondary Education program category includes all GRF expenditures by the Ohio Department of Education (ODE), except for Medicaid and Property Tax Reimbursement expenditures. This category had a positive variance of $57.5 million in October and another positive variance of $37.8 million (5.9%) in November, that have more than offset its negative September variance, resulting in a YTD positive variance of $20.9 million (0.6%). As reported in October's issue of *Budget Footnotes*, this category had negative variances of $48.2 million in appropriation item 200550, Foundation Funding, and $30.7 million in appropriation item 200573, EdChoice Expansion, in September, due mainly to a timing issue related to scholarship payments. With positive variances of $10.1 million in October and $6.7 million in November, item 200573's negative YTD variance has been reduced to $13.8 million. Item 200550 had a positive variance of $49.1 million in October and another positive variance of $46.9 million in November, leaving it with a YTD positive variance of $46.9 million. Item 200550 is the main source of state funding for local schools. The positive YTD variance in item 200550 is partially offset by negative variances in most other line items. In addition to item 200573, another item with a significant negative YTD variance is item 200437, Student Assessment. This item had a negative YTD variance of $7.9 million at the end of November that was caused by a negative variance of $11.6 million in November offsetting positive variances from earlier in the fiscal year. Item 200437 funds Ohio's contracts with companies that provide standardized testing to public students in the state.

Prior Year Encumbrances

As reported in the July 2020 issue of *Budget Footnotes*, state agencies carried into FY 2021 $412.2 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2021. An agency generally has five months to spend prior year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

Prior Year GRF Encumbrances by Agency ($ in thousands)				
Agency	Prior Year Encumbrances as of July 1, 2020	Percentage of Total	Outstanding Encumbrances as of December 1, 2020	Percentage of Total
Job and Family Services	$100,825	24.5%	$16,060	11.8%
Education	$68,323	16.6%	$16,191	11.9%
Higher Education	$39,185	9.5%	$28,377	20.9%
Transportation	$33,635	8.2%	$22,954	16.9%
Medicaid	$32,637	7.9%	$8,211	6.0%
Development	$26,549	6.4%	$19,507	14.3%
Rehabilitation and Corrections	$23,837	5.8%	$3,200	2.4%
Other	$87,247	21.2%	$21,439	15.8%
Total	**$412,238**	**100.0%**	**$135,940**	**100.0%**

As shown in the table above, as of December 1, 2020, $135.9 million of the $412.2 million (33.0%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. The Department of Higher Education (DHE) had the largest share (20.9%) of the total outstanding encumbrances as of December 1, followed by the Ohio Department of Transportation (ODOT) at 16.9%, the Development Services Agency (DSA) at 14.3%, ODE at 11.9%, and ODJFS at 11.8%. Together, these five agencies had $103.1 million (75.8%) of the $135.9 million in total outstanding prior year encumbrances. The nature of these outstanding encumbrances is discussed below.

DHE had $28.4 million in outstanding prior year encumbrances, of which $26.6 million occurred in item 235438, Choose Ohio First Scholarship. Item 235438 is used to pay the state's obligations to scholarship recipients.

ODOT had $23.0 million in outstanding prior year encumbrances, of which $19.1 million occurred in item 775470, Public Transportation - State. Item 775470 is used to provide state funding for local transit programs.

DSA had $19.5 million in outstanding prior year encumbrances. Of this amount, $6.8 million occurred in item 195455, Appalachia Assistance, and $6.2 million occurred in item 195556, TechCred Program. Item 195455 is used to provide financial assistance to development projects in Ohio's Appalachian counties. Item 195556 is used to fund the new TechCred program that offers financial assistance for students and workers to enroll in short-term training courses or programs in specific industries or to pursue in-demand jobs.

Of ODE's outstanding encumbrances, which totaled $16.2 million, 50.6% ($8.2 million) was encumbered in item 200550, Foundation Funding. These encumbrances will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Another significant outstanding encumbrance was $4.0 million in item 200478, Industry-Recognized Credentials High School Students. This item funds a new program designed to support programs that provide high school students with opportunities to earn industry-recognized credentials.

ODJFS had $16.1 million in outstanding prior year encumbrances. The most significant encumbrance was $7.3 million in item 655523, Medicaid Program Support – Local Transportation. These encumbrances are for payments to local county departments of job and family services for the state's share of Medicaid costs for providing transportation services to certain Medicaid enrollees.

Issue Updates

Controlling Board Approves $384.7 Million in FY 2021 for ODH to Combat COVID-19

– Jacquelyn Schroeder, Senior Budget Analyst

Between July 13 and November 9, 2020, the Controlling Board approved six requests to increase appropriations for the Ohio Department of Health (ODH) by a total of $384.7 million in FY 2021 to help combat COVID-19. The vast majority of funding ($309.9 million) will be used to expand the state's diagnostic COVID-19 testing efforts. Specific expansion efforts will include: procuring reagents, specimen collection kits, and equipment; supporting testing costs at state-associated laboratories; warehousing and purchasing personal protective equipment; and performing data analysis. In addition, efforts will expand testing at nursing homes and other congregant facilities and provide for testing at various pop-up sites located throughout the state. Another $72.1 million will be used to help support Ohio's 113 local health departments (LHDs). With these funds, LHDs will, among other things, hire epidemiological investigators to prevent the spread of COVID-19 in communities and fund other necessary local response activities. In addition to hiring at the local level, ODH will also use these funds to contract for, or hire, a statewide network of epidemiological staff to be deployed to areas experiencing a surge in cases. The remaining $2.7 million will provide funding to limit farmworkers' exposure to COVID-19. Specifically, agricultural camp operators will be given funds to improve health and safety at worksites and camps to reduce the transmission of COVID-19. These improvements will focus on reducing housing density and installing touchless equipment, partitions, and hand washing stations.

This funding is made available through the federal CARES Act to support state efforts to respond to the COVID-19 pandemic. The CARES Act allows states to use funding from the federal Coronavirus Relief Fund for expenditures made in response to the pandemic from March 1, 2020, through December 30, 2020, that were not authorized as part of the state budget.

Controlling Board Approves Additional $62.0 Million for Certain Hospitals

– Nelson V. Lindgren, Economist

On October 26, 2020, the Controlling Board approved an additional $62.0 million in provider relief funds for certain hospitals, bringing the total relief to $124.0 million. These funds will target hospitals that provide critical access to Medicaid recipients and the public in rural and underserved areas. Payments will be made to eligible hospitals who have experienced business interruptions and increased costs due to the COVID-19 pandemic. However, the amounts distributed will be based on the amount of service reductions a hospital experienced during the three months (March through May) that nonessential and elective surgeries and procedures were postponed. Hospitals that are eligible for funding include critical access hospitals, rural access hospitals, St. Vincent Charity Hospital, Metro General in Cleveland, and the University of Toledo Medical Center. Critical and rural access hospitals improve access to healthcare by keeping essential services in rural communities. St. Vincent Charity Hospital is included because it provides a large proportion of behavioral health services in comparison to peer hospitals. The University of Toledo Medical Center is included because it is a distressed hospital.

The funds to support this appropriation increase are provided by the federal CARES Act and administered by OBM. Hospitals are not the only provider category that received CARES provider relief funds. To date, including this request, $548.8 million has been approved for nursing homes, home and community long-term care providers, intermediate care facilities for individuals with intellectual disabilities, adult day care centers, and senior centers. In order to receive these funds, providers had to apply at the state of Ohio's grant website. The application period for most of these funds ended on September 30, 2020.

The Development Services Agency Has Allocated Almost $183 Million Under Five CARES Act-funded Programs

– Tom Middleton, Senior Budget Analyst

DSA has awarded $182.6 million of $243.9 million in funding under five new grant programs created using federal CARES Act funding received by the state. As of November 24, 2020, approximately $61.3 million remained to be allocated from three of the programs. Funding allocations and awards under each of the five programs, along with the number of recipients and average award amounts, are shown in the table below. The funding for each of the programs was approved by the Controlling Board in meetings held on June 1 and October 26.

Awards Under Five New DSA Grant Programs Funded by the CARES Act (As of November 24, 2020)

Program	Recipients	Application Start Date	Funding $ millions	Amount Allocated $ millions	Recipient Number	Average Grant
Ohio PPE Retooling and Reshoring	Small- and medium-sized manufacturers	June 6	$20.0	$20.0	68	$294,118
Ohio Minority Micro-Enterprise	Small-, minority-, and women-owned businesses	June 6	$5.0	$5.0	500	$10,000
Small Business Relief	Small businesses	November 2	$125.0	$85.0	8,502	$9,998
Bar and Restaurant Assistance	Businesses with on-premise liquor permits	November 2	$38.7	$17.6	6,702	$2,626
Home Relief	Community action agencies	November 2	$55.2	$55.0	47	$1,170,213
		TOTAL	**$243.9**	**$182.6**		

Awards under most of the programs were distributed on a first-come, first-served basis. Under the Small Business Relief Grant Program, at least $500,000 was made available to businesses in each of the 88 counties. Home Relief Program funding flows through local community action agencies, with most of the funds ($50.0 million) going to individuals at or below 200% of the federal poverty level to support mortgage, rental, water, or sewer utility payment relief. Details on each program are described on the Controlling Board requests and at businesshelp.ohio.gov.

In addition to the five programs listed above, several existing federally funded programs administered by DSA received CARES Act money, augmenting financial support for communities across Ohio. These include the Community Development Block Grant, Community Services Block Grant, and various federal housing programs.

ODE and Philanthropy Ohio Award $3.1 Million in Remote Education Grants

– Nick Ciolli, Budget Analyst

On October 19, 2020, a partnership between ODE and a nonprofit called Philanthropy Ohio announced the awarding of $3.1 million in competitive grants to 28 projects aimed at improving remote education practices across the state through a program called the Collaborative Fund for Educating Remotely and Transforming Schools. According to ODE, the awards will be used, among other purposes, to provide professional development for educators in delivering high-quality remote, hybrid, and blended education; bolster learning platforms so educators can plan and deliver instructional lessons in person or remotely instantaneously and in ways that preserve the sequence of learning; and increase digital literacy opportunities for parents, families, and caregivers. All but one of the 28 grantees received the full amount they requested; the average grant award was $113,742. As the table below shows, the majority of the grants were awarded to traditional school districts with the rest going to educational service centers, community schools, and a community service organization.

October 2020 Collaborative Fund Grant Awards Summary			
Organization Type	**Grants Awarded**	**Total Grant Amount**	**State Contribution**
Traditional school districts	15	$1,540,648	$1,155,486
Educational service centers	10	$1,271,540	$953,655
Community schools	2	$187,985	$140,989
Community service organizations	1	$125,000	$93,750
Total	**28**	**$3,125,173**	**$2,343,880**

ODE committed $5.0 million from its allocation of federal CARES Act funding to support the Collaborative Fund, contributing $3 for every $1 that Philanthropy Ohio contributes (that is, 75% of the overall grant award). Of the state's commitment, about $2.6 million remains and will be used to fund additional grants later in the fiscal year. The Collaborative Fund is a component of RemotEDx, a broader program that uses a portion of ODE's CARES Act funding to support remote education initiatives, such as those funded through the BroadbandOhio Connectivity grants awarded in September.

DHE Awards $375,000 for STEM Public-Private Partnership Program

– Jason Glover, Budget Analyst

In October 2020, DHE awarded a total of $375,000 to five institutions of higher education as part of the STEM Public-Private Partnership Program created in H.B. 166.[12] Each college will be awarded a one-time grant of $75,000 to lead a partnership with high schools and private companies to provide high school students the opportunity to receive education and training in a targeted industry while simultaneously earning high school and college credit (see table below). Each partnership may use the awards only for transportation, classroom supplies, and primary instructors for courses offered under the program. Pursuant to H.B. 166, the five selected partnerships represent each quadrant of the state and the central region. DHE will release the request for proposal for the FY 2021 funding awards in early 2021 with awards being made in June 2021.

STEM Public-Private Partnership Program Awardees and Partners, FY 2020		
Higher Education Institutions	**Business Partners**	**Educational Partners**
Belmont Technical College	Peterson Hospital, Southeastern Ohio Regional Medical Center, Wheeling Hospital, WVU Medicine – Barnesville Hospital, and WVU Medicine – Reynolds Memorial Hospital	River High School (HS) and St. Clairsville HS
Marion Technical College	Custom Glass Solutions, Mid-Ohio Energy Cooperative, Inc., and Sakamura USA, Inc.	Cardington-Lincoln HS, Pleasant Valley HS, and River Valley HS
Rhodes State College	Lima Memorial Hospital and Mercy Health – St. Rita's Medical Center	Delphos St. John's HS, Fort Jennings HS, Jefferson Senior HS, Jennings Local School District (SD), Lincolnview HS, Miller City HS, Ottoville Local SD, and Spencerville Local SD
Sinclair Community College	Clippard Instrument Laboratory, Inc.	Butler Tech – Colerain HS
Stark State College of Technology	BWX Technologies, Inc., E.C.P. Auto Repair & Service, The K Company, Inc., Kyocera SGS Precision Tools, Inc., Liberty Ford, Inc., Powell Electrical Systems, Inc.	Cuyahoga Falls HS, Four Cities Compact, Louisville HS, Marlington HS, and Osnaburg Local SD

[12] H.B. 166 appropriated $500,000 each year in FY 2020 and FY 2021 from GRF line item 235544, STEM Public-Private Partnership Program. The FY 2020 appropriation subsequently was reduced to $375,000 to help balance the state budget in the wake of the economic disruption caused by the COVID-19 pandemic.

Mineral Resource Production Tops $8.8 Billion in CY 2019

– Tom Wert, Senior Budget Analyst

More than $8.8 billion worth of industrial minerals were produced in Ohio during CY 2019 according to the 2019 Report on Ohio Mineral Industries published by the Department of Natural Resources (DNR) on November 18, 2020.[13] The report summarizes the production and value of Ohio's seven industrial minerals, oil, and natural gas. Natural gas and oil accounted for the vast majority of mineral production value in 2019. These two resources made up nearly $7.3 billion, or 82.4%, of the total. The remaining 17.6% ($1.5 billion) was derived from the production of limestone and dolomite, coal, sand and gravel, salt, sandstone and conglomerate, clay, and shale. The table below summarizes the 2019 production and value of each of these industrial minerals.

Ohio Industrial Mineral Production and Value in CY 2019			
Mineral Resource	**Production**	**Value ($ in millions)**	**Percent of Total**
Gas	2,616,223,483 mcf	$5,781.9	65.69%
Oil	27,662,040 bbl	$1,468.3	16.68%
Limestone and dolomite	71,047,875 tons	$732.5	8.32%
Coal	8,214,447 tons	$286.5	3.25%
Sand and gravel	34,253,368 tons	$269.5	3.06%
Salt	3,876,312 tons	$206.9	2.35%
Sandstone and conglomerate	1,200,974 tons	$45.0	0.51%
Clay	951,750 tons	$7.5	0.09%
Shale	397,961 tons	$4.2	0.05%
	Total	**$8,802.3**	**100.00%**

mcf = thousand cubic feet; bbl = barrel (42 gallons)

As the primary regulatory agency over industrial mineral production in the state, DNR receives funding from severance taxes levied on the volume of mineral resources extracted. Severance taxes on oil and natural gas are applied at a rate of 10¢ per barrel of oil and 2.5¢ per thousand cubic feet of natural gas. 90% of these taxes is deposited to the credit of the Oil and Gas Well Fund (Fund 5180) and provide the bulk of operating funds used by DNR's Division of Oil and Gas Resources. The remaining 10% is deposited to the credit of the Geological Mapping Fund (Fund 5110) used by the Division of Geological Survey. Severance taxes on industrial minerals are deposited primarily to the credit of the Mining Regulation and Safety Fund (Fund 5290) used by the Division of Mineral Resources Management. A small portion of the severance taxes on

[13] The 2019 report may be accessed from the Division of Geological Survey website at: https://ohiodnr.gov/wps/portal/gov/odnr/discover-and-learn/safety-conservation/about-odnr/geologic-survey/industrial-minerals/industrial-minerals.

limestone and dolomite and sand and gravel are deposited in Fund 5110. For CY 2019, total collection of mineral resource severance taxes exceeded $61.3 million.

Pharmacy Board Releases FY 2020 Annual Report

– Robert Meeker, Budget Analyst

In October 2020, the state of Ohio Board of Pharmacy released its annual report for FY 2020 showing revenues of $19.5 million, expenses of $15.6 million, and 87,082 active licenses. The Board's primary functions include licensing pharmacists and related professions, licensing sites where dangerous drugs are sold or stored, maintaining Ohio's prescription drug monitoring database, and regulating medical marijuana dispensaries, patients, and caregivers.

Of the Board's $19.5 million in FY 2020 revenues, 95% was collected from three sources: pharmacist, drug distributor, and home medical equipment services provider licensing ($9.4 million, 48.2%), medical marijuana patient, dispensary, and dispensary employee licensing ($7.0 million, 35.9%), and grant money received from ODM to support Ohio Automated Rx Reporting System (OARRS) integration with medical record systems ($2.1 million, 10.8%).

Of the Board's $15.6 million in FY 2020 expenses, 95% was attributable to three sources: administration and enforcement of laws largely governing the legal distribution of dangerous drugs and the practice of pharmacy ($9.5 million, 60.9%), implementation of the Medical Marijuana Control Program ($3.2 million, 20.5%), and integration of OARRS with medical records systems ($2.1 million, 13.5%).

The table below shows the number of active licenses reported by the Board from FY 2017 through FY 2020. The year-over-year increases have been driven by the addition of licensing for pharmacy technicians and home medical equipment services providers in FY 2018 and medical marijuana-related licensing in FY 2019. Compared to FY 2017, active licenses have increased by 40,553, or 87.1%.

Active Licenses Reported by the State of Ohio Board of Pharmacy, FY 2017 Through FY 2020				
Category	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Pharmacist	19,984	20,349	20,704	21,843
Pharmacy Intern	3,712	3,449	2,951	4,397
Pharmacy Technician	--	20,648	24,269	34,372
Terminal Distributor of Dangerous Drugs	20,421	19,591	19,555	21,813
Drug Distributor	2,432	1,736	1,802	2,028
Home Medical Equipment Service Provider	--	661	874	1,011
Medical Marijuana Dispensary Employee	--	--	614	1,533
Dispensary – Provisional	--	--	37	34
Dispensary – Certificate of Operation	--	--	19	51
Total	**46,549**	**66,434**	**70,825**	**87,082**

In addition to medical marijuana dispensary and dispensary employee licensing as highlighted in the table above, the Board also maintains the Medical Marijuana Patient and Caregiver registry. The registry became active in December 2018, and, as of the end of FY 2020, 116,497 patients and 13,140 caregivers had completed the registration process.

Ohio State Highway Patrol Receives $1.3 Million Community Oriented Policing Services Hiring Grant

– Maggie West, Senior Budget Analyst

On November 9, 2020, the Controlling Board approved a request from the Department of Public Safety to increase federal appropriation item 764610, Highway Safety Programs Grant, by $1.3 million in FY 2021. The request for the increase was due to the Ohio State Highway Patrol's receipt of unanticipated federal grant money, most notably, a $1.3 million Community Oriented Policing Services (COPS) Hiring Program grant awarded by the U.S. Department of Justice's Office of Community Oriented Policing Services. COPS Hiring Program grants provide funding directly to state, local, and tribal law enforcement agencies to hire new officers, or rehire officers laid off due to budget reductions, in an effort to increase their community-policing capacity and crime prevention efforts. The patrol will use the award to pay the salary and fringe benefits associated with five positions over the grant's three-year funding period.

For all of federal fiscal year (FFY) 2020, which ended on September 30, 2020, Ohio received $36.5 million from the COPS Hiring Program, which was directly awarded to law enforcement agencies in the state and supported a total of 220 officers. Three cities (Cincinnati, Cleveland, and Akron) accounted for $22.7 million, or 62.1%, of Ohio's share. The following table lists the 33 Ohio law enforcement agencies that received COPS Hiring grant awards for FFY 2020, the number of positions funded, and the award amount.

Ohio COPS Hiring Program Grant Award Recipients, FFY 2020 (Totals: $36,530,823/220 Officers)					
Recipient (# of Officers)	Amount	Recipient (# of Officers)	Amount	Recipient (# of Officers)	Amount
Cincinnati (86)	$10,750,000	Canton (5)	$625,000	Middletown (2)	$250,000
Cleveland (30)	$7,968,944	Dayton (5)	$625,000	Mt. Health (2)	$250,000
Akron (12)	$3,957,780	Maple Heights Police (2)	$572,124	New Boston Police (2)	$250,000
Ohio State Highway Patrol (5)	$1,281,658	Lorain Police (4)	$500,000	Union City (2)	$219,461
Hamilton County Sheriff (10)	$1,250,000	Euclid (3)	$375,000	Bay Village (1)	$125,000
Mansfield Police (4)	$1,083,097	Marion Police (3)	$375,000	Brooklyn (1)	$125,000
Trotwood (4)	$1,039,007	Whitehall Police (3)	$375,000	Fayette (1)	$125,000

Ohio COPS Hiring Program Grant Award Recipients, FFY 2020 (Totals: $36,530,823/220 Officers)					
Recipient (# of Officers)	Amount	Recipient (# of Officers)	Amount	Recipient (# of Officers)	Amount
Youngstown Police (8)	$800,869	Cambridge (2)	$250,000	Greenfield (1)	$125,000
Ohio DRC* (4)	$752,014	Fairborn (2)	$250,000	Milton Township (1)	$125,000
Toledo Police (6)	$750,000	Jackson County Sheriff (2)	$250,000	Washington County Sheriff (1)	$125,000
East Cleveland Police (3)	$626,768	Metropolitan Park District Toledo (2)	$250,000	Aberdeen Police (1)	$104,101

*Ohio Department of Rehabilitation and Correction

Department of Agriculture Awards 14 Grape Growers Under new Vineyard Expansion Assistance Program

– Shannon Pleiman, Senior Budget Analyst

In November, the Ohio Grape Industries Committee of the Department of Agriculture awarded $76,500 under the new Vineyard Expansion Assistance Program to 14 grape growers in the state. The vineyards are spread out across 13 counties, with Medina County being the lone county hosting multiple awardees.

The purpose of the reimbursement program is to allow vineyards to invest in and plant high-quality, high-value grapes onsite instead of purchasing grapes from other states. Under the program, up to $3,000 per acre and up to three acres can be reimbursed to create new or expand existing vineyards. The table below displays the amount awarded to each grower.

Vineyard Expansion Assistance Program Awards					
Vineyard	Acres	Awarded Amount	Vineyard	Acres	Awarded Amount
Buccia Vineyard	2.75	$8,250	William White Family	1.5	$4,500
Clark Farms	2.75	$8,250	Das Weinhaus Vineyard and Winery	1.25	$3,750
Overton Valley Vineyards	2.75	$8,250	Folck Family Farm	1.25	$3,750
The Vineyards at Pine Lake	2.75	$8,250	Hanover Winery	1.25	$3,750
Vinoklet Winery	2.75	$8,250	Breezy Vines LLC	1	$3,000
Quinstock Farm	2	$6,000	Five Roots Vineyard	1	$3,000
King Vineyard	1.5	$4,500	White Timbers	1	$3,000
			Total	**25.5**	**$76,500**

Currently, there are 340 licensed wine manufacturers across the state that produce and sell more than 1.2 million gallons, or 500,000 cases, of wine annually. Ohio ranks sixth in the nation for wine production. The Ohio Grape Industries Program is funded through a 5¢ per gallon tax on all wine sales in Ohio that is deposited into the Ohio Grape Industries Fund (Fund 4960). In FY 2020, this yielded receipts of approximately $1.2 million.

Tracking the Economy

– Eric Makela, Economist

Overview

The national economy continued to expand in recent months. Despite a surge in COVID-19 cases across the country in November, the national unemployment rate fell to 6.7% and employers added 245,000 nonfarm payroll jobs, according to the Bureau of Labor Statistics. Seasonally adjusted personal income fell 0.7% in October, although increases in employee compensation (+0.7%) and proprietors' income (+1.2%) were signs of recovery in core categories.[14] Retail sales were up 0.3% in October, although businesses such as gas stations and food service establishments continue to lag in sales as travel and recreation activities continue to be subdued.[15]

Ohio's labor market added 30,800 nonfarm payroll jobs in October, and the state's unemployment rate decreased by a substantial 2.7 percentage points, to 5.6%. In the last year, employment in both the goods-producing (-4.2%) and service-providing (-6.8%) sectors have been largely impacted by the pandemic. The state's housing market remained robust in October due to high demand and favorable mortgage interest rates; the dollar volume of existing home sales was 35.3% greater in October 2020 than a year prior. It should be noted that due to the time lag in data releases at the state level, some information regarding the Ohio economy will not reflect the recent resurgence in diagnosed COVID-19 cases in the state. However, according to multiple sources of high frequency data on small businesses in Ohio, business conditions in recent weeks have required companies to reduce work hours and record a lower number of revenue transactions.[16]

The National Economy

The U.S. economy added 245,000 nonfarm payroll jobs in November, though total employment remains around 9.8 million below its level in February. The national monthly unemployment rate declined from 6.9% in October to 6.7% in November. Chart 5 shows nonfarm payroll employment, and Chart 6 displays unemployment.

During the month, employment in transportation and warehousing rose by 145,000, with job growth notable among couriers and messengers (+82,000), warehousing and storage (+37,000), and truck transportation (+13,000). The number of workers employed in professional and business services increased by 60,000, while the health care industry added 46,000 workers in November. Notable job gains were also recorded in the construction (+27,000), manufacturing (+27,000), and financial (+15,000) industries.

Though hiring in retail trade rose in November before seasonal adjustment, in preparation for the holiday season, the seasonally adjusted number of workers in retail trade declined by 34,700 in November, as hiring lagged behind seasonal norms in many parts of the industry. Among industry subclassifications, seasonally adjusted employment declined in department stores (-13,800), sporting goods, hobby, book, and music stores (-12,100), electronics and

[14] Data according to the Bureau of Economic Analysis.

[15] Data according to the Census Bureau's Monthly Retail Trade and Food Services Survey.

[16] See "**The Ohio Economy**" subsection for details.

appliance stores (-11,300), health and personal care stores (-8,100), and general merchandise stores other than department stores (-7,000).

Government employment declined by a seasonally adjusted 99,000 workers in November; the reduction was largely within federal government, as the Census Bureau removed 93,000 temporary census workers from its payroll. The number of persons employed by local governments decreased by 13,000 during the month, while state employment totals held even.

Unemployment decreased by 326,000 persons in November, and total, seasonally adjusted unemployment was 10.7 million in November. The number of persons considered as unemployed for over 26 weeks increased by 64% between September and November, to approximately 3.9 million, and includes persons who lost their jobs during the initial pandemic response.

National production, as measured by real GDP, increased by a seasonally adjusted 7.4% in the third quarter of 2020 after contracting 9.0% during the second quarter (changes in this paragraph are not at annual rates). Production of consumer goods rose a seasonally adjusted 10.1% during the quarter, while the value of consumer services produced increased 8.3%. Fixed investment expenditures fell 8.3% during the second quarter, and rebounded somewhat by rising 6.9% in the subsequent quarter.

Personal income nationwide decreased by a seasonally adjusted 0.7% in October. Employee compensation (+0.7%) and proprietors' income (+1.2%) increased for the sixth straight month. Government transfer receipts of persons declined a seasonally adjusted 6.2% from September. October's rise in real personal consumption expenditures (+0.5%) was the sixth in as many months. The decline in personal saving (-7.8%), equal to disposable personal income minus outlays, extends a pattern of six consecutive monthly declines in the saving rate.[17]

Nationally, total industrial production increased by a seasonally adjusted 1.1% in October, and has increased in five of the last six months following large declines in March and April of this year. Among major industry groups, a rise in activity in manufacturing (+1.0%) and utilities (+3.9%) during October was slightly counteracted by a decline in mining (-0.6%). During the month, aggregate manufacturing was 3.9% below its level a year prior, although production of motor vehicles and parts was 6.9% higher than October 2019.

Retail sales were up 0.3% in October compared with September. While total sales at retail and food service establishments were 5.7% greater in October 2020 than a year prior, growth varied greatly by industry. Sales at gasoline stations were 14.0% below a year prior, and sales at food services and drinking establishments were down 14.2% from last October. Year over year, strength in retail sales has continued in grocery stores (+9.2%) and nonstore retailers (+29.1%), as consumers spent more on food and delivered goods.

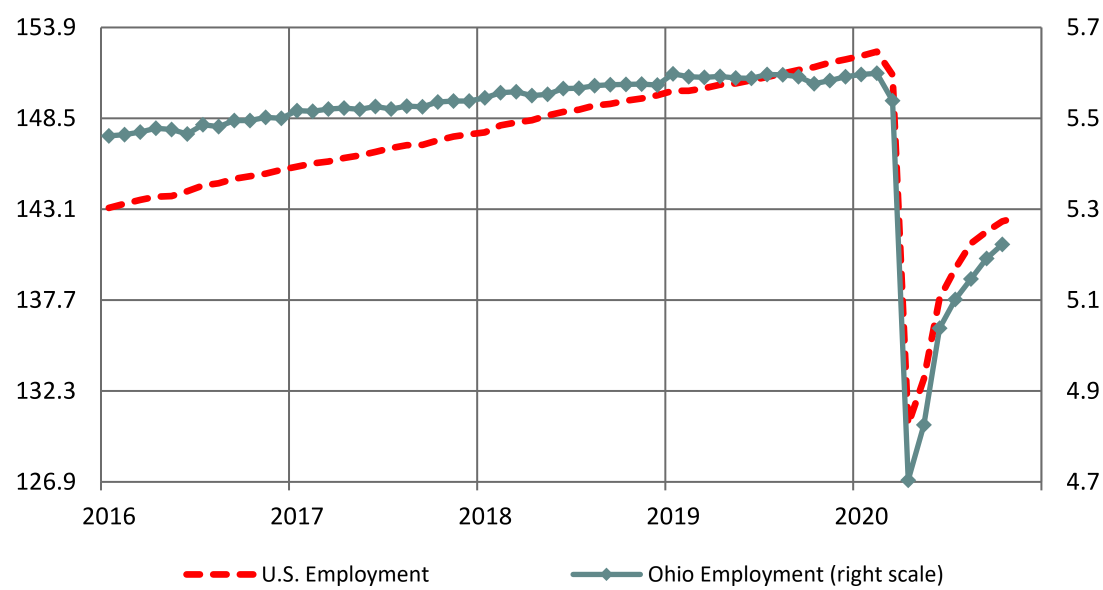
According to the National Association of Realtors, the national housing market remained robust in October, with existing home unit sales rising a seasonally adjusted 4.3% during the month and 26.6% higher than in October 2019. Additionally, housing starts were 14.2% higher in October 2020 as compared to a year prior, according to construction surveys conducted by the Census Bureau and U.S. Department of Housing and Urban Development. All current data point to increased demand in the 2020 housing market due to health in the national construction and finance markets.

[17] As measured by the dollar value of personal saving divided by disposable personal income.

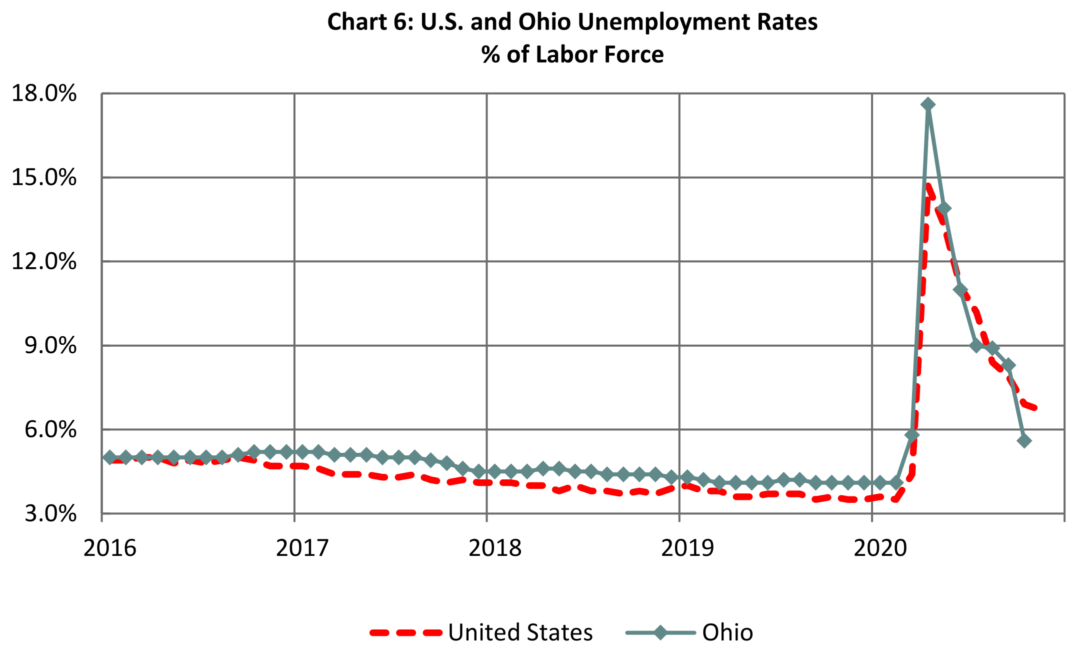
Consumer prices, as measured by the consumer price index for all items, were unchanged in October and were 1.2% above the level in October 2019. Excluding the more volatile food and energy subindexes, consumer prices were 1.6% greater than a year prior. Among the major expenditure categories detailed in the press release, the price level of food (+3.9%) and energy (-9.2%)[18] were most changed over the last year.

Many small businesses around the country appear to be cutting back on activity. The Census Bureau's Small Business Pulse Survey of businesses with under 500 employees, for the week ended November 29, showed that 21.4% of small businesses reduced the number of paid hours offered to their employees. Nationally, 5.8% of businesses completing the survey reported increasing operating revenues from the previous week, with 38.0% reporting decreases. In the accommodation and food services industry, 46.9% of small businesses reduced paid hours. During the week, 10.4% of small businesses in the accommodation and food services industry nationwide temporarily closed a location and 2.2% permanently closed a location, while only 1.1% of the sample reopened a previously closed location.

Chart 5: U.S. and Ohio Nonfarm Payroll Employment (in millions)



[18] The price index for energy is composed of energy commodities (motor fuels, fuel oil, and other fuels) and energy services (electricity, utility gas service).



The Ohio Economy

Ohio's labor market expanded by approximately 30,800 nonfarm payroll jobs in October, led primarily by gains in manufacturing (+8,100), professional and business services (+7,300), leisure and hospitality (+6,100), and trade, transportation, and utilities (+5,700). As the labor market continues to adjust to the pandemic economy, job gains in manufacturing were split between durable (+5,900) and nondurable (+2,200) goods. During October, the financial activities industry added 3,000 workers; there were also changes to employment levels in educational services (-800) and health care and social assistance (+2,300).

Year over year, nonfarm payroll employment decreased in both the goods producing (-39,300, -4.2%) and the service providing (-314,300, -6.8%) sectors. Among major industries, the accommodation and food services (-101,500, -20.9%) industry has been most affected, though employment totals in educational services (-15,100, -12.8%) and wholesale trade (-23,100, -9.7%) have also dipped substantially. Both state (-26,600, -14.9%) and local (-26,800, -5.1%) governments have shed jobs in the year leading up to October 2020. The decline in state government employment over the past year is mostly in education. The local government employment decline is both in education and in other parts of local government. The number of federal workers was higher than a year ago (+1,500, +1.9%) due at least in part to temporary census workers. Chart 5 displays nonfarm employment totals nationally and in Ohio.

Ohio's unemployment rate dropped by a seasonally adjusted 2.7 percentage points, to 5.6% in October, the largest drop in the rate since June. The unemployment rate's improvement during October was fourth most rapid in the nation, behind only Illinois (-3.6 percentage points), Michigan (-3.1 percentage points), and Rhode Island (-3.5 percentage points). Ohio's unemployment rate was 1.5 percentage points greater in October 2020 than in October 2019. By comparison, the year-over-year unemployment rate increase was less in only seven states. Chart 6 displays unemployment rates in Ohio and nationally.

The number of small businesses operating in Ohio has declined significantly during 2020. Womply, an integrated technology platform for small businesses, reports Ohio-specific data on small business conditions.[19] The number of Ohio small businesses having at least one transaction in the last three business days has declined 29.3% from the January indexing period to November 25. Small business revenue has declined 34.9% during the same time period.

The adverse effects of the current health crisis on Ohio small businesses is shown by the Census Bureau's weekly Small Business Pulse Survey of businesses with under 500 employees. During the week ended November 29, 46.5% of businesses had at least some employees working remotely. During the same week, 24.7% of respondents reported a decrease in the number of employee hours worked from the previous week, while 4.0% of respondents reported an increase in employee hours worked.

Existing home unit sales were 16.5% greater in October 2020 than in October 2019, and the total dollar value of home sales was 35.3% higher, according to the Ohio Association of Realtors. Through October, the number of existing home sales was 2.2% above the level in 2019, and the average sale price was 8.9% greater. The trends suggest a notable increase in demand for houses and property in the state during 2020.

Economic activity in the Cleveland Federal Reserve District increased moderately in the recent survey period, according the Federal Reserve Board's Beige Book.[20] According to survey contacts, "Most firms that had temporarily laid off workers have rehired most of those workers." Reports of price movements were mixed. The costs for some commodity inputs were well above their prepandemic levels, while a number of restaurants and hotels cut output prices to fill vacant capacity. Overall consumer spending grew during the period, and contacts expected business to remain steady despite the rise in COVID-19 infections. Manufacturing orders increased according to some firms. Demand for real estate and residential construction remained elevated in the survey period, while activity in the nonresidential sector remained more or less level. In the financial services industry, low interest rates continued to support demand for consumer loan products. Demand for professional and business services continued to increase. Demand for freight, cargo volumes, and freight contract pricing increased over the survey period, as supply chains strain from high demand in product markets.

[19] Data according to Track the Recovery Project: https://tracktherecovery.org/.

[20] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. Comments here are derived from the latest edition of the Beige Book, a Federal Reserve publication that summarizes reports from business and industry contacts outside of the Federal Reserve System collected on or before November 20, 2020.