LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2021 Issue: June 2021

Highlights

– *Ross Miller, Chief Economist*

May GRF tax revenue exceeded the estimate published by the Office of Budget and Management (OBM) in September 2020 by nearly $745 million. About $564 million of the variance was due to the personal income tax (PIT), which was boosted by a delay in the tax filing deadline until May. Still, combined PIT revenue in April and May exceeded the combined estimates for the two months, and there is little doubt now that GRF taxes will finish FY 2021 roughly $1 billion above estimate, and very likely more. Meanwhile, though GRF expenditures were $887 million above estimate in May, for FY 2021 through May they remained well below estimate.

Ohio's unemployment rate remained 4.7% in April, the same as in March, despite a decline of 3,700 for the month in nonfarm payroll employment. The low unemployment rate is due in part to a 132,000 reduction in Ohio's labor force since February 2020.

Through May 2021, GRF sources totaled $35.46 billion:

- Revenue from the sales and use tax was $874.9 million above estimate;
- PIT receipts were $207.8 million above estimate.

Through May 2021, GRF uses totaled $33.36 billion:

- Program expenditures were $930.5 million below estimate, largely due to GRF Medicaid expenditures having been $860.7 million below estimate;
- Expenditures from most other program categories were below estimates, but Primary and Secondary Education and Higher Education expenditures were above estimates by $124.3 million and $54.0 million, respectively.

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of May 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 1, 2021)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$171,472	$153,000	$18,472	12.1%
Nonauto Sales and Use	$985,579	$834,600	$150,979	18.1%
Total Sales and Use	*$1,157,051*	*$987,600*	*$169,451*	*17.2%*
Personal Income	$1,217,894	$654,000	$563,894	86.2%
Commercial Activity Tax	$347,898	$351,600	-$3,702	-1.1%
Cigarette	$74,976	$69,700	$5,276	7.6%
Kilowatt-Hour Excise	$18,467	$20,200	-$1,733	-8.6%
Foreign Insurance	-$20,229	-$22,800	$2,571	11.3%
Domestic Insurance	$9,421	$18,300	-$8,879	-48.5%
Financial Institution	$41,022	$29,400	$11,622	39.5%
Public Utility	$39,286	$35,000	$4,286	12.2%
Natural Gas Consumption	$34,228	$34,500	-$272	-0.8%
Alcoholic Beverage	$6,214	$5,000	$1,214	24.3%
Liquor Gallonage	$4,872	$4,100	$772	18.8%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$20	$0	$20	---
Business and Property	$125	$0	$125	---
Estate	$30	$0	$30	---
Total Tax Revenue	**$2,931,277**	**$2,186,600**	**$744,677**	**34.1%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$5,844	$86	$5,758	6726.3%
Other Revenue	$949	$549	$400	72.8%
Total Nontax Revenue	**$6,793**	**$635**	**$6,158**	**970.2%**
Transfers In	**$24**	**$0**	**$24**	**---**
Total State Sources	**$2,938,094**	**$2,187,235**	**$750,859**	**34.3%**
Federal Grants	**$1,541,118**	**$726,187**	**$814,931**	**112.2%**
Total GRF Sources	**$4,479,212**	**$2,913,422**	**$1,565,790**	**53.7%**

*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
FY 2021 as of May 31, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 1, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Tax Revenue						
Auto Sales	$1,682,063	$1,454,100	$227,963	15.7%	$1,326,996	26.8%
Nonauto Sales and Use	$9,401,553	$8,754,600	$646,953	7.4%	$8,372,326	12.3%
Total Sales and Use	*$11,083,616*	*$10,208,700*	*$874,916*	*8.6%*	*$9,699,323*	*14.3%*
Personal Income	$9,119,718	$8,911,900	$207,818	2.3%	$7,142,874	27.7%
Commercial Activity Tax	$1,655,388	$1,647,300	$8,088	0.5%	$1,653,145	0.1%
Cigarette	$789,605	$736,500	$53,105	7.2%	$766,355	3.0%
Kilowatt-Hour Excise	$285,523	$307,400	-$21,877	-7.1%	$312,400	-8.6%
Foreign Insurance	$331,042	$299,700	$31,342	10.5%	$313,093	5.7%
Domestic Insurance	$10,397	$19,400	-$9,003	-46.4%	$20,638	-49.6%
Financial Institution	$201,957	$166,500	$35,457	21.3%	$187,496	7.7%
Public Utility	$121,867	$136,200	-$14,333	-10.5%	$138,176	-11.8%
Natural Gas Consumption	$70,055	$79,400	-$9,345	-11.8%	$59,735	17.3%
Alcoholic Beverage	$55,943	$50,000	$5,943	11.9%	$47,187	18.6%
Liquor Gallonage	$52,588	$46,300	$6,288	13.6%	$48,391	8.7%
Petroleum Activity Tax	$3,202	$7,400	-$4,198	-56.7%	$6,614	-51.6%
Corporate Franchise	$5,929	$0	$5,929	---	-$449	---
Business and Property	$189	$0	$189	---	$10	1851.9%
Estate	$61	$0	$61	---	$68	-10.3%
Total Tax Revenue	**$23,787,079**	**$22,616,700**	**$1,170,379**	**5.2%**	**$20,395,055**	**16.6%**
Nontax Revenue						
Earnings on Investments	$45,600	$21,875	$23,725	108.5%	$111,446	-59.1%
Licenses and Fees	$87,483	$58,175	$29,308	50.4%	$66,099	32.4%
Other Revenue	$108,067	$103,337	$4,730	4.6%	$103,645	4.3%
Total Nontax Revenue	**$241,150**	**$183,387**	**$57,763**	**31.5%**	**$281,190**	**-14.2%**
Transfers In	**$97,173**	**$77,932**	**$19,241**	**24.7%**	**$77,045**	**26.1%**
Total State Sources	**$24,125,403**	**$22,878,019**	**$1,247,384**	**5.5%**	**$20,753,290**	**16.2%**
Federal Grants	**$11,337,548**	**$11,615,580**	**-$278,032**	**-2.4%**	**$9,239,545**	
Total GRF SOURCES	**$35,462,951**	**$34,493,599**	**$969,352**	**2.8%**	**$29,992,835**	**18.2%**

*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 J. Botomogno, Principal Economist

Overview

May GRF tax revenues were $744.7 million (34.1%) above the estimate published by OBM in September 2020, due in large part to a positive variance of $563.9 million (86.2%) from the PIT as a result of a shift in the tax filing deadline from April to May. For tax year (TY) 2020 tax returns, the Internal Revenue Service (IRS) extended the filing deadline to May 17, 2021, and the Tax Commissioner used the authority provided by H.B. 197 of the 133rd General Assembly to match the extension of the federal deadline to file and pay Ohio income taxes. Consequently, the PIT experienced a revenue shortfall of $554.9 million in April, which was reversed in May when the final tally of the tax season occurred. For the two-month period, PIT GRF revenue was $9.0 million (0.4%) above the combined estimate.

Excluding the PIT, the overall performance of GRF tax sources in May was still very good, coming in at $180.8 million (11.8%) above the combined estimates, driven by another strong positive variance of $169.5 million for the sales and use tax. Regarding the other two major GRF tax sources, the cigarette tax was $5.3 million above estimate, but the commercial activity tax (CAT) experienced a negative variance of $3.7 million. Among the remaining tax sources, the financial institutions tax (FIT),[2] the public utility tax, the foreign insurance tax, and the alcoholic beverage tax had positive variances of $11.6 million, $4.3 million, $2.6 million, and $1.2 million, respectively. On the other hand, the domestic insurance tax and the kilowatt-hour tax were short of projected receipts by $8.9 million and $1.7 million, respectively. Adding to the positive variance of GRF tax sources, federal grants posted a strong positive variance of $814.9 million (112.2%), and nontax revenue was $6.2 million (970.2%) above estimate. Transfers into the GRF were minimal in May. Thus, monthly total GRF sources (which includes tax revenue, nontax revenue, transfers in, and federal grants) realized a large positive variance of $1.57 billion (53.7%). Tables 1 and 2 show GRF sources for the month of May and for FY 2021 through May, respectively.

For the fiscal year through May, GRF sources of $35.46 billion were $969.4 million (2.8%) above the estimate, due to year-to-date (YTD) positive variances of $1.17 billion (5.2%) for tax sources, $57.8 million (31.5%) for nontax revenue, and $19.2 million (24.7%) for transfers in. The positive variances were partially offset by a negative variance of $278.0 million (2.4%) for federal grants. This pattern of YTD negative variances for federal grants has occurred most of the fiscal year. GRF revenue from federal grants is related to spending for Medicaid and other human

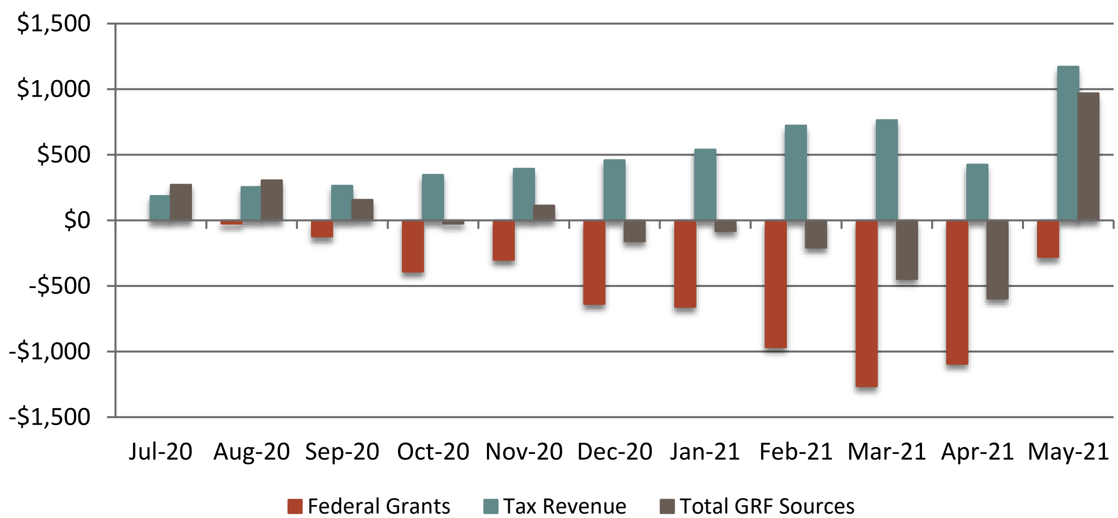
[1] This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] Annual FIT tax returns are due in October, but estimated payments are made at the end of January, March, and May. The reconciliation between estimated payments and final tax liability may result in net refunds between July and December.

services programs, and YTD GRF Medicaid expenditures also posted a negative variance totaling $860.7 million (5.0%) through May.[3]

With one month left in FY 2021, GRF tax sources are likely to end the fiscal year exceeding the September 2020 estimate by at least $1.00 billion. Through May, YTD performances of GRF tax sources have been outstanding, with the major tax sources all above their respective estimates: the sales and use tax by $874.9 million, the PIT by $207.8 million, the cigarette tax by $53.1 million, and the CAT by $8.1 million. The following tax sources also surpassed their estimates: the foreign insurance tax ($31.3 million), the FIT ($35.5 million), the liquor gallonage tax ($6.3 million), the alcoholic beverage tax ($5.9 million), and the corporate franchise tax (CFT, $5.9 million), due to revenue from the conclusion of certain audits in December 2020.[4] The positive variances were partly offset by YTD deficits from the kilowatt-hour tax, the public utility tax, the natural gas consumption tax, the domestic insurance tax,[5] and the petroleum activity tax (PAT). These taxes fell short of projections by $21.9 million, $14.3 million, $9.3 million, $9.0 million, and $4.2 million, respectively. Utility-related taxes – kilowatt-hour, public utility, and natural gas consumption – have generally been below their respective estimates throughout FY 2021, in part due to decreased energy consumption related to closures induced by the COVID-19 pandemic, milder weather, and lower than expected energy prices earlier in the fiscal year. Chart 1, below, shows cumulative YTD variances of GRF sources through May in FY 2021.

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



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[3] FY 2021 Medicaid variances are measured against estimates that are approximately $3 billion higher for all funds Medicaid expenditures than the estimates established when H.B. 166 was enacted. The negative variance for federal grants is likely to persist throughout the fiscal year.

[4] Though GRF receipts are no longer anticipated because H.B. 510 of the 129th General Assembly eliminated the CFT at the end of 2013, adjustments to tax filings in previous years continue to affect this tax source.

[5] Nearly all revenue from the domestic insurance tax is collected in June, so collections through May reveal little about the situation for the full fiscal year. LBO currently expects FY 2021 revenue to exceed the full-year estimate, based on certified tax liabilities received from the Department of Insurance.

Growth of GRF sources relative to year-ago sources has followed a consistent pattern for several months, with large increases in federal grants and tax revenues. Through May, GRF sources rose $5.47 billion (18.2%) compared to the corresponding period in FY 2020. Tax sources grew $3.39 billion (16.6%). Federal grants rose $2.10 billion (22.7%), with $1.07 billion of the total increase due to a COVID-19-related temporary rise in the share of federal reimbursements for Medicaid authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Transfers in also rose, by $20.1 million (26.1%), but nontax revenue fell by $40.0 million (14.2%) from lower earnings on investments in FY 2021.

The growth in GRF tax sources was almost entirely due to revenue increases for the two largest tax sources, which has also been a consistent pattern in the last few months. The increase in PIT revenue was primarily due to delays in the tax filing deadline from April to July in 2020, as explained in more detail in the PIT section below, while sales and use tax revenue has been supported by several federal income support programs since the spring of 2020. Revenue also rose for the cigarette tax, the FIT, the foreign insurance tax, the natural gas consumption tax, the alcoholic beverage tax, the CFT, the CAT, and the liquor gallonage tax. Those increases were partially offset by revenue declines for the public utility tax, the kilowatt-hour tax, the domestic insurance tax, and the PAT.

Sales and Use Tax

Sales and use tax revenue has been excellent in FY 2021. Total revenue of $1.16 billion in May was $169.5 million (17.2%) above estimate, with strong performances from both the auto sales tax and the nonauto sales tax. Compared to receipts last year in the same month, revenue from this tax was higher by $374.5 million (47.9%) in May 2021. This large year-over-year increase was due to significantly reduced sales tax receipts in May 2020 as a consequence of business closures and stay-at-home requirements from the emergency order of March 2020. (For the same reason, last month, the sales and use tax was $472.5 million (63.2%) above revenue in April 2020.) Through May, FY 2021 revenue totaled $11.08 billion. This amount was $874.9 million (8.6%) above OBM projections and $1.38 billion (14.3%) above receipts in the corresponding period in FY 2020.

The sales and use tax has been buoyed by robust consumer spending on taxable goods in FY 2021, supported by several federal income support programs over several months, including the American Rescue Plan (ARP) Act enacted in March 2021.[6] The spending effect of the ARP Act, improving labor markets, and increases in the number of vaccinations helped fuel a sharp increase in spending, particularly on autos and other big ticket items. Household incomes are up from prepandemic levels, household balance sheets are very strong, and household debt-service burdens, as a share of after-tax income, are at near record lows. These economic conditions are likely to sustain sales tax growth for a few more months, though the federal income support programs would start to wane.

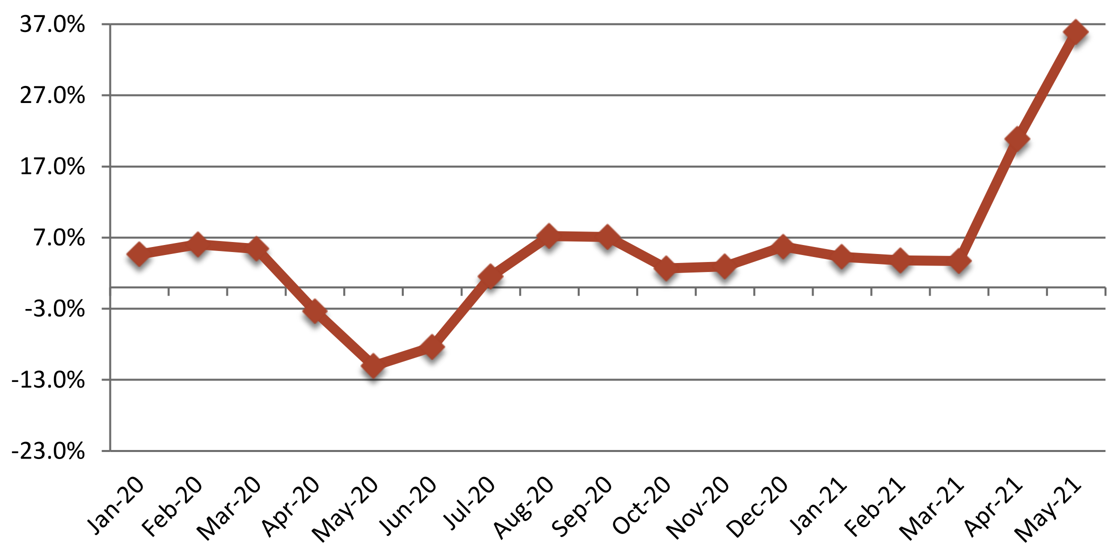
[6] The ARP Act included economic impact payments of up to $1,400 per person, depending on income level. The Congressional Budget Office estimated total payments under this program to be about $411 billion, higher than amounts of about $292 billion from the CARES Act (spring of 2020) and approximately $164 billion for the Consolidated Appropriations Act (January and February 2021).

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

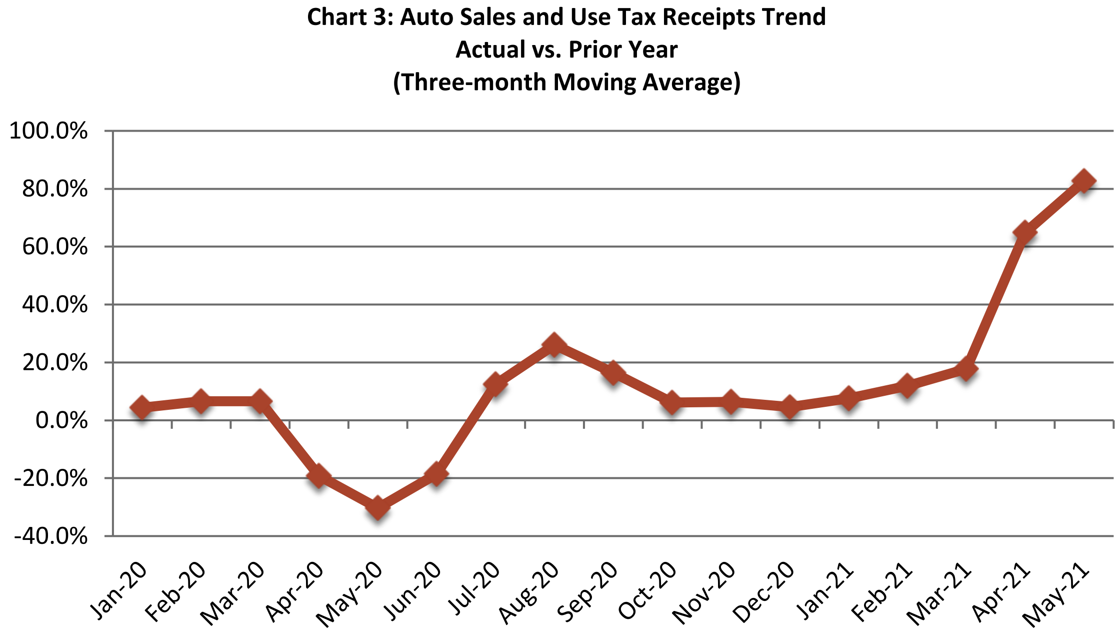
May GRF receipts of $985.6 million were $151.0 million (18.1%) above estimate and $304.4 million (44.7%) above revenue in May 2020. For the fiscal year through May, FY 2021 GRF nonauto sales and use tax receipts totaled $9.40 billion, an amount $647.0 million (7.4%) above estimate and $1.03 billion (12.3%) above revenue in FY 2020 through May. 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. Chart 2, below, provides year-over-year growth in nonauto sales and use tax collections since January 2020. It shows negative growth during the spring of 2020, then a rebound in the summer. In the last two months, growth has accelerated as monthly revenue compares favorably to depressed revenue levels in the corresponding period last year.

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



Auto Sales and Use Tax

The auto sales and use tax is on pace for a record year in FY 2021. May GRF revenue from this source was $171.5 million, $18.5 million (12.1%) above estimate and $70.1 million (69.2%) above such receipts in May 2020. A year ago, auto sales and use tax revenue decreased due to pandemic-related dealership closures and auto manufacturer shutdowns and parts supply issues. Through May, FY 2021 receipts totaled $1.68 billion, an amount $228.0 million (15.7%) above estimate and $355.1 million (26.8%) above revenue in the corresponding period last fiscal year. Growth of more than 15% from the prior year in the absence of any significant tax policy change is very unusual. For the fiscal year as a whole, auto sales tax growth is likely to exceed 20%, but may fall short of the record 27% yearly growth achieved in FY 1984. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, the pandemic-related revenue declines earlier in calendar year (CY) 2020 from both low demand and low supply of vehicles, and the subsequent rebound starting in late spring and continuing through the current fiscal year, with a trend comparable to that of the nonauto sales and use tax.



Personal Income Tax

April is generally the biggest revenue month for the PIT, but that was not the case in the filing of tax returns for TY 2019 (which occurred in July in 2020) or tax returns for TY 2020 (which occurred in May), as Ohio followed the IRS in extending the deadline to file TY 2020 returns from mid-April to mid-May. The IRS delayed the due date of tax returns in 2021 as a result of the enactment of the ARP Act which contained significant changes in federal tax law affecting TY 2020 and prior tax years. The one-month tax filing delay resulted in a PIT shortfall of $554.9 million (39.0%) in April and a positive variance of $563.9 million (86.2%) in May, based on OBM's estimates of September 2020. Taking the two months together, PIT GRF revenue was $9.0 million (0.4%) above the combined estimate. Due to this tax's performance in the latest month, through May, FY 2021 PIT revenue to the GRF totaling $9.12 billion was $207.8 million (2.3%) above the YTD estimate, up from a cumulative deficit of $356.1 million at the end of April.

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,[7] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 87% of gross collections

[7] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. When tax filings are not delayed, quarterly estimated payments are generally 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.

in FY 2020). Larger or smaller than expected refunds (which decrease gross collections) could also greatly affect the monthly performance of the tax.

For the month of May, gross collections were $750.2 million (92.7%) above estimate, with $614.9 million of that variance due to higher than expected payments with annual returns. Employer withholding, quarterly estimated payments, and trust payments were also above their anticipated levels by $61.4 million, $45.6 million, and $30.0 million, respectively. On the other hand, miscellaneous payments were $1.7 million below projections. Distributions to the LGF were short of estimate by $6.7 million; and, as expected from the tax filing delay, refunds were $193.0 million above estimate in May. Thus, GRF revenue was $563.9 million above estimate for the month.

YTD FY 2021 GRF receipts from the PIT were $1.98 billion (27.7%) above such revenue in FY 2020 through May. The large year-over-year PIT revenue growth is attributable, in part, to the delay of income tax filings from April to July 2020. About $719.0 million in income tax due with annual returns and first-quarter estimated payments were postponed by the tax filing delay last year and realized in FY 2021, according to the Ohio Department of Taxation.

For FY 2021 through May, 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 $288.4 million above anticipated revenue, with miscellaneous payments the only component with a shortfall of $7.2 million. Quarterly estimated payments, employer withholding, payments due with annual returns, and trust payments were above their respective projections by $170.8 million, $56.1 million, $35.5 million, and $33.1 million. YTD refunds and LGF distributions were $72.9 million and $7.6 million above their respective estimates, partially offsetting the positive variance of gross collections. Thus, the YTD positive variance for the GRF was $207.8 million.

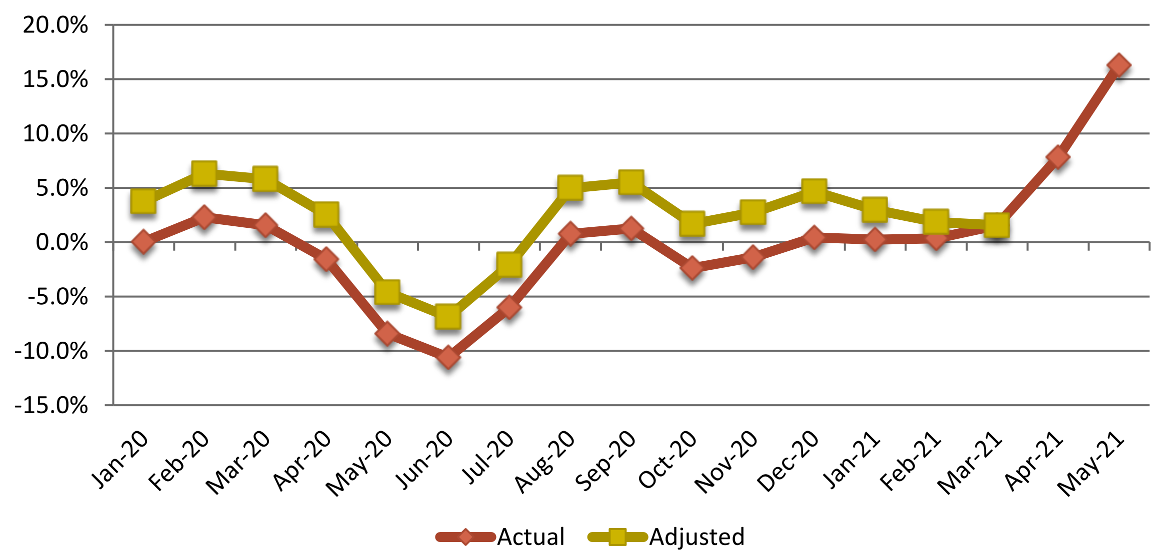
Compared to the corresponding period in FY 2020, gross collections were higher in FY 2021 due to the income tax filing delays. They grew $2.18 billion, driven by increases of $1.41 billion from payments due with annual returns and $326.8 million in revenue from quarterly estimated payments. In addition, employer withholding and trust payments rose $359.7 million and $90.2 million, respectively. On the other hand, miscellaneous payments were below their FY 2020 level by $3.7 million. FY 2021 refunds and LGF distributions were higher than those in FY 2020 by $166.4 million and $39.2 million, respectively. Therefore, growth in PIT GRF revenue totaled $1.98 billion relative to YTD receipts in FY 2020.

Year-over-year growth in withholding receipts in CY 2020 had been limited through December 2020 because of a 4.0% reduction in withholding rates effective January 2020 due to the reduction of income tax rates for nonbusiness income enacted in H.B. 166. This limitation on growth in withholding receipts explains the earlier relatively weak growth in withholding receipts in the first half of FY 2021 (0.8%). Since then, growth in this component has gradually strengthened to reflect more accurately growth in employers' payrolls.

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	$56.1	0.6%	$359.7	4.3%
Quarterly Estimated Payments	$170.8	21.3%	$326.8	50.5%
Trust Payments	$33.1	31.5%	$90.2	188.4%
Annual Return Payments	$35.5	2.1%	$1,409.5	394.0%
Miscellaneous Payments	-$7.2	-8.4%	-$3.7	-4.6%
Gross Collections	$288.4	2.5%	$2,182.5	23.0%
Less Refunds	$72.9	3.5%	$166.4	8.4%
Less LGF Distribution	$7.6	1.9%	$39.2	10.6%
GRF PIT Revenue	$207.8	2.3%	$1,976.8	27.7%

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 January 2020 decrease in the withholding tax rate through the first half of FY 2021 (meaning adjustments are not affecting actual receipts after December).

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



Payrolls are estimated to have increased about 16.3%, on average, in the last three months, though from January through May 2021, withholding receipts growth was 8.5%. Year-over-year growth in withholding receipts in the current fiscal quarter will be high due to increased unemployment levels experienced in the spring of 2020. For example, Ohio's unemployment jumped to 17.6% in April, then decreased to 13.7% in May and 11.0% in June 2020.

Commercial Activity Tax

The last FY 2021 CAT payment from quarterly taxpayers due in May provided $347.9 million. This amount was $3.7 million (1.1%) below estimate, but $15.5 million (4.7%) above May 2020 revenue. The monthly performance of the CAT decreased its YTD cumulative positive variance to $8.1 million (0.5%), down from $11.8 million through April. OBM estimates GRF revenue of $5.7 million in June. Thus, this tax source will probably finish FY 2021 above estimate.

For the fiscal year, YTD GRF receipts of $1.66 billion were $2.2 million (0.1%) above revenue through May in FY 2020. Gross collections totaling $2.11 billion were $41.6 million (2.0%) above last year's gross collections. On the other hand, FY 2021 refunds and credits were $148.1 million, $38.9 million (35.7%) above those items in FY 2020. So, the increase in refunds and credits (which reduce gross collections) this fiscal year explains the lower growth rate for the GRF (0.1%) compared to that of gross collections (2.0%).

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). Through May in FY 2021, Fund 7047 and Fund 7081 received $253.2 million and $39.0 million, respectively. The distributions are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF.

Cigarette and Other Tobacco Products Tax

May receipts of $75.0 million from the cigarette and other tobacco products (OTP) tax were $5.3 million (7.6%) above estimate, and $9.7 million (14.8%) above revenue in May 2020. Revenue from both components of the tax increased relative to their year-ago receipts. For the fiscal year, YTD revenue from this tax source totaling $789.6 million was above estimate by $53.1 million (7.2%). Total revenue included $697.1 million from the sale of cigarettes and $92.5 million from the sale of OTP.

Through May, FY 2021 receipts grew $23.2 million (3.0%) relative to revenues in the corresponding period in FY 2020. OTP sales increased by $17.0 million (22.6%) while receipts from cigarette sales increased $6.2 million (0.9%). The increase in OTP revenue is due, in part, to additional revenue from the vapor tax, but also growth in OTP prices. H.B. 166 levied a tax of 10¢ per milliliter (or gram) of vapor product (depending on the form of the product). For other OTP, the 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 grows with price increases.

On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace. The COVID-19 pandemic temporarily upended historical trends. In the first six months of FY 2021, revenue from cigarette sales was $17.0 million (4.7%) above such receipts in FY 2020 through December. Then, from January to May 2021, those receipts decreased $10.8 million (3.3%) compared to the corresponding period in 2020, resulting in YTD growth of $6.2 million through May 2021.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2021
($ in thousands)
(Actual based on OAKS reports run June 7, 2021)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$522,912	$524,335	-$1,422	-0.3%
Higher Education	$212,940	$195,225	$17,715	9.1%
Other Education	$5,001	$5,182	-$181	-3.5%
Total Education	**$740,854**	**$724,742**	**$16,112**	**2.2%**
Medicaid	$2,263,985	$1,216,571	$1,047,414	86.1%
Health and Human Services	$103,932	$83,464	$20,468	24.5%
Total Health and Human Services	**$2,367,918**	**$1,300,035**	**$1,067,883**	**82.1%**
Justice and Public Protection	$215,761	$222,364	-$6,603	-3.0%
General Government	$38,074	$45,517	-$7,443	-16.4%
Total Government Operations	**$253,835**	**$267,881**	**-$14,046**	**-5.2%**
Property Tax Reimbursements	$221,835	$403,659	-$181,824	-45.0%
Debt Service	$20,063	$21,349	-$1,285	-6.0%
Total Other Expenditures	**$241,898**	**$425,008**	**-$183,110**	**-43.1%**
Total Program Expenditures	**$3,604,504**	**$2,717,666**	**$886,839**	**32.6%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$3,604,504**	**$2,717,666**	**$886,839**	**32.6%**

*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 May 31, 2021
($ in thousands)
(Actual based on OAKS reports run June 7, 2021)

Program Category	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Primary and Secondary Education	$7,578,921	$7,454,589	$124,333	1.7%	$7,455,195	1.7%
Higher Education	$2,175,545	$2,121,557	$53,988	2.5%	$2,138,510	1.7%
Other Education	$69,885	$72,714	-$2,829	-3.9%	$79,938	-12.6%
Total Education	**$9,824,351**	**$9,648,859**	**$175,492**	**1.8%**	**$9,673,643**	**1.6%**
Medicaid	$16,274,186	$17,134,885	-$860,699	-5.0%	$14,428,658	12.8%
Health and Human Services	$1,320,308	$1,371,425	-$51,117	-3.7%	$1,301,856	1.4%
Total Health and Human Services	**$17,594,494**	**$18,506,310**	**-$911,816**	**-4.9%**	**$15,730,515**	**11.8%**
Justice and Public Protection	$2,267,323	$2,361,927	-$94,604	-4.0%	$2,273,209	-0.3%
General Government	$402,358	$448,971	-$46,613	-10.4%	$424,782	-5.3%
Total Government Operations	**$2,669,681**	**$2,810,898**	**-$141,217**	**-5.0%**	**$2,697,991**	**-1.0%**
Property Tax Reimbursements	$1,793,401	$1,826,971	-$33,570	-1.8%	$1,774,351	1.1%
Debt Service	$1,019,837	$1,039,239	-$19,402	-1.9%	$1,375,978	-25.9%
Total Other Expenditures	**$2,813,238**	**$2,866,210**	**-$52,972**	**-1.8%**	**$3,150,329**	**-10.7%**
Total Program Expenditures	**$32,901,765**	**$33,832,277**	**-$930,513**	**-2.8%**	**$31,252,477**	**5.3%**
Transfers Out	**$459,194**	**$446,400**	**$12,794**	**2.9%**	**$668,161**	**-31.3%**
Total GRF Uses	**$33,360,959**	**$34,278,677**	**-$917,718**	**-2.7%**	**$31,920,637**	**4.5%**

*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 June 9, 2021)

	Month of May 2021				Year to Date through May 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,204,552	$1,148,828	$1,055,724	91.9%	$15,654,432	$16,462,263	-$807,830	-4.9%
Non-GRF	$186,220	$1,429,004	-$1,242,784	-87.0%	$9,491,902	$11,106,909	-$1,615,007	-14.5%
All Funds	$2,390,772	$2,577,832	-$187,060	-7.3%	$25,146,334	$27,569,171	-$2,422,837	-8.8%
Developmental Disabilities								
GRF	$52,040	$61,985	-$9,945	-16.0%	$535,537	$586,174	-$50,637	-8.6%
Non-GRF	$191,267	$205,467	-$14,200	-6.9%	$2,549,991	$2,461,429	$88,563	3.6%
All Funds	$243,307	$267,452	-$24,145	-9.0%	$3,085,529	$3,047,603	$37,926	1.2%
Job and Family Services								
GRF	$6,196	$4,817	$1,379	28.6%	$73,964	$76,148	-$2,184	-2.9%
Non-GRF	$15,221	$13,353	$1,868	14.0%	$152,276	$148,611	$3,666	2.5%
All Funds	$21,416	$18,169	$3,247	17.9%	$226,240	$224,758	$1,482	0.7%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,198	$942	$257	27.3%	$10,253	$10,301	-$48	-0.5%
Non-GRF	$2,687	$5,284	-$2,597	-49.1%	$30,693	$39,629	-$8,936	-22.5%
All Funds	$3,885	$6,225	-$2,340	-37.6%	$40,946	$49,929	-$8,983	-18.0%
All Departments:								
GRF	**$2,263,985**	**$1,216,571**	**$1,047,414**	**86.1%**	**$16,274,186**	**$17,134,885**	**-$860,699**	**-5.0%**
Non-GRF	**$395,395**	**$1,653,108**	**-$1,257,713**	**-76.1%**	**$12,224,863**	**$13,756,577**	**-$1,531,714**	**-11.1%**
All Funds	**$2,659,380**	**$2,869,678**	**-$210,298**	**-7.3%**	**$28,499,049**	**$30,891,462**	**-$2,392,413**	**-7.7%**

*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 June 9, 2021)

	Month of May 2021				Year to Date through May 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,800,331**	**$2,016,937**	**-$216,606**	**-10.7%**	**$19,142,618**	**$20,871,312**	**-$1,728,693**	**-8.3%**
CFC†	$621,340	$703,401	-$82,062	-11.7%	$6,724,517	$7,348,972	-$624,455	-8.5%
Group VIII	$532,730	$626,416	-$93,686	-15.0%	$5,677,197	$6,537,433	-$860,235	-13.2%
ABD†	$244,253	$266,289	-$22,036	-8.3%	$2,715,719	$2,869,023	-$153,304	-5.3%
ABD Kids	$85,299	$86,237	-$938	-1.1%	$890,878	$927,059	-$36,181	-3.9%
My Care	$233,096	$253,323	-$20,228	-8.0%	$2,531,108	$2,729,581	-$198,473	-7.3%
P4P & Ins Fee†	$83,614	$81,271	$2,343	2.9%	$603,199	$459,244	$143,955	31.3%
Fee-For-Service	**$623,415**	**$652,460**	**-$29,045**	**-4.5%**	**$7,442,597**	**$8,062,860**	**-$620,263**	**-7.7%**
ODM Services	$386,024	$400,162	-$14,139	-3.5%	$3,801,979	$4,291,703	-$489,723	-11.4%
DDD Services	$237,391	$252,298	-$14,906	-5.9%	$2,996,522	$2,955,341	$41,181	1.4%
Hospital - HCAP&Other†	$0	$0	$0	---	$644,095	$815,816	-$171,721	-21.0%
Premium Assistance	**$159,091**	**$107,199**	**$51,892**	**48.4%**	**$1,096,195**	**$1,052,034**	**$44,161**	**4.2%**
Medicare Buy-In	$123,122	$61,959	$61,163	98.7%	$745,279	$662,521	$82,758	12.5%
Medicare Part D	$35,969	$45,240	-$9,271	-20.5%	$350,916	$389,513	-$38,597	-9.9%
Administration	**$76,543**	**$93,083**	**-$16,540**	**-17.8%**	**$817,639**	**$905,257**	**-$87,617**	**-9.7%**
Total	**$2,659,380**	**$2,869,678**	**-$210,298**	**-7.3%**	**$28,499,049**	**$30,891,462**	**-$2,392,413**	**-7.7%**

*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 & Ins Fee - Pay For Performance, and Health insurance provider fee
Detail may not sum to total due to rounding.

Expenditures[8]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

GRF Medicaid expenditures were over estimate for the month of May by $1.05 billion (86.1%). This large variance partially offsets several negative variances in earlier months, so that the YTD negative GRF variance for Medicaid fell from $1.91 billion at the end of April to $860.7 million (5.0%) at the end of May. The large positive May variance in GRF Medicaid spending was due to a decision to shift spending to the GRF in May to better manage the state's resources that support Medicaid. It is offset by an even larger negative May variance in non-GRF Medicaid spending of $1.26 billion (76.1%), so all funds Medicaid spending was $210.3 million (7.3%) under estimate for the month and $2.39 billion (7.7%) under estimate YTD.

YTD GRF program expenditures totaled $32.90 billion with one month left to go in FY 2021 and were under estimate by $930.5 million (2.8%). Medicaid's GRF YTD negative variance explains most of this variance, although the Justice and Public Protection category also had a significant negative YTD variance of $94.6 million (4.0%) and the Primary and Secondary Education and Higher Education categories had significant positive YTD variances of $124.3 million (1.7%) and $54.0 million (2.5%), respectively. GRF program expenditures for the month of May were $886.8 million (32.6%) over estimate due to the large positive variance in GRF Medicaid expenditures being tempered by a negative variance in Property Tax Reimbursements of $181.8 million (45.0%) that offset this category's positive variance from April. The preceding Table 4 shows YTD variances for each program category and Table 3 shows May variances.

In addition to program expenditures, total uses include transfers out. There were no transfers out in May. Transfers out had a positive YTD variance of $12.8 million (2.9%) at the end of May. Combining program expenditures and transfers out, total GRF uses for the first 11 months of FY 2021 were $33.36 billion. These uses were $917.7 million (2.7%) below estimate. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in Property Tax Reimbursements, Justice and Public Protection, Primary and Secondary Education, and Higher Education.

Medicaid

As mentioned above, Medicaid spending in May shifted from non-GRF to GRF spending when compared to the Ohio Department of Medicaid's (ODM's) estimates. According to OBM, this shift was done to better manage available resources for Medicaid. GRF Medicaid expenditures were above their monthly estimate in May by $1.05 billion (86.1%) but remained below their YTD estimate, by $860.7 million (5.0%), at the end of May. Non-GRF Medicaid expenditures were below their monthly estimate, by $1.26 billion (76.1%), and below their YTD

[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.

estimate, by $1.53 billion (11.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $210.3 million (7.3%) below estimate in May and $2.39 billion (7.7%) below their YTD estimate at the end of May.

The Medicaid expenditure and caseload estimates used in this report were updated by 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. ODM's updated expenditure estimates for FY 2021 assumed the receipt of enhanced federal reimbursement due to the COVID-19 pandemic for the first six months of FY 2021; however, enhanced federal reimbursement has since been authorized for the second six months of FY 2021, increasing the share of Medicaid expenditures reimbursed by the federal government for this period.

From March 2020 through May 2021, caseloads have increased by approximately 27,900 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. Despite increases in caseload during the pandemic, cases have remained below ODM's updated FY 2021 estimates since the beginning of the fiscal year, which has contributed to negative expenditure variances against updated FY 2021 expenditure estimates across many categories of Medicaid spending. Based on updated FY 2021 ODM estimates, May's caseload of 3.2 million enrollees is approximately 284,100 cases (8.1%) below 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 negative variance in May of $187.1 million (7.3%), and YTD expenditures also were below estimate, with a negative variance of $2.42 billion (8.8%). ODODD had a May all funds negative variance of $24.1 million (9.0%) and ended the month with a YTD positive variance of $37.9 million (1.2%). 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 May. Managed Care had the largest negative variance of $1.73 billion (8.3%), followed by Fee-For-Service's (FFS's) negative variance of $620.3 million (7.7%). The negative variances for both Managed Care and FFS are primarily attributable to enrollment being below updated estimates in both Managed Care and FFS. Managed Care's negative variance is additionally influenced by below estimate Managed Care rates which went into effect in January of 2021 and are currently driving down per-member per-month costs for the program. Rounding out the four Medicaid expenditure payment categories, Administration had a negative YTD variance of $87.6 million (9.7%), and Premium Assistance had a positive YTD variance of $44.2 million (4.2%).

Property Tax Reimbursements

The Property Tax Reimbursements category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. This category had positive monthly variances of $32.5 million and $145.0 million in March and April, respectively. These positive variances were offset by a negative variance of $181.8 million (45.0%) in May. At the end of May, this category was under estimate by $33.6 million (1.8%).

Justice and Public Protection

GRF spending in the Justice and Public Protection category was under estimate by $6.6 million (3.0%) in May and has been under estimate every month this fiscal year except for April. YTD expenditures in this category were under estimate by $94.6 million (4.0%) at the end of May. The Department of Rehabilitation and Correction (DRC) is the largest agency in this category and also has the largest negative variances. DRC's GRF spending was under estimate by $12.0 million in May and $62.5 million YTD. All of DRC's GRF appropriation line items were either under or at estimate for the YTD, the largest being item 501321, Institutional Operations, which was under estimate by $9.0 million in May and $45.6 million for the YTD. This item is used for the general operations of the state's prisons.

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 negative variance of $1.4 million (0.3%) in May, decreasing its positive YTD variance to $124.3 million (1.7%). Appropriation item 200550, Foundation Funding, dominates this category's positive YTD variance with a positive YTD variance of $165.9 million. Item 200550 is the main source of state funding for local schools. When developing expenditure estimates for FY 2021, agencies were instructed to withhold a certain amount of the FY 2021 appropriation as part of spending controls instituted by the Governor. A January 2021 executive order restored $152.0 million of the amount that had been withheld for foundation funding. Therefore, it is likely that spending from item 200550 will end the year above estimate.

Higher Education

The Higher Education program category includes all GRF expenditures by the Department of Higher Education (DHE), except for debt service. This category had a positive variance of $17.7 million (9.1%) in May, increasing the category's YTD positive variance to $54.0 million (2.5%). Appropriation item 235501, State Share of Instruction, was above estimate by $17.8 million for May and by $71.3 million for the YTD. The January 2021 executive order restoring funding for primary and secondary education also restored $100.0 million for DHE, so this category may also end the year above estimate.

Issue Updates

Ohio EPA Awards $3.25 Million in Charging Station Grants Under Volkswagen Agreement

– Jamie Doskocil, Fiscal Supervisor

On March 8, 2021, the Ohio Environmental Protection Agency (Ohio EPA) announced $3.25 million in charging station grants under the state's Volkswagen Agreement. These grants were issued to support the installation of more than 500 publicly accessible Level 2 electric vehicle charging ports at 178 locations in 22 counties.[9] In addition to this first round of awards, H.B. 74, the transportation budget bill, created a project-specific appropriation item for an $8.0 million grant program dedicated to DC fast chargers and DC fast charging stations (Level 3).[10] Ohio EPA will announce this new grant program before December 31, 2021, and if any funds are left unexpended after the initial round of awards, the remainder may be used for the purposes of supporting additional Level 2 charging stations.

Ohio EPA – Level 2 Charging Station Grants ($3.25 Million)					
County	Number of Locations Funded	Total Award	County	Number of Locations Funded	Total Award
Butler	11	$195,737	Lorain	12	$255,000
Clermont	4	$49,570	Lucas	11	$159,800
Cuyahoga	22	$303,182	Madison	2	$30,000
Delaware	2	$60,000	Mahoning	5	$132,298
Erie	1	$15,000	Medina	4	$120,000
Fairfield	3	$75,000	Montgomery	19	$303,182
Franklin	16	$303,182	Ottawa	1	$12,618
Geauga	3	$75,000	Portage	7	$131,385
Greene	5	$105,000	Stark	1	$15,000
Hamilton	20	$303,182	Summit	16	$303,182
Lake	8	$185,000	Warren	5	$117,682

[9] Level 2 charging stations typically replenish electric vehicle batteries at a faster rate than Level 1 and are more popular in home or public use settings. Level 1 chargers can be plugged into any standard electrical outlet.

[10] DC, or Level 3, charging stations are the fastest type of charging station and are more common for commercial use. Not all electric vehicles are compatible with DC chargers.

The Volkswagen Mitigation Trust Fund resulted from a federal lawsuit filed in 2016 that alleged Volkswagen installed defeat devices on certain vehicles (model years 2009 through 2016). The devices activated during emissions testing made vehicles appear to be compliant with the law, when in fact, during on-road operation, the vehicles emitted nine to 40 times the allowable amount of nitrogen oxides, a harmful air pollutant. A settlement filed with the court distributed funds to states based on the number of vehicles with the illegal devices that were registered within them. Overall, $14.7 billion was awarded to parties in the suit, with $10.0 billion being awarded to certain owners of the vehicles, $2.0 billion to promote zero emission vehicles and $2.7 billion to remediate environmental effects of excess nitrogen oxides emissions across all 50 states; Washington, D.C.; and tribal communities.

Ohio's portion of the settlement totaled approximately $75 million. It will be distributed over 15 years and is governed by a trust agreement. Ohio's Beneficiary Mitigation Plan generally allocated the funds for three types of mitigation efforts: (1) on-road fleets, including the replacement of school and transit buses and local freight vehicles, (2) nonroad/off-road fleets and equipment, which include replacement of tugboats, ferries, and switcher locomotives as well as improvements at port and airport handling facilities, and (3) zero emission vehicle infrastructure including charging stations and hydrogen fuel cell corridors. Ohio EPA may also use a portion of the settlement to cover administrative costs. A copy of Ohio's plan is available on Ohio EPA's website.[11]

Ohio Department of Natural Resources Awards $500,000 in Paddling Enhancement Grants

– Terry Steele, Senior Budget Analyst

On May 6, 2021, the Department of Natural Resources awarded nearly $500,000 to seven recipients under the Division of Parks and Watercraft's Paddling Enhancement Grant Program. The goal of the grant program is to increase the public's access to areas where hand-powered watercraft may be used. Grants are awarded for projects that improve waterway safety for paddlers, enhance paddlers' access to tourist amenities, upgrade existing paddling sites, and promote the state's 15 designated water trails. Awards are capped at $75,000 and are issued on a reimbursement basis. No match is required. Facilities that charge user fees are eligible for reimbursement for up to 50% of the project cost. Five of the seven projects awarded under this round received the maximum $75,000 award. All seven of the recipients, along with a project description, are listed in the table below by county.

[11] https://epa.ohio.gov/oee/#1844010485-ohios-beneficiary-mitigation-plan.

Paddling Enhancement Grants, FY 2021		
Recipient (County)	**Project and Location**	**Award**
Ashtabula County Metroparks (Ashtabula)	Hand-powered boat launch at Upper Grand River Metropark – Grand State Wild and Scenic River	$75,000
Hocking College (Athens)	Canoe and kayak launch and parking lot improvements – Lake Snowden	$75,000
MetroParks of Butler County (Butler)	Watercraft launch at Rentchler Forest MetroPark – Great Miami River	$44,000
Village of Pomeroy (Meigs)	Americans with Disabilities Act (ADA) compliant canoe and kayak launch, gangway, and dock – Ohio River	$75,000
Village of Malta (Morgan)	ADA compliant canoe and kayak launch, lighting and parking upgrades at Malta Boat Ramp – Muskingum River Water Trail	$75,000
Village of Elmore (Ottawa)	ADA accessible canoe and kayak launch and loading area improvements at Harry Witty Park – Portage River	$75,000
Village of Newton Falls (Trumbull)	ADA compliant canoe and kayak launch area and parking lot upgrades at the Commerce Park Launch – Mahoning River Water Trail	$73,920
	Total	**$492,920**

The Paddling Enhancement Grant Program was created in 2020. Funding for the grants comes from hand-powered watercraft registration fees ($20to $25 every three years) deposited into the Waterways Safety Fund (Fund 7086). In addition to registration fees from all types of watercraft, Fund 7086 receives a 0.875% share of the state's motor fuel tax and money from the U.S. Coast Guard.

Ohio Receives $1.0 Million in Emergency Home Visiting Funds

– Wendy Risner, Division Chief

On May 11, 2021, the Ohio Department of Health (ODH) was awarded an emergency allocation of $1.0 million for the federal Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program to support families impacted by COVID-19. Specifically, funds will be used to enhance access to home visiting services and to provide supplies such as diapers, food, and hand sanitizer. In addition to direct services, the moneys will be used to train home visitors on emergency preparedness and response planning with a focus on how to safely conduct virtual intimate partner violence screenings. The program is available for families from a child's birth through the child's enrollment into kindergarten. Priority is given to families living in communities at risk for poor maternal and child health outcomes.

Funds were provided through the U.S. Health Resources and Services Administration, which administers the MIECHV Program. ODH was one of 56 entities receiving emergency allocations, which totaled $40.0 million. The goals of the MIECHV Program are to: improve maternal and child health, prevent child abuse and neglect, support positive parenting, and promote child development and school readiness. Families participating in the program have access to health, social service, and child development professionals. These professionals provide help in identifying childhood milestones and breastfeeding support and encourage mothers in their efforts towards economic self-sufficiency by helping them continue their education and find employment. In federal fiscal year (FFY) 2019, across the nation, 70% of participating families had incomes at or below 100% of federal poverty guidelines (about $21,330 for a family of three in FFY 2019) and 20% of the newly enrolled households had a reported history of child abuse and maltreatment. Additionally, in FFY 2019, the program screened over 80% of MIECHV caregivers for depression within three months of enrollment or the child's delivery and screened for intimate partner violence within six months of enrollment.

Missing Children Clearinghouse Report Shows Decrease in Number of Children Reported Missing in 2020

– Jamie Doskocil, Fiscal Supervisor

On May 25, 2021, the Attorney General's Office released the Ohio Missing Children Clearinghouse Report for 2020. According to the report, 16,332 children were reported missing in 2020, compared to 18,638 in 2019. The 2020 total represents a reduction of 12.4%, or 2,306 children, from 2019. Of those reported missing in 2020, 97.2%, or 15,881 children, were recovered safely by year's end. As shown in the table below, the majority of reported missing children in 2020 fall between the ages of 13 and 17 (92.7%, or 15,136 children).

The Ohio Missing Children's Clearinghouse was established in 1993 and is operated by the Bureau of Criminal Investigation's Missing Persons Unit. The clearinghouse acts as a central repository for statistics received on missing persons in Ohio whose cases have been entered into the National Crime Information Center (NCIC) database by law enforcement agencies. Law enforcement agencies have the option of noting the circumstances of the disappearance, if known. About half of all missing person reports filed with NCIC contain this information. Some of these circumstances include runaway, abduction by noncustodial parent, and abduction by stranger.

Ohio's Amber Alert system launched in 2003 and serves as a tool to help locate missing persons. In 2020, Ohio law enforcement issued seven Amber Alerts through the Ohio Amber Alert Plan. All seven of the children were recovered safely. Additionally, ten Endangered Missing Children Alerts were issued, involving one child each. Of those ten children, eight were recovered safely and two were found deceased due to accidental drowning. The complete report can be found on the Attorney General's website.[12]

[12] https://www.ohioattorneygeneral.gov/Files/Reports/Missing-Children-s-Clearinghouse-Reports/2020-Missing-Children-Clearinghouse.aspx.

Ohio Missing Children's Clearinghouse Statistics, CY 2018 to CY 2020			
Category	**2018**	**2019**	**2020***
Total Missing Children Reported	19,879	18,638	16,332
Females	*10,643*	*9,606*	*8,396*
Males	*9,236*	*9,032*	*7,935*
Age 0 to 5	*177*	*132*	*158*
Age 6 to 12	*1,237*	*1,214*	*1,038*
Age 13 to 17	*18,465*	*17,292*	*15,136*
Recovered	19,510 (98.1%)	18,246 (97.9%)	15,881 (97.2%)
Amber Alerts Issued	10	3	7

*In one instance, the sex was unknown.

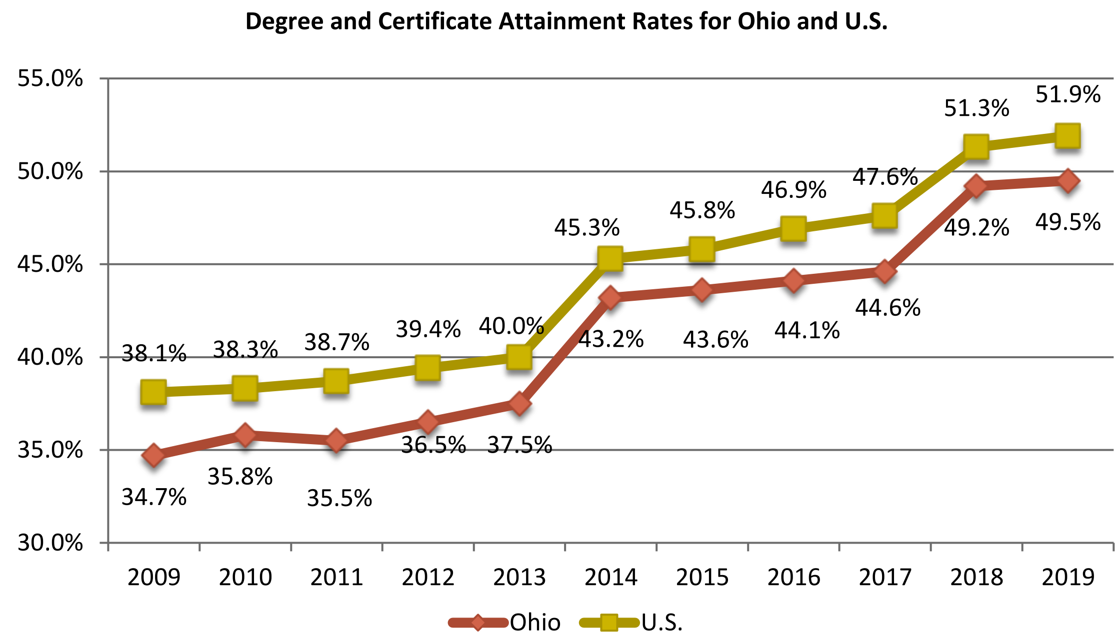
Postsecondary Degree or Certificate Attainment Increased to 49.5% in Ohio in 2019

– Jason Glover, Budget Analyst

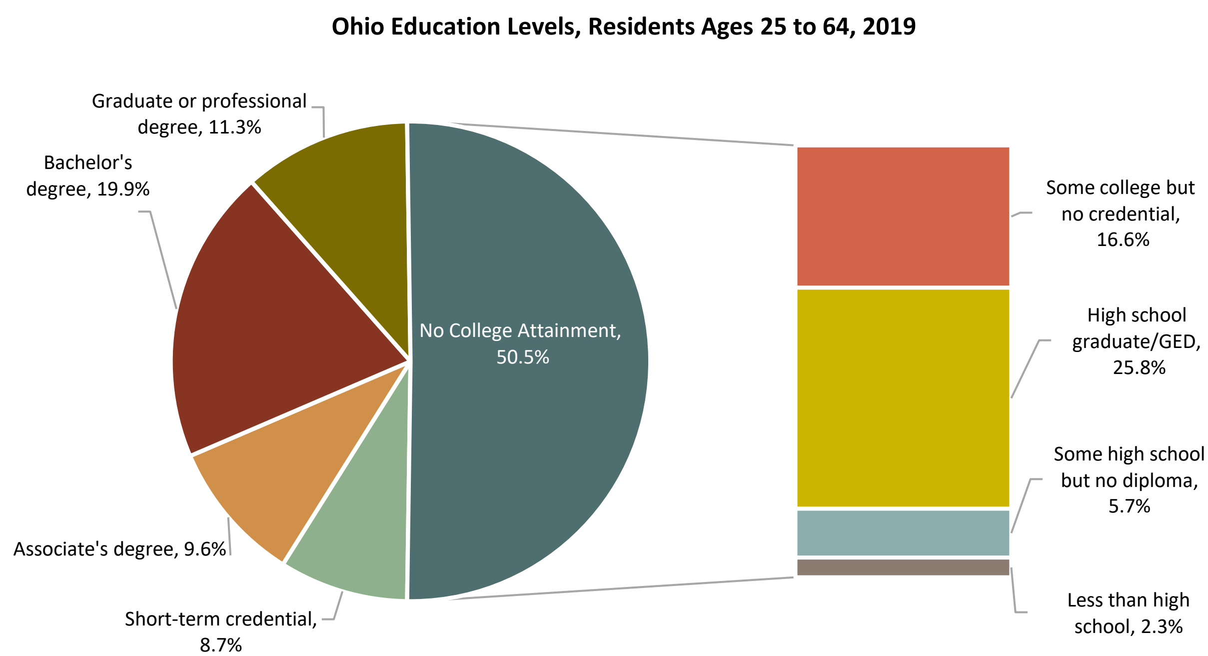
Ohio's overall rate of college degree or certificate attainment increased slightly, from 49.2% in 2018 to 49.5% in 2019, according to the latest figures compiled by the Lumina Foundation. The chart below plots Ohio's progress toward achieving its goal of 65% of Ohioans ages 25 to 64 having a degree, certificate, or other postsecondary credential of value in the marketplace by 2025.[13] While Ohio's attainment rate has steadily increased since 2009, the 49.5% attainment rate in 2019 was still over two percentage points below the national average of 51.9%. The large percentage point increases in both Ohio's and the U.S.'s average attainment rates in 2014 and 2018 are due to the inclusion of workforce-relevant certificates (beginning in 2014) and certifications (beginning in 2018).[14]

[13] Lumina's full report for Ohio can be viewed online at: https://luminafoundation.org/stronger-nation/report/2021/#state/OH.

[14] In general, a certificate is granted through completion of an academic program while a certification is a credential earned by demonstrating specialized knowledge or experience in a particular professional field, typically through passage of an assessment.



The pie chart below illustrates the education levels of Ohio residents between the ages of 25 and 64. Overall, the most common credential among those completing some form of postsecondary education is a bachelor's degree (19.9%), followed by a graduate or professional degree (11.3%), associate's degree (9.6%), and short-term credential (8.7%, including certifications and certificates). The remaining 50.5% of the population between ages 25 and 64 have not completed a postsecondary credential. However, 16.6% have some college experience.



Educational attainment rates for Ohioans ages 25 to 64 earning at least an associate's degree vary widely by county (note that the Lumina Foundation's data does not estimate the number of residents with postsecondary certificates at the county level). Fifteen (17%) counties were above the state rate, excluding certificates, of 40.8%. Delaware County had the highest rate, at 65.3%. Holmes County had the lowest rate, at 12.5%.

DHE Announces Guidance that Offers Students with Some College Education and Debt a Path to a Degree or Credential

– Edward M. Millane, Senior Budget Analyst

On May 12, 2021, DHE announced it issued guidance to all public universities and community colleges aimed at supporting Ohioans who have some college education and institutional debt, to reenroll at an institution to complete a degree or credential program (College Comeback). According to a report from the Institute for Higher Education Policy (IHEP), students that have institutional debt can face registration and transcript holds, which can discourage students from remaining on a pathway to degree or credential completion or prevent students who have already disenrolled with some college education to reenroll to complete a degree or credential program.[15] Under College Comeback, an institution may offer these students the opportunity to reenroll and have all, or at least a portion, of their institutional debt forgiven. In return for debt forgiveness, institutions gain revenue from tuition and State Share of Instruction (SSI) subsidy.[16] According to DHE, institutional debt forgiveness programs generally have the following components:

1. A written agreement with the student detailing financial responsibilities;
2. Academic entry and progress requirements; and
3. Cancellation of past-due debt when requirements are met, which is typically each term.[17]

In Ohio, Cleveland State University and Clark State, Lorain County, Stark State, and Zane State community colleges are currently operating institutional debt forgiveness programs at their campuses.[18] Under its Project Re-start Debt Forgiveness Program, Cleveland State permits up to $5,000 in debt to be forgiven for its returning, eligible students. In return, it receives an estimated $11,200 in tuition revenue per full-time student for two terms plus any additional revenue from SSI for course and, potentially, degree completion. Clark State's The New Beginning and Lorain County's Commodore Comeback programs each forgive up to $1,000 in debt owed to those

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[15] IHEP's *Innovative Strategies to Close Postsecondary Attainment Gaps: Institutional Debt-Forgiveness Programs*; page 2 – May 2019.

[16] The SSI formula allocates funding to institutions based on prescribed percentages for certain institutional outcome factors, such as student course and degree completions. In general, each institution's allocation is based on the campus's share of the total for each formula component. The institutions in which the eligible students reenroll may gain some additional SSI funding depending on whether the institutions attain a greater share of the statewide amounts computed for each component.

[17] *College Comeback: ODHE Formal Guidance*, page 2, https://www.ohiohighered.org/college-comeback.

[18] *College Comeback: ODHE Formal Guidance*, pages 2-3.

respective institutions for each eligible student. Based on six credit hours completed per student, Clark State and Lorain County receive approximately $992 and $887, respectively, plus any additional SSI subsidy revenue for course and, potentially, degree completion.

ODE Publishes Data Insights Regarding Ohio Students' Internet Connectivity and Technology Access

– Sarah Anstaett, LSC Fellow

In May 2021, ODE published updated data insights regarding Ohio students' internet connectivity and technology access. Based on survey responses from over 500 (85%) traditional public districts representing 1.3 million of Ohio's 1.7 million K-12 students in January 2021, ODE concluded that, while a large majority of students have internet connectivity and technology at home, disparities in internet connectivity and technology access exist between district comparison groupings (typologies).

School districts reported that, on average, 83% of students had either broadband access or cellular internet access at home and 3% of students had no access. Districts did not have systematic internet access data on 14% of their students. Students in major urban and rural districts had the lowest levels of internet access at home by district typology, at 75% and 79% respectively. Students in smaller urban districts had the highest average rates of home internet access, at 93%, followed by students in small town districts (85%) and suburban districts (83%).[19]

The ease and quality of internet access varies based on the type of internet connection. According to ODE, "cellular connections may be less reliable, work only with mobile devices and may require families to track data usage limits." Of the 83% of students that had internet access, an average of 75% of students had broadband access while 8% were limited to access via a cellular connection. Students in major urban districts tend to have the heaviest reliance on cellular connectivity, with an average of 23% using this type of connection. Students in suburban districts relied on cellular connectivity the least, with an average of 3%. Averages for other district types ranged from 6% for small towns to 11% for smaller urban districts.

Internet connectivity through broadband may expand soon, particularly in unserved or distressed areas of the state (as defined under the Urban and Rural Initiative Grant Program). In May 2021, the General Assembly enacted H.B. 2, providing $20.0 million in grants to qualified broadband service providers through the Ohio Residential Broadband Expansion Grant Program Fund in FY 2021 (and FY 2022 if funds remain available). The grants will fund construction and improvement of broadband infrastructure in unserved or distressed areas.

Ohio students have better access to technology devices than access to internet at home, with less variation among district types. School districts reported that, on average, 92% of students have access to a laptop, desktop, tablet, or smartphone at home while 3% of students do not have access to technology devices. Districts did not have systematic data on access to devices for 5% of students. Of the 92% of students who have access to a technology device, an average of 91% of students have access to a laptop, desktop, or tablet while 1% were limited to

[19] See https://education.ohio.gov/Topics/Reset-and-Restart/Data-Insights-Ohio-Students-Internet-Connectivit/Data-Insights-Supplemental-Information#DIFFERENCES%20ACROSS%20DISTRICT%20TYPOLOGY.

access to a smartphone. The average percentage of students with access to a device at home was lowest in small town districts, at 91%, and highest in urban districts, at 95%.

Controlling Board Approves $1.2 Million Contract to Provide Mental Health Services by Teletherapy and Telemedicine in Rural School Districts

– Tom Wert, Senior Budget Analyst

On May 24, 2021, the Controlling Board granted approval for the Department of Administrative Services to enter into a $1.15 million contract with Muskingum Valley Educational Service Center (MVESC), located in New Lexington (Perry County), to provide teletherapy carts to 48 schools and telemedicine carts to four schools in 15 rural school districts. The teletherapy carts will enable MVESC's school psychology program to provide mental health services to more than 19,000 students in six counties (Coshocton, Morgan, Muskingum, Noble, Perry, and Tuscarawas).

The equipment will allow school psychologists, counselors, and other therapists to address problems such as stress, anxiety, bullying, family problems, learning impairments, and substance abuse that affect students, their families, and educators via live and authentic interactions. The four telemedicine carts will allow greater access to medical providers and are equipped with many basic diagnostic tests. Funding for the program will be provided through the Information Technology Development Fund (Fund 5LJ0), which receives revenue from charges assessed to state agencies based on their information technology spending during the prior fiscal year.

Tracking the Economy

– Eric Makela, Economist

Overview

The U.S. economy is strengthening. Nationwide, 559,000 nonfarm payroll jobs were added in May, and the unemployment rate dropped from 6.1% to 5.8%. Personal income tumbled 13.1% in April after rising 20.9% in March, as stimulus payments to individuals phased in and out. Industrial production rose 0.5% in April and by 0.7% so far this year despite a significant decline in vehicle assemblies in the first four months of 2021. Gross domestic product adjusted for inflation (real GDP) rose at a 6.4% annual rate in the 2021 first quarter. Inflation has picked up this year.

Ohio lost 3,700 nonfarm payroll jobs in April. Employment in the state is up 30,500 (0.6%) in this year's first four months. The unemployment rate in April was unchanged at 4.7%. Despite challenges, workers in Ohio have achieved wage gains over the last year, with average weekly earnings increasing by 4.8%. The region's businesses and economic activity are growing, according to a survey conducted by the Federal Reserve Bank of Cleveland, and most companies expect further growth.

The National Economy

Nonfarm payroll employment rose by 559,000 in May, while the number of unemployed persons fell by 496,000. A sizable share of job gains occurred in the leisure and hospitality industry (+292,000), as economies continue to reopen and social norms include a more relaxed approach to the COVID-19 virus. While nonfarm payrolls were still down (-7.6 million, -5.0%) from prepandemic levels, job gains totaling nearly 2.4 million this year signal rising capacity in the job market.

On a seasonally adjusted basis, the economy lost 20,000 construction jobs and gained 23,000 manufacturing jobs in May, the latter due to a partial rebound from job losses in April. Arts, entertainment, and recreation (+71,700), health care and social assistance (+45,800), and educational services (+40,700) all added workers. Professional and business services (+35,000) realized job gains, and information (+29,000) and transportation and warehousing (+22,900) also added workers. Within the leisure and hospitality industry, accommodation and food services (+220,600) added the most jobs during May, as restaurants and bars reopened or increased operating capacity.[20] Net government employment, including federal workers, was up by 67,000.

The number of persons counted as unemployed fell in May to 9.3 million, and the national unemployment rate declined by 0.3 percentage point in the month, when 5.8% of the labor force was unemployed and actively seeking work.[21] Chart 5 displays total employment; Chart 6 shows the unemployment rate. The seasonally adjusted employment-population ratio continues to climb and is up 0.6 percentage point during 2021, though at 58.0% in May is still below any prepandemic month since 1983.

[20] Arts, entertainment, and recreation is also part of the leisure and hospitality sector.

[21] National unemployment statistics include persons who are not currently employed, are available for work, and searched for jobs during the four weeks preceding the household survey.

The number of job openings rose in April to 9.3 million, the highest level on record in data collected since 2000. Hiring was up modestly. Layoffs and discharges in April were the lowest on record.[22]

Real GDP increased at an annualized rate of 6.4% during the first quarter of 2021, the result of increases in personal consumption expenditures (PCE), fixed investment, and government spending. Real GDP was 0.4% higher in the first quarter of 2021 than in the first quarter of 2020. PCE on services rose at a 4.6% rate during the latest quarter, and PCE on both durable goods (+48.6%) and nondurable goods (+14.0%) bounced back from decreases the previous quarter.[23] The surge in consumer spending was supported by a jump in disposable personal income, which rose at a 67.7% annualized rate, due mostly to federal stimulus payments to households. From the investment accounts, both residential (+12.7%) and nonresidential (+10.8%) fixed investment were up markedly in 2021's opening quarter. Overall, final sales to domestic purchasers rose at a strong 10.3% annual rate as businesses liquidated inventories to meet demand.

Nationally, industrial production was up 0.5% in April, on a seasonally adjusted basis. The increase reflects output growth in each major industrial group: manufacturing (+0.2%), mining (+0.9%), and utilities (2.5%). Among major market groups, output of construction supplies (-1.3%) declined during April; output of materials (+0.9%) and consumer goods (+0.5%) increased. Auto and light truck assemblies fell in April to the lowest rate since June 2020, reflecting supply chain issues.

Inflationary pressures have become more widespread in 2021. In the first four months of this year, the consumer price index (CPI) for all items increased at a 6.2% annual rate. The upturn in part reflects sharply higher energy prices. Excluding energy and also food prices, the CPI rose at a 4.2% annual rate in the year's first four months, up from 1.6% for all of 2020.

The Ohio Economy

Employers in Ohio dropped 3,700 workers from their payrolls in April; of that total, service-providing industries shed 3,300 workers while employment in goods-producing industries declined by 400. Among major service industries, employment totals decreased in leisure and hospitality (-3,900), wholesale trade (-900), transportation, warehousing and utilities (-700), and state government (-700). Seasonally adjusted employment rose within the health care and social assistance (+2,100) and management of companies and enterprises (+1,000) industry segments. Within goods-production businesses, a decrease in manufacturing employment (-800) was partially offset by job gains in construction (+400).

[22] Data are from the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover report, a survey separate from the household and establishment surveys on which employment and unemployment data are based.

[23] Growth measures are at seasonally adjusted annual rates.

In April 2020, Ohio's unemployment rate hit a series high, when 16.4% of the state's workforce was in search of work. One year later, the state's unemployment rate rested at 4.7%, 1.4 percentage points below the national level. In April 2021, approximately 5.77 million persons were estimated to be participating in Ohio's labor force, of which 272,500 individuals were unemployed.[24] The average weekly earnings of all workers in the private sector increased by $42.54 (4.8%) between April 2020 and April 2021, the result of increases in both wages and hours worked. Chart 5 displays total employment; Chart 6 shows the unemployment rate.

During the week ending May 22, a total of 91,537 Ohioans were claiming unemployment insurance compensation from the Ohio Department of Job and Family Services (ODJFS), a reduction of 8,743 from the previous week and the lowest since March of last year. Separately, claims continue to be reported under pandemic unemployment insurance programs for Ohio and other states.

The frenetic pace of Ohio's housing market continues, according to Ohio Realtors. Between 2020 and 2021, the number of existing housing unit sales rose 7.6% YTD through April, while the average sale price increased 14.0%. The total dollar volume of existing home sales in the first four months of 2021 was $9.8 billion, a 22.6% increase from $8.0 billion through April of 2020.

Economic recovery in the Cleveland Federal Reserve District gained strength during the most recent survey reporting period.[25] Staffing levels in the district rose modestly; manufacturers added overtime hours to compensate for staffing shortages, while some restaurants and retailers operated with reduced hours or closed locations for the same reason. About three quarters of survey contacts indicated rises in nonlabor operating costs, and a larger percentage of companies are raising prices to compensate. Survey participants noted a strong increase in consumer spending, including expenditures on consumer goods and services. Residential construction and real estate demand is still strong though some contacts think high prices are eroding enthusiasm. Demand for auto loans and mortgages stayed strong during the period, and banking firms noted a rise of activity in business loans. Providers of professional and business services remained in high demand, and some anticipate growing demand as projects move forward uninhibited by the pandemic. Freight contacts noted how a lack of drivers and bottlenecks at ports continued to weigh on potential activity but expect demand for their services to remain very high.

[24] Data are seasonally adjusted.

[25] 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 businesses and industry contacts outside of the Federal Reserve System, collected on or before May 25, 2021.

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

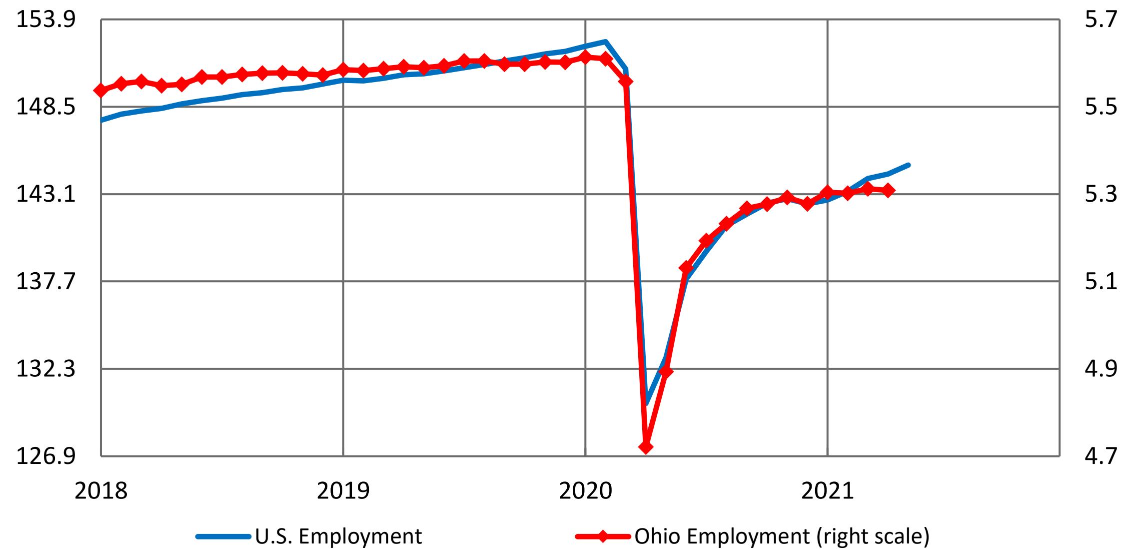

Chart 6: U.S. and Ohio Unemployment Rates % of Labor Force