LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2021 Issue: May 2021

Highlights

– *Ross Miller, Chief Economist*

April GRF tax revenue was $338 million less than the estimate published by the Office of Budget and Management (OBM) in September 2020. The personal income tax (PIT) by itself was $555 million below estimate, though one must note that the Tax Commissioner delayed the PIT filing deadline until mid-May. We will not know until late May how much of the April PIT shortfall is due to the delay and how much is due to COVID-19-related economic challenges during last year. The sales and use tax continued to show remarkable strength in April, though, exceeding estimate by $228 million, offsetting a portion of the PIT weakness.

Ohio payroll employment grew by 12,700 from February to March, including 4,800 jobs in educational services, 2,900 in construction, and 2,200 in manufacturing. Despite growth for that month, March payroll employment was 243,200 below its level of March 2020.

Through April 2021, GRF sources totaled $30.98 billion:

- Revenue from the sales and use tax was $705.5 million above estimate;
- PIT receipts were $356.1 million below estimate.

Through April 2021, GRF uses totaled $29.76 billion:

- Program expenditures were $1.82 billion below estimate, due primarily to GRF Medicaid expenditures having been below estimate by $1.91 billion;
- Expenditures in the Property Tax Reimbursements and Primary and Secondary Education program categories were above their respective estimates by $148.3 million and $125.8 million.

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of April 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 3, 2021)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$202,694	$164,100	$38,594	23.5%
Nonauto Sales and Use	$1,017,748	$828,300	$189,448	22.9%
Total Sales and Use	*$1,220,442*	*$992,400*	*$228,042*	*23.0%*
Personal Income	$866,924	$1,421,800	-$554,876	-39.0%
Commercial Activity Tax	$74,716	$70,700	$4,016	5.7%
Cigarette	$74,979	$74,700	$279	0.4%
Kilowatt-Hour Excise	$30,911	$30,600	$311	1.0%
Foreign Insurance	$360	$300	$60	20.0%
Domestic Insurance	$1	$200	-$199	-99.5%
Financial Institution	$14,079	$25,600	-$11,521	-45.0%
Public Utility	$475	$200	$275	137.5%
Natural Gas Consumption	$29	$4,500	-$4,471	-99.3%
Alcoholic Beverage	$4,632	$4,800	-$168	-3.5%
Liquor Gallonage	$4,907	$4,400	$507	11.5%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$32	$0	$32	---
Business and Property	$5	$0	$5	---
Estate	$5	$0	$5	---
Total Tax Revenue	**$2,292,497**	**$2,630,200**	**-$337,703**	**-12.8%**
Nontax Revenue				
Earnings on Investments	$13,038	$3,125	$9,913	317.2%
Licenses and Fees	$26,167	$10,481	$15,685	149.7%
Other Revenue	$667	$9,171	-$8,504	-92.7%
Total Nontax Revenue	**$39,872**	**$22,777**	**$17,094**	**75.0%**
Transfers In	**$166**	**$0**	**$166**	**---**
Total State Sources	**$2,332,535**	**$2,652,977**	**-$320,442**	**-12.1%**
Federal Grants	**$779,628**	**$609,274**	**$170,354**	**28.0%**
Total GRF Sources	**$3,112,163**	**$3,262,251**	**-$150,088**	**-4.6%**

*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 April 30, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 3, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Tax Revenue						
Auto Sales	$1,510,591	$1,301,100	$209,491	16.1%	$1,225,629	23.3%
Nonauto Sales and Use	$8,415,974	$7,920,000	$495,974	6.3%	$7,691,165	9.4%
Total Sales and Use	*$9,926,565*	*$9,221,100*	*$705,465*	*7.7%*	*$8,916,794*	*11.3%*
Personal Income	$7,901,824	$8,257,900	-$356,076	-4.3%	$6,629,138	19.2%
Commercial Activity Tax	$1,307,489	$1,295,700	$11,789	0.9%	$1,320,734	-1.0%
Cigarette	$714,628	$666,800	$47,828	7.2%	$701,042	1.9%
Kilowatt-Hour Excise	$267,055	$287,200	-$20,145	-7.0%	$289,147	-7.6%
Foreign Insurance	$351,271	$322,500	$28,771	8.9%	$336,417	4.4%
Domestic Insurance	$976	$1,100	-$124	-11.3%	$1,685	-42.1%
Financial Institution	$160,935	$137,100	$23,835	17.4%	$153,270	5.0%
Public Utility	$82,581	$101,200	-$18,619	-18.4%	$100,955	-18.2%
Natural Gas Consumption	$35,827	$44,900	-$9,073	-20.2%	$32,584	10.0%
Alcoholic Beverage	$49,729	$45,000	$4,729	10.5%	$44,064	12.9%
Liquor Gallonage	$47,716	$42,200	$5,516	13.1%	$43,936	8.6%
Petroleum Activity Tax	$3,202	$7,400	-$4,198	-56.7%	$6,614	-51.6%
Corporate Franchise	$5,909	$0	$5,909	---	-$310	---
Business and Property	$64	$0	$64	---	$0	---
Estate	$31	$0	$31	---	$68	-54.0%
Total Tax Revenue	**$20,855,802**	**$20,430,100**	**$425,702**	**2.1%**	**$18,576,139**	**12.3%**
Nontax Revenue						
Earnings on Investments	$45,600	$21,875	$23,725	108.5%	$111,446	-59.1%
Licenses and Fees	$81,639	$58,090	$23,550	40.5%	$63,499	28.6%
Other Revenue	$107,118	$102,788	$4,330	4.2%	$103,109	3.9%
Total Nontax Revenue	**$234,357**	**$182,752**	**$51,605**	**28.2%**	**$278,054**	**-15.7%**
Transfers In	**$97,150**	**$77,932**	**$19,218**	**24.7%**	**$77,045**	**26.1%**
Total State Sources	**$21,187,309**	**$20,690,784**	**$496,525**	**2.4%**	**$18,931,238**	**11.9%**
Federal Grants	**$9,796,430**	**$10,889,393**	**-$1,092,963**	**-10.0%**	**$8,291,853**	**18.1%**
Total GRF SOURCES	**$30,983,739**	**$31,580,177**	**-$596,438**	**-1.9%**	**$27,223,091**	**13.8%**

*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 J. Botomogno, Principal Economist

Overview

April 2021 PIT revenue was $554.9 million (39.0%) below the projection published by OBM in September 2020, due to a shift in the tax filing deadline. Last year, among measures responding to the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments to match the extended deadline for federal income tax returns. The Tax Commissioner used this authority this year to follow the Internal Revenue Service (IRS) in extending to May 17, 2021, the deadline to file and pay income taxes for tax year (TY) 2020 returns that were originally due in April. Consequently, April PIT revenue looks weak, but PIT receipts are likely to be larger than the estimate next month when the final tally of the tax season occurs.

Due to the PIT's performance, GRF tax sources as a whole were $337.7 million (12.8%) below anticipated revenue in April. However, excluding the PIT, the overall performance of the GRF tax category was remarkably strong, coming in $217.2 million (18.0%) above the combined estimates, driven by a strong positive variance of $228.0 million for the sales tax. In addition, the commercial activity tax (CAT) and the cigarette tax were $4.0 million and $0.3 million above their respective estimates. Among the remaining tax sources, the natural gas consumption tax and the financial institutions tax (FIT) had notable negative variances of $4.5 million and $11.5 million, respectively. (April revenue for the FIT partially reversed a positive variance of $18.1 million in the previous month.[2]) Partially offsetting the shortfall of GRF tax sources, federal grants were $170.4 million (28.0%) above estimate, nontax revenue was $17.1 million (75.0%) above estimate, and OBM transferred in April $0.2 million to the GRF that was not previously anticipated. Thus, monthly total GRF sources (which includes tax revenue, nontax revenue, transfers in, and federal grants) posted a deficit of $150.1 million (4.6%). Tables 1 and 2 show GRF sources for the month of April and for FY 2021 through April, respectively.

For the fiscal year through April, GRF sources of $30.98 billion were $596.4 million (1.9%) short of the estimate, due to a year-to-date (YTD) substantial negative variance of $1.09 billion (10.0%) for federal grants. This pattern of negative variances for federal grants has occurred most of the fiscal year. GRF tax sources, despite the April shortfall, held to a YTD positive variance of $425.7 million (2.1%); nontax revenue and transfers in were above their expected revenue levels by $51.6 million (28.2%) and $19.2 million (24.7%), respectively. GRF

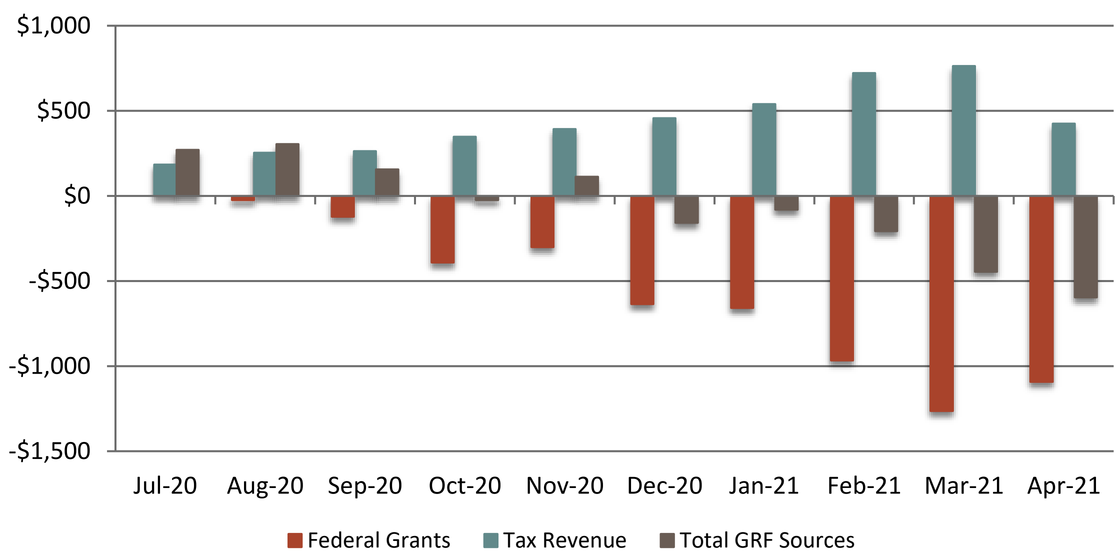
[1] This report compares actual monthly and year-to-date (YTD) GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate. As explained in the April edition of Budget Footnotes, OBM issued updated FY 2021 GRF revenue estimates with the release of the executive budget (Blue Book) in February. This article continues to compare to OBM's September estimates.

[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. Including April revenue, the FIT exceeded estimates by $6.6 million (11.4%) for the March payment.

revenue from federal grants is related to spending for Medicaid and other human services programs, and YTD GRF Medicaid expenditures also posted a substantial negative variance totaling $1.91 billion (12.0%) through April.[3] Thus, on balance, the FY 2021 budget continues to remain sound.

Regarding YTD performances of tax sources, though the PIT posted a shortfall of $356.1 million, the sales and use tax, the cigarette tax, and the CAT were $705.5 million, $47.8 million, and $11.8 million above their respective estimates. The following GRF sources also experienced positive YTD variances: the foreign insurance tax ($28.8 million), the FIT ($23.8 million), the liquor gallonage tax ($5.5 million), the alcoholic beverage tax ($4.7 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, and the petroleum activity tax (PAT). These taxes fell short of projections by $20.1 million, $18.6 million, $9.1 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 April in FY 2021.

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



[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.

Growth of GRF sources relative to year-ago sources has followed a consistent pattern in the last few months, with large increases in federal grants and tax revenues. Through April, GRF sources rose $3.76 billion (13.8%) compared to sources in the corresponding period in FY 2020. Tax sources grew $2.28 billion (12.3%). Federal grants rose $1.50 billion (18.1%), with $960.2 million 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 $43.7 million (15.7%) 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. Combined receipts from all the remaining taxes were just $2.7 million below their FY 2020 level. Revenue increased for the cigarette tax, the FIT, the foreign insurance tax, the natural gas consumption tax, the alcoholic beverage tax, the CFT, and the liquor gallonage tax. Those increases were partially offset by revenue declines for the CAT, the public utility tax, the kilowatt-hour tax, and the PAT.

Sales and Use Tax

April GRF sales and use tax revenue was exceptional. Total revenue of $1.22 billion was $228.0 million (23.0%) 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 $472.5 million (63.2%). This large year-over-year increase was due to significantly reduced sales tax receipts in April 2020 as a consequence of business closures and stay-at-home requirements from the emergency order of March 2020.

The sales and use tax has been buoyed by strong consumer spending in FY 2021, supported by several federal income support programs over several months, including the American Rescue Plan (ARP) Act enacted in March 2021.[5] Household incomes rose at a record pace in March as the latest federal stimulus checks helped fuel a sharp increase in spending, particularly for big-ticket items such as autos and furniture. The spending effect of the ARP Act appears to have been larger than previous federal income support programs because the checks were not only bigger, but they were also aligned with improved labor markets and an increase in the number of vaccinations. Through April, FY 2021 revenue totaled $9.93 billion. This amount was $705.5 million (7.7%) above OBM projections and $1.01 billion (11.3%) above receipts in the corresponding period in FY 2020.

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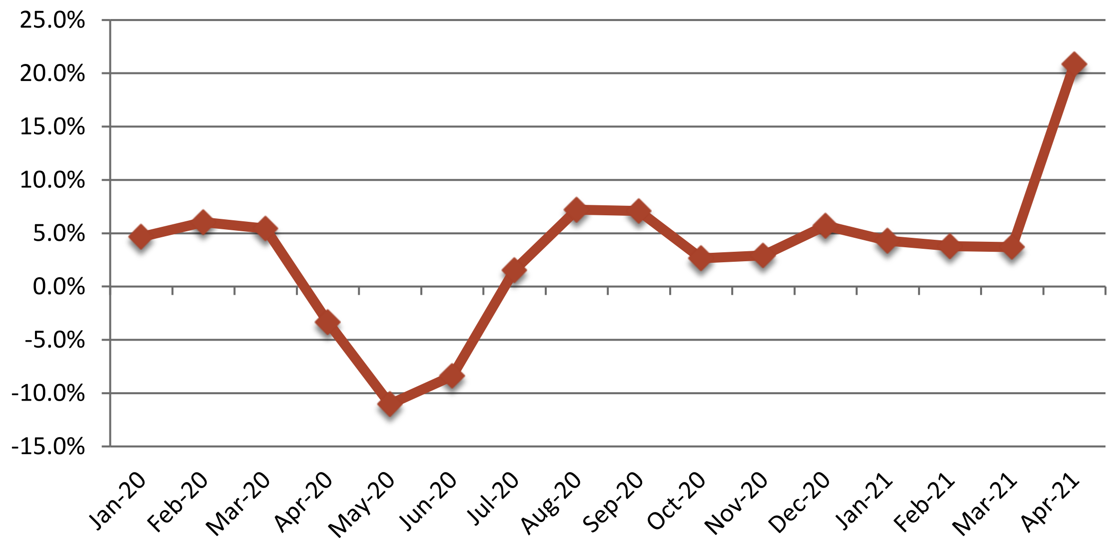
[5] The ARP Act included economic impact payments of up to $1,400 per person, depending on income level. The Congressional Budget Office estimated total payments under this program to be about $411 billion, higher than amounts of about $292 billion from the CARES Act (spring of 2020) and approximately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

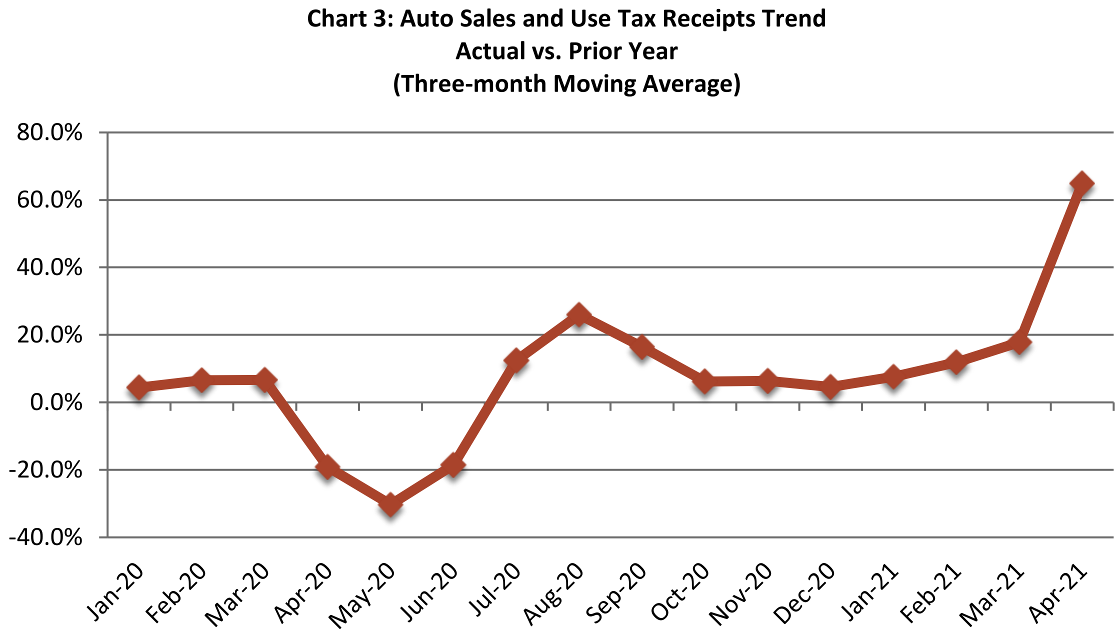
April GRF receipts of $1.02 billion were $189.4 million (22.9%) above estimate and $337.3 million (49.6%) above revenue in April 2020. For the fiscal year through April, GRF nonauto sales and use tax receipts totaled $8.42 billion, an amount $496.0 million (6.3%) above estimate and $724.8 million (9.4%) above revenue in FY 2020 through April. 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.

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 auto sales and use tax continues to be outstanding. April GRF revenue from this source was $202.7 million, $38.6 million (23.5%) above estimate and $135.3 million (200.6%) above such receipts in April 2020. A year ago, auto sales and use tax revenue plunged due to pandemic-related dealership closures and auto manufacturer shutdowns and parts supply issues. Through April, FY 2021 receipts totaled $1.51 billion, an amount $209.5 million (16.1%) above estimate and $285.0 million (23.3%) 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. 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.



In April, U.S. new light vehicle (auto and light truck) unit sales were 18.5 million (on a seasonally adjusted annual rate basis), the strongest April unit sales in a very long time. Both passenger cars and light trucks saw significant gains compared to the pandemic-affected sales pace of April 2020.

Personal Income Tax

April is generally the biggest revenue month for the PIT, though that was not the case in the filing of returns for TY 2019 which occurred in July in 2020. This year, 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 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 tax filing delay resulted in a PIT negative revenue variance of $554.9 million (39.0%) in April, based on OBM's estimates of September 2020. This shortfall induced a YTD deficit of $356.1 million (4.3%) at of the end of April. During the first nine months of the fiscal year, the PIT had achieved a cumulative positive variance of $198.8 million. Though the tax filing delay may also result in an outsized positive variance next month, the impact of the COVID-19-related economic challenges on PIT revenue may not be known until late May or June 2021, when the second estimated payment for income taxes related to TY 2021 are due.

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

[6] 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.

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 greatly affect the monthly performance of the tax.

For the month of April, gross collections were $634.4 million (33.6%) below estimates, with $598.6 million of the total shortfall due to fewer payments with annual returns. Employer withholding and trust payments were also below their anticipated levels by $23.7 million and $17.6 million, respectively. On the other hand, quarterly estimated payments and miscellaneous payments were $4.2 million and $1.4 million above their respective estimates. As expected from the tax filing delay, refunds were $78.2 million below estimate in April.

YTD FY 2021 GRF receipts from the PIT of $7.90 billion were $1.27 billion (19.2%) above such revenue in FY 2020 through April. The large year-over-year PIT revenue growth (which is expected to decrease over time) is attributable, in large part, to the delay of income tax filings from April to July 2020, though it would have been even larger but for the most recent delay from April 2021 to May 2021. 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 April, 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 $461.8 million below anticipated revenue. Payments due with annual returns had a shortfall of $579.4 million, and employer withholding and miscellaneous payments had smaller negative variances of $5.3 million and $5.5 million, respectively. Partially offsetting the negative variances, quarterly estimated payments and trust payments were above their respective projections by $125.2 million and $3.1 million. Refunds were $120.0 million below estimate, but LGF distributions were above expectation by $14.3 million, thus resulting in the YTD shortfall of $356.1 million for the GRF.

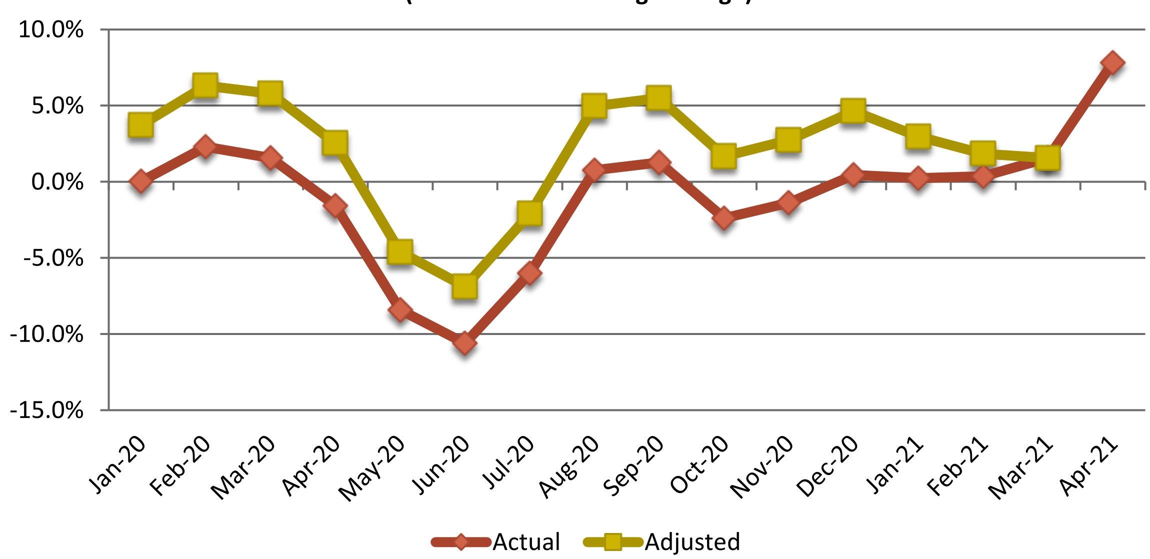
Compared to the corresponding period in FY 2020, gross collections were higher in FY 2021 due to the income tax filing delays. They grew $1.28 billion, driven by increases of $786.2 million from payments due with annual returns and $280.5 million for quarterly estimated payments. In addition, employer withholding and trust payments rose $167.5 million and $55.9 million, respectively. On the other hand, miscellaneous payments were below their FY 2020 level by $6.2 million. FY 2021 refunds were lower than those in FY 2020 by $16.0 million, but LGF distributions were higher by $27.2 million. Therefore, growth in PIT GRF revenue totaled $1.27 billion relative to YTD receipts in FY 2020.

Year-over-year growth in withholding receipts in CY 2020 had been limited through December 2020 (at which time it was just 0.8%) 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 much of the still relatively weak growth in withholding receipts from FY 2020 shown in the table, but growth in this component should gradually strengthen 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	-$5.3	-0.1%	$167.5	2.2%
Quarterly Estimated Payments	$125.2	15.8%	$280.5	44.2%
Trust Payments	$3.1	3.2%	$55.9	126.7%
Annual Return Payments	-$579.4	-34.2%	$786.2	240.4%
Miscellaneous Payments	-$5.5	-7.4%	-$6.2	-8.3%
Gross Collections	-$461.8	-4.4%	$1,283.8	14.5%
Less Refunds	-$120.0	-6.1%	-$16.0	-0.9%
Less LGF Distribution	$14.3	4.0%	$27.2	7.9%
GRF PIT Revenue	-$356.1	-4.3%	$1,272.7	19.2%

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). Payrolls are estimated to have increased about 1.6%, on average, in the third fiscal quarter.

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



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 and 13.7% in May 2020. In the three months ended in April, payrolls are estimated to have increased about 7.8%, on average.

Commercial Activity Tax

GRF receipts of $74.7 million in April were $4.0 million (5.7%) above estimate and $12.4 million (19.9%) above April 2020 revenue. The monthly performance of the CAT increased its cumulative positive variance to $11.8 million (0.9%), up from $7.8 million after nine months. For the fiscal year, GRF receipts of $1.31 billion were $13.2 million (1.0%) below revenue through April in FY 2020. Though YTD GRF revenue was below last year's receipts, FY 2021 gross collections totaling $1.58 billion were $9.3 million (0.6%) above last year's gross collections. FY 2021 refunds and credits were $23.6 million (23.0%) above those items in FY 2020. So, an increase in refunds and credits this fiscal year explains the YTD negative growth for the GRF.

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). Through April in FY 2021, Fund 7047 and Fund 7081 received $200.0 million and $30.8 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

April receipts of $75.0 million from the cigarette and other tobacco products (OTP) tax were $0.3 million (0.4%) above estimate, but $9.0 million (10.7%) below revenue in the same month in 2020. The decline relative to year-ago receipts was due to a drop of $10.2 million (13.4%) in revenue from cigarette sales. For the fiscal year, YTD revenue from this tax source totaling $714.6 million was above estimate by $47.8 million (7.2%). Total revenue included $630.8 million from the sale of cigarettes and $83.8 million from the sale of OTP.

Through April, FY 2021 receipts grew $13.6 million (1.9%) relative to revenues in the corresponding period in FY 2020. OTP sales increased by $15.6 million (22.9%) while receipts from cigarette sales fell $2.0 million (0.3%). 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 April 2021, those receipts decreased $19.0 million (7.1%) compared to the corresponding period in 2020, and the comparison of monthly revenue against year-ago receipts is likely to be less favorable for the last months of this fiscal year.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of April 2021
($ in thousands)
(Actual based on OAKS reports run May 5, 2021)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$832,667	$828,666	$4,001	0.5%
Higher Education	$201,437	$183,058	$18,379	10.0%
Other Education	$7,226	$7,196	$31	0.4%
Total Education	**$1,041,330**	**$1,018,920**	**$22,410**	**2.2%**
Medicaid	$1,077,837	$1,002,677	$75,160	7.5%
Health and Human Services	$118,935	$134,243	-$15,307	-11.4%
Total Health and Human Services	**$1,196,772**	**$1,136,920**	**$59,852**	**5.3%**
Justice and Public Protection	$222,955	$222,003	$951	0.4%
General Government	$42,407	$49,691	-$7,283	-14.7%
Total Government Operations	**$265,362**	**$271,694**	**-$6,332**	**-2.3%**
Property Tax Reimbursements	$508,096	$363,099	$144,997	39.9%
Debt Service	$103,540	$113,245	-$9,704	-8.6%
Total Other Expenditures	**$611,636**	**$476,344**	**$135,292**	**28.4%**
Total Program Expenditures	**$3,115,100**	**$2,903,878**	**$211,222**	**7.3%**
Transfers Out	**$780**	**$0**	**$780**	**---**
Total GRF Uses	**$3,115,880**	**$2,903,878**	**$212,002**	**7.3%**

*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 April 30, 2021
($ in thousands)
(Actual based on OAKS reports run May 5, 2021)

Program Category	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Primary and Secondary Education	$7,056,009	$6,930,254	$125,755	1.8%	$6,967,795	1.3%
Higher Education	$1,962,605	$1,926,332	$36,273	1.9%	$1,977,477	-0.8%
Other Education	$64,884	$67,532	-$2,648	-3.9%	$74,746	-13.2%
Total Education	**$9,083,498**	**$8,924,118**	**$159,380**	**1.8%**	**$9,020,018**	**0.7%**
Medicaid	$14,010,201	$15,918,314	-$1,908,113	-12.0%	$12,991,582	7.8%
Health and Human Services	$1,216,376	$1,287,961	-$71,585	-5.6%	$1,184,683	2.7%
Total Health and Human Services	**$15,226,577**	**$17,206,275**	**-$1,979,699**	**-11.5%**	**$14,176,266**	**7.4%**
Justice and Public Protection	$2,051,562	$2,139,563	-$88,000	-4.1%	$2,052,511	0.0%
General Government	$364,284	$403,454	-$39,170	-9.7%	$385,960	-5.6%
Total Government Operations	**$2,415,846**	**$2,543,016**	**-$127,171**	**-5.0%**	**$2,438,471**	**-0.9%**
Property Tax Reimbursements	$1,571,566	$1,423,312	$148,254	10.4%	$1,307,922	20.2%
Debt Service	$999,774	$1,017,890	-$18,116	-1.8%	$1,358,044	-26.4%
Total Other Expenditures	**$2,571,340**	**$2,441,202**	**$130,138**	**5.3%**	**$2,665,966**	**-3.5%**
Total Program Expenditures	**$29,297,260**	**$31,114,612**	**-$1,817,351**	**-5.8%**	**$28,300,721**	**3.5%**
Transfers Out	**$459,194**	**$446,400**	**$12,794**	**2.9%**	**$668,161**	**-31.3%**
Total GRF Uses	**$29,756,455**	**$31,561,012**	**-$1,804,557**	**-5.7%**	**$28,968,882**	**2.7%**

*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 May 5, 2021)

	Month of April 2021				Year to Date through April 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,023,889	$938,153	$85,736	9.1%	$13,449,880	$15,313,434	-$1,863,554	-12.2%
Non-GRF	$1,151,093	$1,598,037	-$446,944	-28.0%	$9,305,682	$9,677,905	-$372,223	-3.8%
All Funds	$2,174,982	$2,536,190	-$361,208	-14.2%	$22,755,562	$24,991,339	-$2,235,777	-8.9%
Developmental Disabilities								
GRF	$48,369	$59,460	-$11,091	-18.7%	$483,497	$524,190	-$40,692	-7.8%
Non-GRF	$394,950	$193,079	$201,870	104.6%	$2,358,724	$2,255,961	$102,763	4.6%
All Funds	$443,319	$252,540	$190,779	75.5%	$2,842,222	$2,780,151	$62,071	2.2%
Job and Family Services								
GRF	$4,823	$4,257	$567	13.3%	$67,768	$71,331	-$3,563	-5.0%
Non-GRF	$12,228	$8,911	$3,318	37.2%	$137,056	$135,258	$1,798	1.3%
All Funds	$17,051	$13,167	$3,884	29.5%	$204,824	$206,589	-$1,765	-0.9%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$756	$807	-$52	-6.4%	$9,055	$9,359	-$304	-3.3%
Non-GRF	$2,771	$2,508	$263	10.5%	$28,006	$34,345	-$6,339	-18.5%
All Funds	$3,527	$3,315	$212	6.4%	$37,061	$43,704	-$6,643	-15.2%
All Departments:								
GRF	**$1,077,837**	**$1,002,677**	**$75,160**	**7.5%**	**$14,010,201**	**$15,918,314**	**-$1,908,113**	**-12.0%**
Non-GRF	**$1,561,042**	**$1,802,535**	**-$241,492**	**-13.4%**	**$11,829,468**	**$12,103,469**	**-$274,001**	**-2.3%**
All Funds	**$2,638,879**	**$2,805,212**	**-$166,333**	**-5.9%**	**$25,839,669**	**$28,021,783**	**-$2,182,114**	**-7.8%**

*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 May 5, 2021)

	Month of April 2021				Year to Date through April 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,689,866**	**$1,963,461**	**-$273,595**	**-13.9%**	**$17,342,287**	**$18,854,375**	**-$1,512,088**	**-8.0%**
CFC†	$621,205	$713,376	-$92,171	-12.9%	$6,103,177	$6,645,571	-$542,394	-8.2%
Group VIII	$530,928	$644,528	-$113,601	-17.6%	$5,144,467	$5,911,016	-$766,549	-13.0%
ABD†	$238,501	$266,552	-$28,051	-10.5%	$2,471,467	$2,602,735	-$131,268	-5.0%
ABD Kids	$81,372	$86,399	-$5,027	-5.8%	$805,579	$840,823	-$35,243	-4.2%
My Care	$217,860	$252,606	-$34,746	-13.8%	$2,298,012	$2,476,257	-$178,245	-7.2%
P4P & Ins Fee†	$0	$0	$0	---	$519,585	$377,973	$141,612	37.5%
Fee-For-Service	**$773,869**	**$663,304**	**$110,565**	**16.7%**	**$6,819,182**	**$7,410,400**	**-$591,218**	**-8.0%**
ODM Services	$345,598	$415,338	-$69,740	-16.8%	$3,415,956	$3,891,541	-$475,585	-12.2%
DDD Services	$428,271	$247,966	$180,304	72.7%	$2,759,131	$2,703,043	$56,088	2.1%
Hospital - HCAP&Other†	$0	$0	$0	---	$644,095	$815,816	-$171,721	-21.0%
Premium Assistance	**$99,720**	**$105,968**	**-$6,248**	**-5.9%**	**$937,104**	**$944,835**	**-$7,731**	**-0.8%**
Medicare Buy-In	$63,915	$60,849	$3,066	5.0%	$622,157	$600,562	$21,594	3.6%
Medicare Part D	$35,805	$45,119	-$9,314	-20.6%	$314,947	$344,272	-$29,325	-8.5%
Administration	**$75,424**	**$72,478**	**$2,946**	**4.1%**	**$741,096**	**$812,174**	**-$71,078**	**-8.8%**
Total	**$2,638,879**	**$2,805,212**	**-$166,333**	**-5.9%**	**$25,839,669**	**$28,021,783**	**-$2,182,114**	**-7.8%**

*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[7]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

GRF program expenditures were over estimate by $211.2 million (7.3%) for the month of April, only the second positive monthly variance in program expenditures this fiscal year. For the YTD, program expenditures were under estimate by $1.82 billion (5.8%). April's positive variance was mostly due to a timing-based positive variance of $145.0 million (39.9%) in the Property Tax Reimbursements category and a positive variance of $75.2 million (7.5%) in Medicaid. Higher Education ($18.4 million, 10.0%) and Primary and Secondary Education ($4.0 million, 0.5%) also had significant positive variances for April. The negative YTD variance is dominated by a negative YTD variance of $1.91 billion (12.0%) in Medicaid. Positive YTD variances of $148.3 million (10.4%) in Property Tax Reimbursements, $125.8 million (1.8%) in Primary and Secondary Education, and $36.3 million (1.9%) in Higher Education partially offset the negative YTD variance in Medicaid and the other program categories. The preceding Table 4 shows YTD variances for each program category and Table 3 shows April variances.

In addition to program expenditures, total uses include transfers out. Transfers out had a positive YTD variance of $12.8 million (2.9%) at the end of April. Combining program expenditures and transfers out, total GRF uses for the first ten months of FY 2021 were $29.76 billion. These uses were $1.80 billion (5.7%) below estimate. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in Property Tax Reimbursements, Primary and Secondary Education, and Higher Education.

Medicaid

GRF Medicaid expenditures were above their monthly estimate in April by $75.2 million (7.5%) but remained below their YTD estimate, by $1.91 billion (12.0%), at the end of April. Non-GRF Medicaid expenditures were below their monthly estimate, by $241.5 million (13.4%), and below their YTD estimate, by $274.0 million (2.3%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $166.3 million (5.9%) below estimate in April and $2.18 billion (7.8%) below their YTD estimate at the end of April.

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. 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

[7] 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.

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 April 2021, caseloads have increased by approximately 28,900 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, April's caseload of 3.2 million enrollees is approximately 358,900 cases (10.1%) 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 April of $361.2 million (14.2%), and YTD expenditures also were below estimate, with a negative variance of $2.24 billion (8.9%). ODODD had an April all funds positive variance of $190.8 million (75.5%) and ended the month with a YTD positive variance of $62.1 million (2.2%), reversing March's $128.7 million (5.1%) negative YTD variance. 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 all of the four payment categories as of the end of April. Managed Care had the largest negative variance of $1.51 billion (8.0%), followed by Fee-For-Service's (FFS's) negative variance of $591.2 million (8.0%). The negative variances for both Managed Care and FFS are primarily attributable to enrollment being below the updated estimate 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 $71.1 million (8.8%), and Premium Assistance had a negative YTD variance of $7.7 million (0.8%).

Property Tax Reimbursements

This 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. At the end of April, this category was over estimate by $148.3 million (10.4%). This YTD variance should begin to decrease by the end of the fiscal year.

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 $4.0 million (0.5%) in April, increasing its positive YTD variance to $125.8 million (1.8%). Appropriation item 200550, Foundation Funding, dominates this category's positive variances with a positive April variance of $4.4 million and a positive YTD variance of $163.7 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 $18.4 million (10.0%) in April, increasing the category's YTD positive variance to $36.3 million (1.9%). Appropriation item 235501, State Share of Instruction, was above estimate by $17.8 million for April and by $53.5 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.

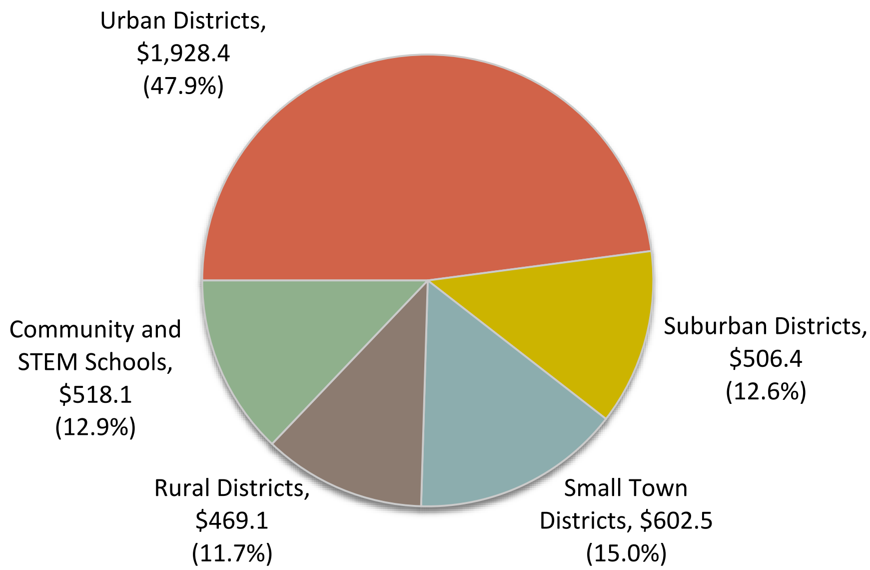
Issue Updates

Federal American Rescue Plan Act Provides $4.5 Billion in Emergency Relief Formula Funds for K-12 Schools

– Sarah Anstaett, LSC Fellow

The federal ARP Act of 2021, signed into law on March 11, 2021, will provide an estimated $4.47 billion in emergency relief formula funding for Ohio's public elementary and secondary schools according to projections published by Federal Funds Information for States. This funding, drawn from the Elementary and Secondary School Emergency Relief (ESSER) Fund, supplements the $489.2 million Ohio received in "ESSER I" funds under the federal CARES Act and $1.99 billion Ohio received in "ESSER II" funds under the federal Coronavirus Response and Relief Supplemental Aid (CRRSA) Act, enacted as part of the Consolidated Appropriations Act, 2021. State allocations of "ESSER III" funds under the ARP Act are based on their relative share of funding in the most recent fiscal year under federal Title I, Part A, which provides funds to school districts and community schools (local education agencies, or LEAs) for educational services to disadvantaged students. ODE must distribute at least 90% of the state's allocation, or $4.02 billion, to LEAs in proportion to each LEA's share of Title I, Part A funds in the most recent fiscal year, the same method used to distribute ESSER I funds under the CARES Act and ESSER II funds under the CRRSA Act. The chart below illustrates the estimated distribution of Ohio's ESSER III funds by LEA type. As the chart shows, urban districts receive the largest share, at $1.93 billion, or 48% of the total.

Chart 5: Share of Federal ESSER III Funds by LEA Type ($ in millions)
Total: $4.02 billion



Each LEA must reserve at least 20% of its ESSER III funding to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive after school programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of COVID-19 on underrepresented student subgroups. LEAs may use remaining ESSER III funds for the same activities as ESSER I and ESSER II funds, including maintaining continuity of services and employment of existing LEA staff; purchasing educational technology to aid in educational interactions between students and teachers; coordinating and improving COVID-19 preparedness and response efforts; training LEA staff on sanitation and purchasing supplies to sanitize school facilities; providing mental health services and supports; addressing the needs of individual schools and the unique needs of low-income children, students with disabilities, and other vulnerable populations; and planning and implementing summer learning and supplemental afterschool programs. Funds received from ESSER I must be spent by September 30, 2022, funds from ESSER II must be spent by September 30, 2023, and funds from ESSER III must be spent by September 30, 2024.

Up to 10% of the state's allocation, equating to $447.2 million, may be used for state-level activities. Of that, ODE must use at least 5% of its ARP Act state activity funding to address learning loss, at least 1% of the funding for after school activities, and at least 1% of the funding for summer learning programs. Up to 0.5% may be used for administration and the remainder may be used to respond to emergency needs related to COVID-19, as determined by ODE. The ARP Act includes a maintenance of effort provision meant to prevent the federal funds from supplanting state spending, but the requirement may be waived by the U.S. Department of Education. In addition, the ARP Act newly requires states and LEAs to comply with "maintenance of equity" provisions that condition the receipt of ESSER III funds on assurances that per-pupil funding for high-need districts and schools will not be reduced below certain specified levels.

The ARP Act separately provides $155.2 million to Ohio for the Emergency Assistance to Non-Public Schools Program. Funds are allocated to states based on their proportional share of children ages five to 17 from families with incomes at or below 185% of poverty who are enrolled in nonpublic schools. The funds may be used by ODE to provide services or assistance to nonpublic schools that enroll a significant percentage of low-income students and are most impacted by the COVID-19 pandemic. Unlike the CARES Act and CRRSA Act, the ARP Act does not provide funding through the Governor's Emergency Education Relief (GEER) Fund.

DHE and ODE Announce New Initiative to Increase High School Student FAFSA Completion Rates

– Edward M. Millane, Senior Budget Analyst

On March 5, 2021, DHE, in conjunction with ODE, announced a new Free Application for Federal Student Aid (FAFSA) initiative (*FAFSA 21*) aimed at increasing the number of Ohio high school students who complete the FAFSA. Under *FAFSA 21*, DHE and ODE will use approximately $2.9 million in federal GEER funds from Fund 3HQ0 line item 235509, GEER – Higher Education Initiatives, under DHE's budget, over the next year and a half to increase the state's FAFSA completion rates, which, according to DHE, declined by approximately 9% in the one-year period from March 2020 to March 2021.[8] The funds will be used to support intervention efforts in high schools throughout the state, including one-on-one services between students and FAFSA application "coaches," local awareness campaigns, and outdoor FAFSA completion events. Other efforts under *FAFSA 21* include FAFSA-related data system upgrades and professional development opportunities.

College attainment-focused nonprofit organizations, educational service centers (ESCs), and public and private, nonprofit institutions of higher education are eligible to receive GEER funds in the form of reimbursement after conducting FAFSA completion-related intervention efforts in qualifying districts and schools. Qualifying districts and schools have (1) a FAFSA completion rate below 40% on, or about, August 26, 2020, (2) a 3.5% or more decline in the percentage of students who completed the FAFSA between January 20, 2020, and January 20, 2021, or both.[9] According to DHE, approximately 460 districts and schools meet at least one of these criteria.[10]

Controlling Board Approves $69.8 Million in Multi-Year Awards for Choose Ohio First Scholarship Program

– Jason Glover, Budget Analyst

On April 5, 2021, the Controlling Board approved a request from DHE to award approximately $69.8 million in Choose Ohio First scholarships to public and private institutions of higher education across the state for multiple academic years. The amount approved by the Controlling Board includes $42.8 million in new awards over a five-year period for 57 institutions that were selected through a competitive grant process based on their recruitment and retention plans. DHE estimates that approximately 3,400 students will receive scholarships from the new award. The remaining $27.1 million awarded supports scholarships for existing recipients to complete their degree or certificate during the next four years. Total awards range from $144,000 for Belmont College to $5.8 million for the University of Akron. Recipient institutions will distribute scholarships to their students.

Since 2008, the Choose Ohio First Scholarship Program has provided scholarships to students pursuing degrees in science, technology, engineering, mathematics, medicine (STEMM), and dentistry fields or STEMM education at one of Ohio's institutions of higher education. Subject to certain exceptions, the annual Choose Ohio First scholarship for an undergraduate or graduate student must be at least $1,500 but no more than one-half of the highest in-state undergraduate instructional and general fees charged by all state universities ($8,112 for the 2020-2021 academic year).

[8] *FAFSA-Application Guidelines*, March-15, 2021, https://www.ohiohighered.org/FAFSA.

[9] *FAFSA-Application Guidelines*, March 15, 2021, https://www.ohiohighered.org/FAFSA.

[10] *FAFSA 21 Priority Districts and Schools*, https://www.ohiohighered.org/FAFSA.

Development Services Agency Launches High School Tech Internship Pilot Program

– Shannon Pleiman, Senior Budget Analyst

On April 5, 2021, the Controlling Board approved a request from the Development Services Agency (DSA) for $150,000 to fund a new High School Tech Internship Pilot Program. Under the program, employers will receive reimbursements for part of the cost of providing paid internships to Ohio's high school students or recent graduates 19 years of age and younger in jobs where they gain technological skills and experience. The pilot program will provide reimbursements for 100 internships statewide.

To participate in the program, employers will work with one of 12 regional pilot sites hosted by school districts, ESCs, career centers, and business advisory councils across the state. Employers must show they can provide a meaningful technology internship experience for up to four student interns. An intern must be employed for a minimum of 150 hours and be paid at least $12 per hour. Reimbursements are based on the age of the intern: $1,250 for interns who are ages 17 years or younger and $1,000 for interns who are ages 18 or 19. Employers may receive an extra $100 in reimbursement if they can demonstrate that an intern has earned an industry-recognized credential on the Innovative Workforce Incentive Program list by the time of the reimbursement request. More information on the program and the 12 pilot sites can be found on the website of the Governor's Office of Workforce Transformation.[11]

The High School Tech Internship Pilot Program is part of DSA's Third Frontier Initiative, which provides state support for technology product research and commercialization efforts, entrepreneurial assistance, early-stage capital formation, and development of an IT talent pool in Ohio. The Third Frontier Initiative is funded by general obligation bond proceeds deposited into the Third Frontier Research and Development Fund (Fund 7011).

Ohio Department of Aging Receives $6.1 Million in Federal Funding for Nutrition Services

– Jacquelyn Schroeder, Senior Budget Analyst

On April 5, 2021, the Controlling Board approved a request from the Ohio Department of Aging (ODA) to increase appropriations by approximately $6.1 million in FY 2021. The increase will allow ODA to expend supplemental federal Older American Act (OAA) funds received under the Consolidated Appropriations Act, 2021. The funds will be used to provide home-delivered meals to meet the increased nutrition needs of older adults due to the COVID-19 pandemic. Funds will be awarded to Ohio's 12 regional area agencies on aging, who will in turn distribute funds to organizations within their local aging networks. The funding formula used to distribute regular OAA dollars will be utilized to distribute these supplemental emergency funds. This formula provides a base allocation and also considers the economic and social needs of an area's population that is aged 60 or over.

[11] https://workforce.ohio.gov/wps/portal/gov/workforce/initiatives/initiatives/hstechinternshippilot, April 19, 2021.

Home-delivered nutrition services under the OAA are designed to reduce hunger, food insecurity, and malnutrition and to promote the health and well-being of older individuals. OAA services are available to individuals aged 60 and older but are targeted for those with the greatest economic or social needs, particularly low-income and minority individuals, and those residing in rural areas. According to the U.S. Administration for Community Living, home-delivered meals are typically the first in-home service that an older individual receives and serves as an access point for other home- and community-based services. The number of older Ohioans receiving home-delivered meals has increased from over 40,000 to over 60,000 due to the COVID-19 pandemic. Supplemental funds will be available until September 30, 2022, and may be used for both direct program and administrative activities.

Office of Criminal Justice Services Releases 2021 Law Enforcement Certification Report

– Maggie West, Senior Budget Analyst

On March 31, 2021, the Office of Criminal Justice Services issued its 2021 Law Enforcement Certification Report.[12] The report summarizes certification data on the first eight standards adopted by the Ohio Collaborative Community-Police Advisory Board, which was created by executive order in 2015 to improve community-police relations. These eight standards are presented in four groups as shown in the following table. There are currently nine uniform minimum standards, with the most recent standard, addressing law enforcement response to mass protests and demonstrations, being adopted in December 2020, too late to be included in the 2021 report.

According to the report, 529 of Ohio's 879 state and local law enforcement agencies have adopted and fully implemented the Group 1 standards, compared to 438 agencies the previous year. In addition, there are 418 agencies certified in both Group 1 and Group 2 standards, compared to 356 agencies in the last report, and 299 agencies are certified in Group 1, Group 2, and Group 3 standards, compared to 198 agencies last year. Finally, there are 207 agencies that have obtained certification in all four group standards. Of Ohio's 34,355 law enforcement officers statewide, 28,667, or 83%, are employed by a law enforcement agency that is certified in at least one standard or a law enforcement agency in the process of becoming certified, and 83% of Ohioans are served by law enforcement agencies that are certified in at least one standard or in the process of becoming certified.

[12] https://www.ocjs.ohio.gov/links/Ohio-CollaborativeReport2021.pdf.

Ohio Collaborative Community-Police Advisory Board Uniform Minimum Standards	
Group	**Standard**
Group 1	1. Use of Force and Use of Deadly Force 2. Agency Employee Recruitment and Hiring
Group 2	3. Community Engagement 4. Body-Worn Cameras 5. Law Enforcement Telecommunicators
Group 3	6. Bias-Free Policing 7. Investigation of Employee Misconduct
Group 4	8. Law Enforcement Vehicular Pursuit

Controlling Board Approves $13.3 Million in Additional H2Ohio Funding for Wetlands Projects

– Tom Wert, Senior Budget Analyst

On March 8, 2021, the Controlling Board approved a request by the Department of Natural Resources (DNR) to increase H2Ohio Fund (Fund 6H20) appropriations by $13.3 million in FY 2021 to support grants for 15 wetlands restoration projects. Wetland creation and restoration has been a priority for DNR under the H2Ohio Program, which seeks to improve water quality across the state with a particular emphasis on reducing harmful nutrient runoff affecting Lake Erie. As shown in the table below, the funding will be used to create or restore more than 1,800 acres of wetlands under 16 projects in 12 northern Ohio counties.

New H2Ohio Wetlands Restoration Project Grants ($13.3 million)				
County	**Awarded Entity**	**Project**	**Acres**	**Funding**
Ashtabula	Western Reserve Land Conservancy	Grand River Wet Meadow Restoration Initiative	50	$175,000
Cuyahoga	Northeast Ohio Regional Sewer District/Cuyahoga Soil and Water Conservation District (SWCD)	Greenbriar Valley Floodplain Restoration	5	$300,000
	Cleveland Metroparks	Fosters Run Restoration	37	$500,000

New H2Ohio Wetlands Restoration Project Grants ($13.3 million)				
County	**Awarded Entity**	**Project**	**Acres**	**Funding**
Fulton	DNR Division of Natural Areas and Preserves	Goll Woods State Nature Preserve Extension	15	$325,000
Huron	Western Reserve Land Conservancy	Huron River Nutrient Reduction and Marsh	100	$875,000
Lorain	City of Lorain	Martin's Run Wetland	18.5	$1,400,000
Lucas	Toledo Lucas County Port Authority	Duck and Otter Creek Stream and Wetland Restoration	70	$1,800,000
	City of Toledo	Clark Island Restoration	40	$620,000
Mercer	Lake Facilities Authority	Mercer Wildlife Area Wetland	75	$1,700,000
Ottawa	Ottawa SWCD	Toussaint Shooting Club Reconnections: Bob's Bay & Main Marsh	995	$1,610,500
	Ducks Unlimited	Rust Tract Wetland	24	$130,000
Portage	West Creek Conservancy	Bird Bog Restoration Project	170	$697,000
Putnam	Weiss Family	Blanchard River Floodplain	20	$200,000
Seneca	Seneca County Parks and Black Swamp Conservancy	Wolf Creek Floodplain Restoration: Section A	107	$1,548,750
		Wolf Creek Floodplain Restoration: Section B	55	$1,218,750
Wyandot	Wyandot SWCD	Upper Blanchard Watershed	30	$200,000
		Total	**1,811.5**	**$13,300,000**

The H2Ohio Fund is used for various water quality improvement programs under the departments of Agriculture and Natural Resources and the Environmental Protection Agency. The fund was initially capitalized by a cash transfer of $172.0 million from the FY 2019 GRF surplus. H.B. 166 appropriated $46.2 million to DNR for the biennium, which the Department is using to support more than 40 wetlands projects affecting more than 90,000 acres.

OhioMHAS Awards $13.2 Million to Address Opioid Addiction

– Ryan Sherrock, Economist

On April 1, 2021, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) awarded approximately $13.2 million to help communities address opioid addiction and prevent overdose deaths. Of this amount, about $4.9 million was allocated to 36 community organizations for grants under the Use of Community Partners Program (UCPP). UCPP grants provide services and supports to individuals with opioid use disorder and other co-occurring substance use disorders. These services and supports must address prevention, treatment, and recovery and provide linkages between physical and behavioral health care, criminal justice, and child welfare systems. Funding under UCPP supports both traditional and nontraditional community organizations, including faith-based organizations, in order to reach more Ohioans in need of treatment. The remaining $8.3 million was distributed to 21 community organizations for the Use of Innovation Program (UIP). UIP funding seeks to support technological advancements in the behavioral health system. These advancements may include increasing access to smartphone applications for individuals in recovery or expanding telehealth opportunities. The complete list of grant awardees can be accessed on OhioMHAS' website, by clicking here.

Funds to support these programs come from the State Opioid Response 2.0 (SOR 2.0) Grant, which is administered by the U.S. Substance Abuse and Mental Health Services Administration. Ohio's SOR 2.0 goals include: developing and implementing integrated behavioral health care services and supports, expanding naloxone distribution, increasing access to medication-assisted treatment and recovery housing, developing a clinical workforce with the expertise to provide medication-assisted treatment and psychosocial treatment, and increasing employment opportunities for persons in recovery from opioid addiction. In total, Ohio has received $235.1 million in SOR funds since the program's inception in 2018.

Tracking the Economy

– Eric Makela, Economist

Overview

Economic activity and income continue to recover following last spring's sharp contraction. Nationwide, the economy added 266,000 nonfarm payroll jobs in April and inflation-adjusted gross domestic product (real GDP) grew at a brisk 6.4% rate in this year's first quarter. Personal income reached an all-time high in the first quarter, fueled by substantial federal income support programs. But labor markets continue to recover slowly; in April, the unemployment rate was little changed at 6.1%. Industrial output has fluctuated during the first few months of 2021 but increased 1.4% in March on increasing strength in manufacturing.

Employers in Ohio added 12,700 nonfarm payroll jobs in March, and the state's unemployment rate was 4.7%, largely recovered from last spring and compared with a recent low of 4.0% in April and May 2019. The number of unemployment insurance (UI) claimants in the regular state program has dropped by 85% since the peak number of claimants in April 2020. Prices in the housing market continued their rapid rise in March, as extremely low levels of existing home inventory entice marketplace participants into more hurried transactions. The total dollar volume of existing houses sold during the month was 14.1% higher than in March 2020. The Cleveland Federal Reserve documented the expansion of economic activity, with many businesses citing strong demand and rising nonlabor input prices, particularly in the goods-producing and freight industries.

The National Economy

Employers added 266,000 nonfarm payroll jobs in April. In addition, the national unemployment rate increased slightly, to 6.1%, though this was due to increasing labor force participation which outpaced job growth during the month.[13] While the number of jobs grew, the number of persons at work part time decreased by around 583,000.[14] Chart 6 below displays employment and Chart 7 displays unemployment rates both in Ohio and nationally.

On a seasonally adjusted basis, manufacturers of transportation equipment, including motor vehicles and parts, shed 28,000 jobs in April, as automakers in multiple states idled factories amidst part supply shortages. Among other industries which had significant changes to payroll employment were couriers and messengers (-77,400) and leisure and hospitality (+331,000). There were significant labor flows out of the employment services industry (-115,200) during April, though LBO is unable to determine how many of these workers moved to permanent positions. Government employers added 48,000 workers during the month.

The nation's economy expanded in the first quarter of 2021, as real GDP increased at an annual rate of 6.4%, buoyed by strength in personal consumption expenditures and government spending. Consumer spending on goods increased a seasonally adjusted, annualized 23.6% during the quarter, following a 1.4% rate of drop the previous quarter;

[13] The labor force consists of persons who are currently employed and persons who are currently unemployed but are available to work and have searched for work during the previous four weeks.

[14] Includes only persons working part time due to economic or business conditions.

spending on services has risen steadily since the initial disruptions caused by the pandemic, increasing 4.3% and 4.6% in the last two quarters. Fixed investment increased at a 10.1% rate in the first quarter, with increases in both the residential (+10.8%) and nonresidential (+9.9%) classifications, though the mix within the nonresidential subcategory has undergone notable change over the last year.[15]

National personal income reached an all-time high in the first quarter, due in large part to multiple rounds of federal stimulus payments to individuals, the first occurring in January as part of the Consolidated Appropriations Act of 2021 and the second in March as part of the ARP Act of 2021.[16] The total dollar amount of economic impact payments during the quarter was about 79% greater than the nation's initial round of stimulus, distributed in 2020's second quarter. In addition to stimulus, compensation of employees in the first quarter of 2021 rose 1.8%, seasonally adjusted, in both goods-producing and service-providing industries.

National industrial production rose 1.4% in March following a weather-related dip of 2.6% the previous month, according to the Federal Reserve Board's Industrial Production Index (IPI). The production of companies in manufacturing was up 2.7% in March and during the month, sat 3.1% higher than its level in March 2020. Nearly all major market groups had production gains in March. Increases in production of durable consumer goods, nonenergy nondurable goods, business equipment, and durable materials from February to March ranged from 1.5% to 2.7%; the production rates of nondurable materials, construction supplies, and defense and space equipment increased by even greater amounts. Despite headwinds in the sourcing of raw materials and an ongoing reorganization of supply chains, production in high-technology industries has continued to grow rapidly after only a modest downturn in the recession.[17]

Inflation, as measured by percent changes in the consumer price index (CPI), has picked up in recent months. The price index for all items was up a seasonally adjusted 0.6% in March, following increases of 0.3% and 0.4% in January and February, respectively. In the 12 months ending March 2021, the CPI for food (+3.5%) and energy (+13.2%) drove up measured CPI inflation. Including all items, the CPI was 2.6% higher than a year prior; excluding the food and energy expenditure categories, the price index level was up 1.6% year over year.[18]

The number of UI claimants has declined in recent weeks and as of the week ending April 24, was approximately 3.8 million. The table below displays the number of continued claims nationally and in Ohio during select weeks over the last year. During the week including New Year's Day, the number of claimants nationally was nearly 156% greater in 2021 than in 2020.

[15] In particular, fixed investment in intellectual property products (+3.9%) and information processing equipment (+30.6%) rose between the first quarter of 2020 and the first quarter of 2021 while investment in nonresidential structures (-16.4%) fell.

[16] In addition, enhanced unemployment benefits were extended through the quarter.

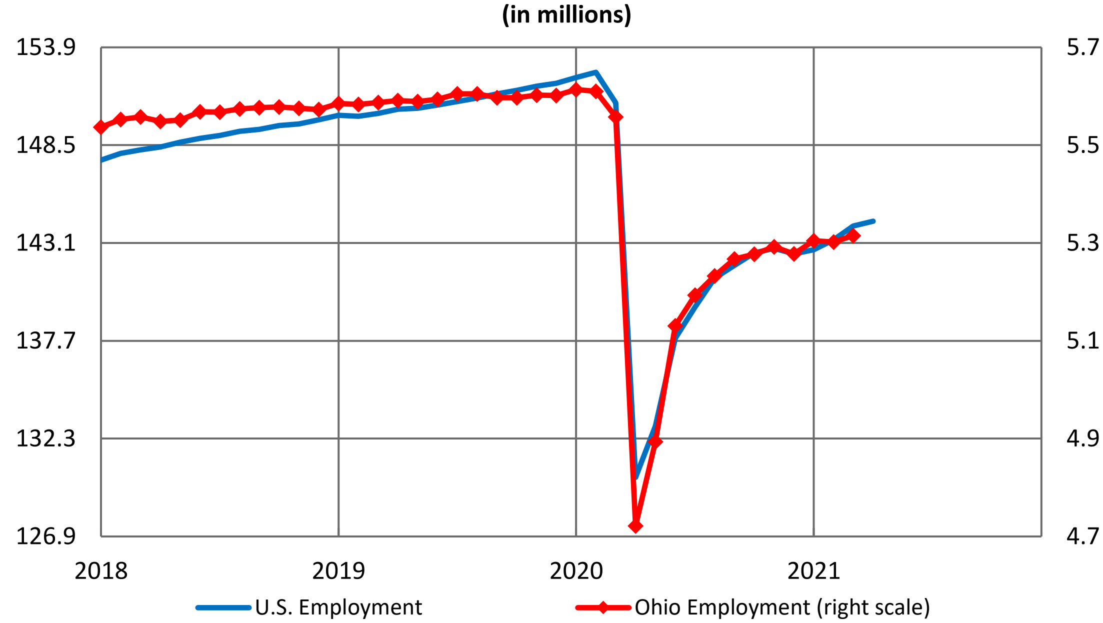
[17] As defined in the monthly IPI press release, high-technology industries include computers and peripheral equipment (+5.2%), communications equipment (+7.7%), and semiconductors and related electronic components (+8.5%). Percentages are year-over-year changes to March 2021.

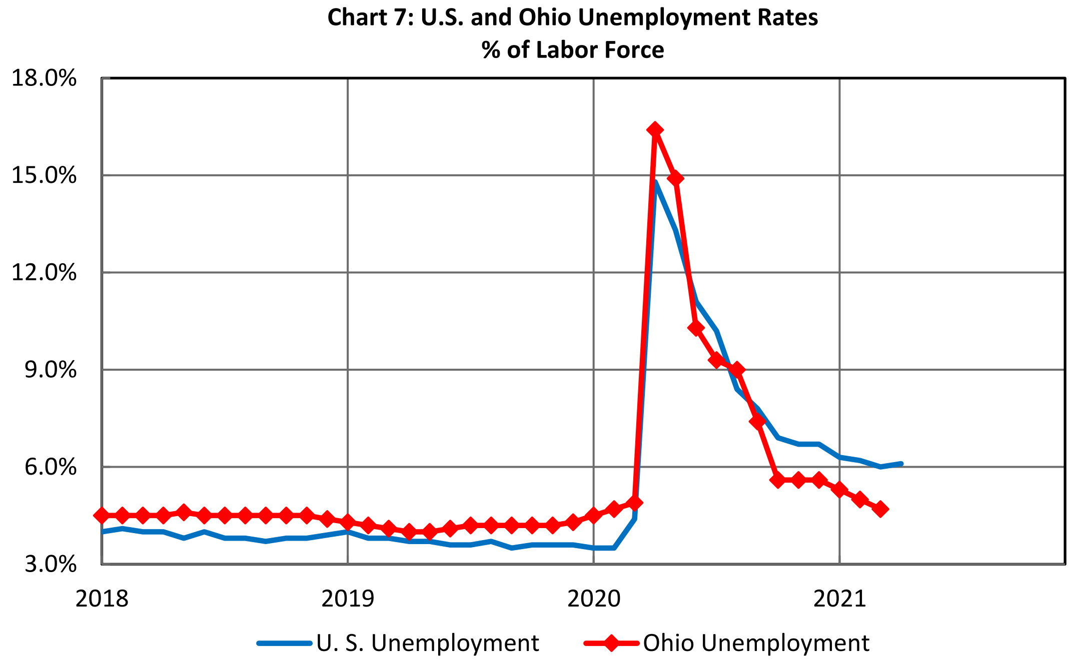
[18] According to the CPI for all items less food and energy.

Unemployment Insurance Claimants, Regular State Programs, by Selected Week				
	United States		Ohio	
Week of Reference	Claimants	Year-Over-Year Change %	Claimants	Year-Over-Year Change %
April 18, 2020	17,770,222	---	777,214	---
January 2, 2021	5,756,886	155.9%	211,822	170.2%
April 17, 2021	3,783,563	-78.7%	121,405	-84.4%
April 24, 2021	3,786,096	-82.6%	113,877	-85.0%

Note: Data reported are not-seasonally adjusted continued claims.

Chart 6: U.S. and Ohio Nonfarm Payroll Employment (in millions)





The Ohio Economy

Ohio employers added a seasonally adjusted 12,700 workers to nonfarm payrolls in March, as both goods-producing (+5,200) and service-providing (+7,500) industries added workers. The state's private sector payroll employment was 199,300 below its level in March 2020. The state's unemployment rate declined by 0.3 percentage point, to 4.7% during the month.[19] In addition, the state labor force contracted (-3,300) during the month on a seasonally adjusted basis, and over the last year has lost 85,200 labor market participants. Chart 6 displays employment and Chart 7 displays unemployment rates in both Ohio and nationally.

During March, the education services (+4,800), construction (+2,900), and manufacturing (+2,200) industries added workers, reflecting further recovery in those areas. Professional and business services (+2,200) and transportation, warehousing, and utilities (+1,500) also added jobs between February and March. Government employment (+1,100) was up in March on positive employment numbers from local governments (+1,400).

Data from the U.S. Department of Labor show there were 113,877 claimants collecting unemployment benefits under regular programs from the state's UI system during the week ending April 24, as shown in the table above. The week of April 18, 2020, was the period in which Ohio reached an all-time peak in continued UI claimants. As of the latest week, the number of UI claimants had decreased 85% year over year, though the number of claimants remained well above what a strong Ohio economy would have. However, the state has made strides in recent months, and the number of persons collecting unemployment during the week of April 24 was around 45% below the number during the first full week of 2021.

[19] The national unemployment rate was 6.0% during the month.

Data from consumer intelligence firm Affinity Solutions show consumer spending in Ohio has risen 2.6% from its benchmark period in January 2020. Data suggest the recovery among industries has been mixed; consumer spending directed to entertainment and recreation (-42.7%), transportation (-35.7%), and health care (-22.8%) is down significantly since January 2020. While spending in the restaurant and lodging industry (-12.8%) still sits below the benchmark level, it has trended up in recent months as consumers feel increasingly confident in assurances of public health.[20]

Extremely limited availability of existing homes continues to drive prices up across Ohio, according to the Ohio Association of Realtors. A press release states that inventories of homes for sale in many of the state's housing markets were about half of year-earlier levels. Compared with March 2020, the total dollar volume of existing home sales was 14.1% greater in March 2021. During this year's first quarter, the average sale price of a home was 13.5% above its level in 2020. Despite the supply shortage, even unit sales are up year over year, as low interest rates support "vigorous levels of activity" in the housing market.

The pace of economic recovery in the Cleveland Federal Reserve District accelerated during the most recent survey reporting period.[21] Reported staffing level increases were modest but widespread among industries during the survey period. Two-thirds of contacts reported nonlabor input costs increased in the last two months, including materials and freight service costs. Reports of increased selling prices were more widespread than in late 2020. Consumer spending rose on the fresh fiscal stimulus measures passed in March, and survey respondents indicated a rise even in the pandemic-limited business travel and hospitality industries. According to contacts, improvements in the business climate led to strong demand in the manufacturing and the professional and business services sectors. Reports indicate demand for light manufacturing and industrial real estate remained sound, while the office and retail real estate demand rose modestly. Demand for freight services remained elevated; as of the survey period, transportation contacts expected demand to rise still further, amidst strong consumer spending and driver shortages.

[20] Data in this paragraph collected from the Opportunity Insights project website, www.tracktherecovery.org.

[21] 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 April 5, 2021.