LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– *Ross Miller, Chief Economist*

October GRF tax revenue was $85 million above the estimate published by the Office of Budget and Management (OBM) in September 2020. Strong sales and use tax receipts accounted for $84 million of that. The net positive variance of about $1 million for all other tax sources was despite personal income tax (PIT) revenue having been $16 million below estimate. For FY 2021 through October, GRF tax revenue was $347 million above estimate. GRF Medicaid expenditures were $430 million below estimate in October. On net, other GRF program expenditures were about $20 million above estimate.

Ohio nonfarm payroll employment grew by 41,500 from August to September, but it was 403,700 lower in September than in September 2019. Private sector employment was 352,500 lower than the prior year, due in large part to the leisure and hospitality sector (down 131,000).

Through October 2020, GRF sources totaled $13.56 billion:

- Revenue from the sales and use tax was $267.9 million above estimate;
- PIT receipts were $67.8 million above estimate.

Through October 2020, GRF uses totaled $13.58 billion:

- Program expenditures were $725.6 million below estimate;
- GRF Medicaid expenditures were $545.6 million below estimate;
- Expenditures in all other program categories were below estimates, most notably Health and Human Services ($67.2 million) and Justice and Public Protection ($40.8 million).

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$138,843	$131,800	$7,043	5.3%
Nonauto Sales and Use	$837,486	$760,500	$76,986	10.1%
Total Sales and Use	*$976,329*	*$892,300*	*$84,029*	*9.4%*
Personal Income	$697,610	$714,000	-$16,390	-2.3%
Commercial Activity Tax	$83,502	$75,100	$8,402	11.2%
Cigarette	$76,803	$77,600	-$797	-1.0%
Kilowatt-Hour Excise	$30,056	$30,500	-$444	-1.5%
Foreign Insurance	$168,815	$163,100	$5,715	3.5%
Domestic Insurance	$0	$0	$0	---
Financial Institution	-$12,174	-$13,600	$1,426	10.5%
Public Utility	$4,015	$3,000	$1,015	33.8%
Natural Gas Consumption	$29	$600	-$571	-95.1%
Alcoholic Beverage	$5,692	$3,900	$1,792	45.9%
Liquor Gallonage	$4,642	$4,000	$642	16.1%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$16	$0	$16	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,035,335**	**$1,950,500**	**$84,835**	**4.3%**
Nontax Revenue				
Earnings on Investments	$17,576	$13,750	$3,826	27.8%
Licenses and Fees	$2,600	$737	$1,863	252.9%
Other Revenue	$832	$876	-$44	-5.0%
Total Nontax Revenue	**$21,009**	**$15,363**	**$5,645**	**36.7%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,056,344**	**$1,965,863**	**$90,480**	**4.6%**
Federal Grants	**$1,056,255**	**$1,325,494**	**-$269,239**	**-20.3%**
Total GRF Sources	**$3,112,598**	**$3,291,357**	**-$178,759**	**-5.4%**

*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 October 31, 2020
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 2, 2020)

State Sources	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Tax Revenue						
Auto Sales	$626,066	$541,600	$84,466	15.6%	$563,002	11.2%
Nonauto Sales and Use	$3,327,643	$3,144,200	$183,443	5.8%	$3,128,047	6.4%
Total Sales and Use	*$3,953,709*	*$3,685,800*	*$267,909*	*7.3%*	*$3,691,049*	*7.1%*
Personal Income	$3,603,427	$3,535,600	$67,827	1.9%	$2,998,430	20.2%
Commercial Activity Tax	$431,101	$446,200	-$15,099	-3.4%	$468,707	-8.0%
Cigarette	$272,796	$250,100	$22,696	9.1%	$257,005	6.1%
Kilowatt-Hour Excise	$112,236	$120,100	-$7,864	-6.5%	$119,227	-5.9%
Foreign Insurance	$175,660	$171,500	$4,160	2.4%	$175,429	0.1%
Domestic Insurance	$824	$0	$824	---	$1	164666.6%
Financial Institution	-$16,152	-$20,700	$4,548	22.0%	-$26,788	39.7%
Public Utility	$35,355	$34,800	$555	1.6%	$34,886	1.3%
Natural Gas Consumption	$13,720	$16,800	-$3,080	-18.3%	$13,304	3.1%
Alcoholic Beverage	$21,238	$18,300	$2,938	16.1%	$17,158	23.8%
Liquor Gallonage	$19,381	$16,900	$2,481	14.7%	$17,278	12.2%
Petroleum Activity Tax	$878	$1,900	-$1,022	-53.8%	$1,796	-51.1%
Corporate Franchise	$287	$0	$287	---	-$4	8217.3%
Business and Property	$15	$0	$15	---	$0	---
Estate	$12	$0	$12	---	$38	-69.0%
Total Tax Revenue	**$8,624,487**	**$8,277,300**	**$347,187**	**4.2%**	**$7,767,514**	**11.0%**
Nontax Revenue						
Earnings on Investments	$17,577	$13,750	$3,827	27.8%	$41,457	-57.6%
Licenses and Fees	$14,096	$8,338	$5,759	69.1%	$9,465	48.9%
Other Revenue	$82,053	$72,973	$9,080	12.4%	$71,220	15.2%
Total Nontax Revenue	**$113,726**	**$95,061**	**$18,666**	**19.6%**	**$122,143**	**-6.9%**
Transfers In	**$79,832**	**$77,932**	**$1,900**	**2.4%**	**$75,548**	**5.7%**
Total State Sources	**$8,818,046**	**$8,450,293**	**$367,753**	**4.4%**	**$7,965,205**	**10.7%**
Federal Grants	**$4,743,542**	**$5,134,970**	**-$391,428**	**-7.6%**	**$3,488,919**	**36.0%**
Total GRF SOURCES	**$13,561,587**	**$13,585,262**	**-$23,675**	**-0.2%**	**$11,454,124**	**18.4%**

*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

FY 2021 GRF sources through October of $13.56 billion were $23.7 million (0.2%) below the estimate released by OBM in September 2020, due to a negative variance of $178.8 million (5.4%) in the latest month. In the first fiscal quarter, GRF sources had posted a cumulative positive variance of $155.1 million. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants. Federal grants were the only GRF category posting a year-to-date (YTD) negative variance with a shortfall of $391.4 million (7.6%). Revenue for this GRF category is related to spending for Medicaid and other human services programs; GRF Medicaid expenditures were $545.6 million below estimate through October. The negative variance of federal grants was large enough to offset positive variances of $347.2 million (4.2%) for GRF tax sources, $18.7 million (19.6%) for nontax revenue, and $1.9 million (2.4%) for transfers in. Tables 1 and 2 show GRF sources for the month of October and for FY 2021 through October, respectively.

Through the end of October, three of the four largest tax sources had positive performances. The sales and use tax, the PIT, and the cigarette tax were $267.9 million, $67.8 million, and $22.7 million above their respective estimates. However, the commercial activity tax (CAT) had a shortfall of $15.1 million due to poor tax payments in August tied to COVID-19-related measures in the spring quarter.[2] Total revenues for the remaining GRF tax sources were $3.8 million above the combined estimate. The financial institutions tax (FIT), the foreign insurance tax, the alcoholic beverage tax, and the liquor gallonage tax were above their respective YTD revenue targets by $4.5 million, $4.2 million, $2.9 million, and $2.5 million. On the other hand, the kilowatt-hour tax, the natural gas consumption tax, and the petroleum activity tax experienced negative variances of $7.9 million, $3.1 million, and $1.0 million, respectively.

A negative variance of GRF sources in the month of October was due to a large shortfall of $269.2 million (20.3%) for federal grants. That shortfall was partially offset by positive variances of $84.8 million (4.3%) for GRF taxes and $5.6 million (36.7%) for nontax revenue. No transfers in occurred or were expected during the month. The sales tax, which was $84.0 million above estimate, contributed nearly the entire positive variance for GRF tax sources. The CAT was also above estimate, by $8.4 million, but the PIT and the cigarette tax posted shortfalls of $16.4 million and $0.8 million, respectively. Also above estimates were the foreign insurance tax ($5.7 million), the alcoholic beverage tax ($1.8 million), the FIT ($1.4 million), and the public

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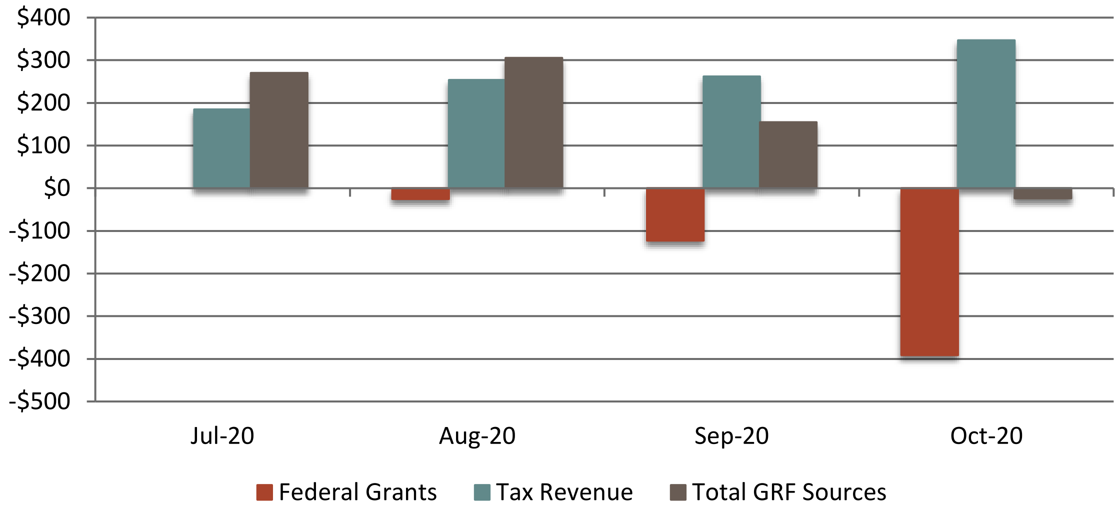
[1] This report compares actual monthly and year-to-date (YTD) GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than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

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

utility tax ($1.0 million). Aggregate receipts from the remaining taxes were $0.4 million below the combined estimate. Chart 1, below, shows cumulative YTD variances of GRF sources in the first four months of FY 2021.

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



Compared to the corresponding revenue in FY 2020 through October, YTD GRF sources rose $2.11 billion (18.4%), due to large increases in federal grants ($1.25 billion, 36.0%)[3] and tax sources ($857.0 million, 11.0%). Transfers in also rose by $4.3 million (5.7%), but nontax revenue fell by $8.4 million (6.9%). The growth in GRF tax sources was led by an increase of $605.0 million in PIT revenue and $262.7 million for the sales and use tax. The increase in PIT revenue was primarily due to a delay in the tax filing deadline from April until July, as explained in more detail in the PIT section below, while sales tax revenue has been supported by federal income support programs, as explained further in the section on that tax. Also, revenue from the cigarette tax, the FIT, the alcoholic beverage tax, and the liquor gallonage tax increased by $15.8 million, $10.6 million, $4.1 million, and $2.1 million, respectively. On the other hand, revenue declined for the CAT ($37.6 million) and the kilowatt-hour excise tax ($7.0 million).

Sales and Use Tax

Through October, FY 2021 revenue from the sales and use tax totaled $3.95 billion. This amount was 7.3% above OBM projections and 7.1% above receipts in the corresponding period in FY 2020. In September, the sales and use tax was on target, and in October, this tax source outperformed anticipated revenue. October GRF sales and use tax revenue of $976.3 million was $84.0 million (9.4%) above estimate, with both portions of the tax (i.e., auto and nonauto) above their respective estimates. Compared to receipts last year in the same month, October sales tax revenue was higher by $29.3 million (3.1%).

[3] This growth is primarily due to a COVID-19-related temporary increase in the share of federal reimbursements for Medicaid. The increase was authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. The increased federal reimbursement accounted for $370.9 million of the $1.25 billion growth in federal grants, according to the Ohio Administrative Knowledge System (OAKS).

As mentioned in a previous edition of *Budget Footnotes,* a decrease in employee compensation during 2020's second quarter was more than offset by the increase in unemployment compensation payments and other personal transfer receipts.[4] In addition, the sales and use tax received a more recent boost from the Lost Wages Supplement Payment Assistance (LWA) Program for individuals who are partially or totally unemployed because of COVID-19. Certain beneficiaries of the earlier additional $600 per week federal unemployment benefits (provided under the CARES Act), which generally expired at the end of July, started receiving retroactive LWA payments the week of September 14, 2020. The LWA payments were distributed in individual $300 payments over a period of several days for all weeks the claimants qualified, up to $1,800. Though nationwide hiring growth has slowed recently, inflation-adjusted consumer spending had steadily increased since the spring quarter, especially spending for home improvement or remodeling, and spending on household goods. This increased consumer spending has sustained sales and use tax revenue in FY 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.

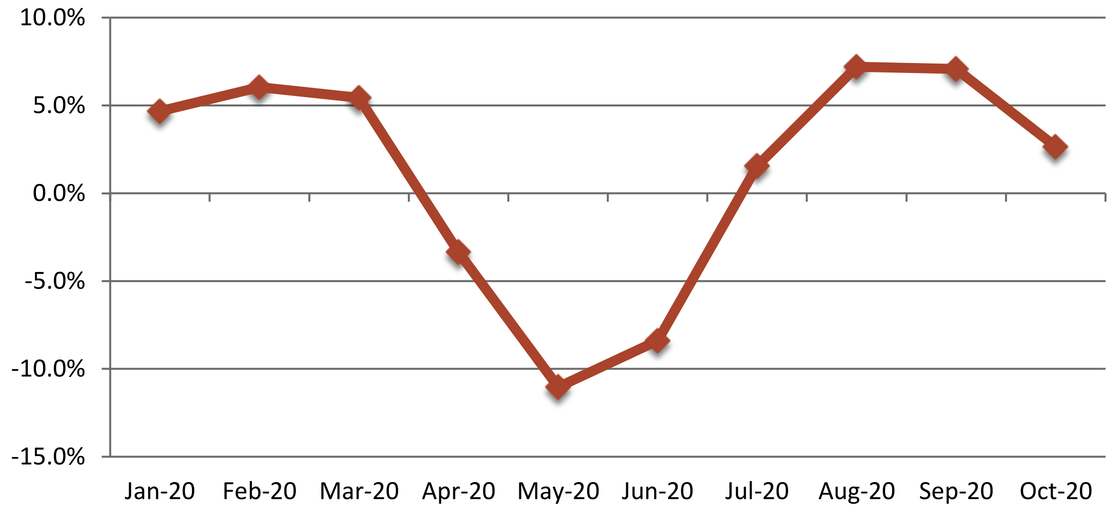
Nonauto Sales and Use Tax

YTD FY 2021 GRF nonauto sales and use tax receipts totaled $3.33 billion, an amount $183.4 million (5.8%) above estimate and $199.6 million (6.4%) above revenue in FY 2020 through October. The fiscal performance of the nonauto sales and use tax has been good due to the income support from the federal fiscal response to the pandemic, the recovery in the labor market during the summer, and stronger than expected consumer spending on durable goods. After a shortfall of $13.7 million in the previous month, October receipts of $837.5 million were $77.0 million (10.1%) above estimate. The monthly tally was also $34.8 million (4.3%) above revenue in October 2019. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. The future performance of this tax source is likely to be dependent on continued improvement in the Ohio economy and labor markets, any additional federal personal transfer payments, and potential new statewide restrictions on economic activity due to a rise in COVID-19 infections.

Chart 2, below, provides year-over-year growth in nonauto sales and use tax collections since January 2020. After strong growth of 17% in July, the chart shows growth has returned to a more measured pace in recent months.

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

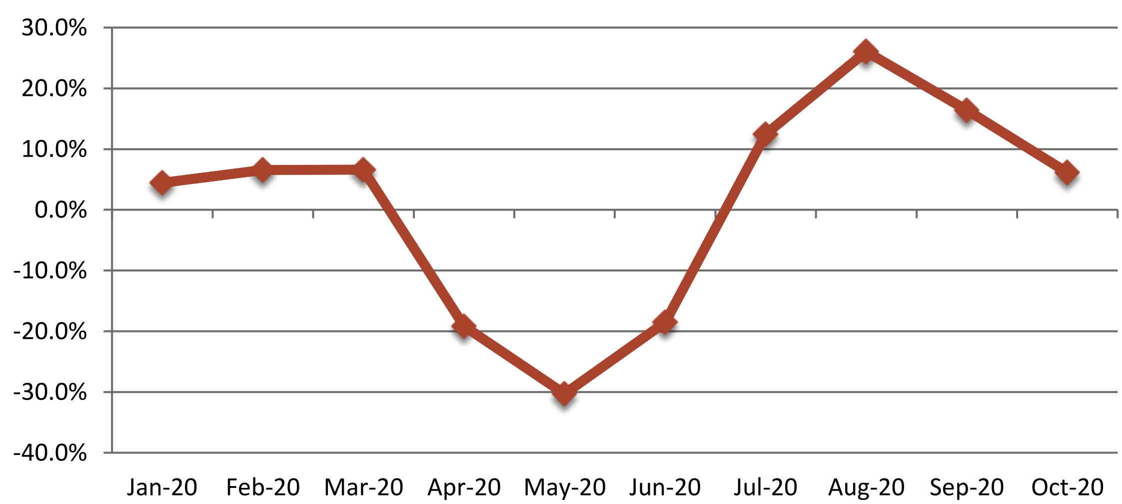
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

The auto sales and use tax posted a strong positive variance of nearly 19% in the first fiscal quarter; through October, FY 2021 auto sales and use tax receipts of $626.1 million were $84.5 million (15.6%) above estimate and $63.1 million (11.2%) above revenue in the corresponding period in FY 2020. In October, auto sales and use tax revenue was $138.8 million, $7.0 million (5.3%) above estimate but $5.5 million (3.8%) below such receipts in October 2019. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, the pandemic-related revenue declines earlier in the calendar year from both low demand and low supply of vehicles, and the subsequent rebound starting in late spring. Recently, revenue growth for this tax source may have returned to potentially more sustainable rates, similar to growth rates at the start of the calendar year before the pandemic.

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



Cheap credit and high demand for SUVs and pickup trucks drove the bounce back of the auto industry from lows in the spring quarter. In addition to the federal fiscal income support and improvement in labor markets, the pandemic may have led persons avoiding public transportation (either for work or leisure) to purchase motor vehicles. As mentioned in the previous edition of *Budget Footnotes*, the increase in the Ohio auto tax base in FY 2021 relative to the corresponding period in FY 2020 was due to an increase in the number of motor vehicles titled and increases in the taxable base for both new and used vehicles.

Personal Income Tax

YTD FY 2021 GRF receipts from the PIT of $3.60 billion were $67.8 million (1.9%) above estimate and $605.0 million (20.2%) above such revenue in the first four months of FY 2020. This large year-over-year growth is directly attributable to the delay of income tax filings from April to July 2020. Excluding July receipts, combined PIT GRF revenue in the last three months was $54.9 million (2.3%) above receipts in the August to October period in FY 2020. Among measures designed to combat the impact of the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments, which he did for this tax, to match the extended deadline for federal income tax returns. Thus, in July 2020, payments associated with annual returns of $501.9 million were $492.5 million above such payments in July 2019;[5] PIT GRF revenue for the month was $550.1 million (87.3%) above receipts in July 2019.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 87% of gross collections in FY 2020). Larger or smaller than expected refunds (which decrease gross collections) could also greatly affect the monthly performance of the tax. The income tax filing delay introduced some volatility in the monthly trends of most PIT components. However, this volatility for payments with annual returns and for refunds is expected to decrease in the coming months as taxpayers continue to file tax year 2019 tax returns.

October PIT revenue to the GRF of $697.6 million was $16.4 million (2.3%) below anticipated revenue. Gross collections were $18.8 million (2.2%) below target, driven by shortfalls in quarterly estimated payments ($9.4 million), employer withholding ($7.7 million), and miscellaneous payments ($2.1 million). Those negative variances were partially offset by positive variances of $0.3 million for taxes due with annual returns and $0.1 million for trust payments. Refunds and transfers to the LGF were $1.8 million and $0.6 million, respectively, below their anticipated levels.

For FY 2021 through October, 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 $32.5 million above projections. Quarterly estimated payments and trust

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

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

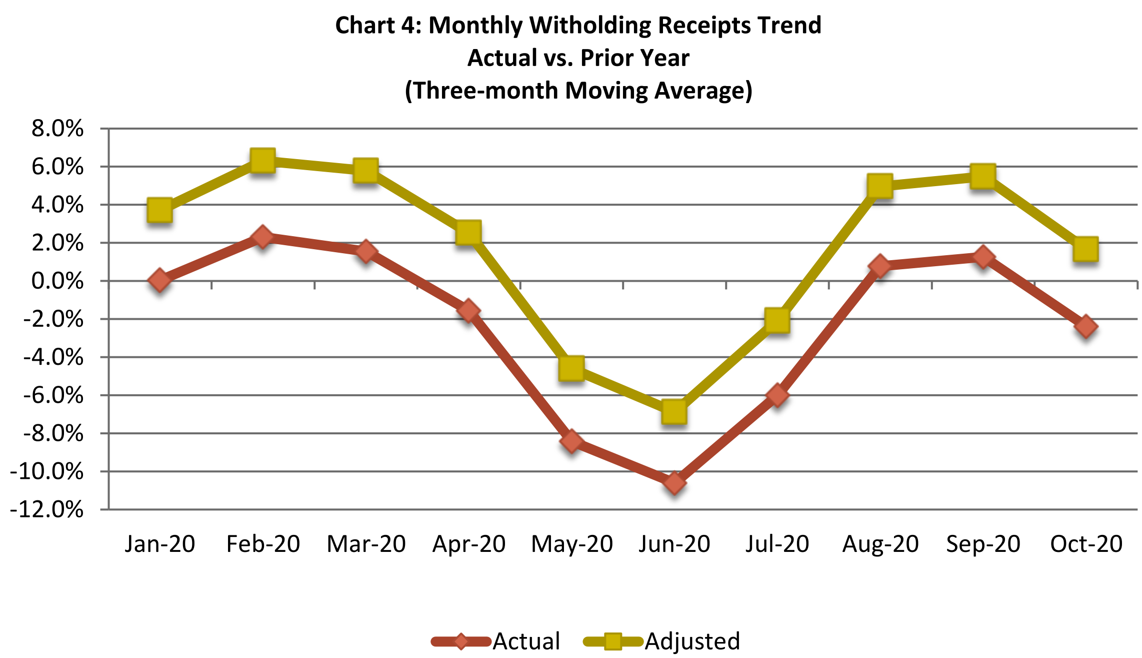
payments were above their respective projections by $43.3 million and $14.0 million, respectively. Those positive variances were partially offset by shortfalls of $10.6 million for employer withholding, $9.1 million for payments due with annual returns, and $5.2 million for miscellaneous payments. Refunds were $49.2 million below estimate, but LGF distributions were above expectation by $13.9 million, thus resulting in the YTD positive variance of $67.8 million for the GRF.

Compared to the corresponding YTD period last year, gross collections grew $756.0 million, driven by an increase of $589.0 million from payments due with annual returns. In addition, quarterly estimated payments and trust payments increased by $145.3 million and $44.8 million, respectively. On the other hand, employer withholding and miscellaneous payments were $17.8 million and $5.3 million lower than in FY 2020, respectively. Year-over-year growth in withholding receipts in calendar year (CY) 2020 is limited because of a 4.0% reduction in withholding rates effective January 2020 due to H.B. 166's reduction of income tax rates for nonbusiness income. FY 2021 refunds and LGF distributions were higher than those in FY 2020 by $133.4 million and $17.6 million, respectively. Therefore, growth in PIT GRF revenue totaled $605.0 million relative to YTD receipts in FY 2020.

FY 2021 PIT Revenue Variance and Annual Change by Component

Category	YTD Variance from Estimate		Changes from FY 2020	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$10.6	-0.4%	-$17.8	-0.6%
Quarterly Estimated Payments	$43.3	11.5%	$145.3	52.9%
Trust Payments	$14.0	28.2%	$44.8	236.3%
Annual Return Payments	-$9.1	-1.3%	$589.0	524.2%
Miscellaneous Payments	-$5.2	-20.8%	-$5.3	-20.9%
Gross Collections	$32.5	0.8%	$756.0	21.9%
Less Refunds	-$49.2	-9.9%	$133.4	42.6%
Less LGF Distribution	$13.9	9.7%	$17.6	12.7%
GRF PIT Revenue	$67.8	1.9%	$605.0	20.2%

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 decrease in the withholding tax rate. Payrolls are estimated to have increased about 1.7%, on average, in the last three months (without any adjustment for tax rates). However, compared to the same month a year ago, payroll growth in October 2020 was negative.



Commercial Activity Tax

YTD GRF receipts from CAT taxpayers were $431.1 million, $15.1 million (3.4%) below estimate. October receipts to the GRF from the CAT were $83.5 million, an amount $8.4 million (11.2%) above estimate, which decreased a recorded first-quarter shortfall of $23.5 million. Though not a big month for the CAT, the October performance may suggest a good revenue outcome in November. That payment by quarterly calendar taxpayers will be based on taxable gross receipts from the July to September quarter, which probably experienced a rebound from the lows from the previous quarter. Manufacturing output, industrial production, and other measures which drive CAT revenue have all improved, though they may still be below their year-ago levels. The first quarterly payment for FY 2021 in August of $278.1 million, based on taxable gross receipts from the April to June quarter, was short of estimate by $30.4 million. Due to a poor first fiscal quarter, YTD GRF revenue from the CAT was $37.6 million (8.0%) below receipts in the corresponding period in FY 2020. Gross collections totaled $567.2 million, a decrease of $32.6 million (5.4%), relative to gross collections in FY 2020 through October. Refunds and credits were $56.4 million, an increase of $11.9 million (26.8%) above those items in FY 2020.

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

Cigarette and Other Tobacco Products Tax

YTD through October, FY 2021 revenue from the cigarette and other tobacco products (OTP) tax totaling $272.8 million was above estimate by $22.7 million (9.1%). This total included $238.0 million from the sale of cigarettes and $34.8 million from the sale of OTP. For the month of October, receipts from this tax source of $76.8 million were $0.8 million (1.0%) below estimate and $0.8 million (1.0%) below revenue in October 2019.

Through October, FY 2021 receipts grew $15.8 million (6.1%) relative to revenues in the corresponding period in FY 2020. Receipts from cigarette sales and OTP sales increased by $8.5 million (3.7%) and $7.2 million (26.3%), respectively. The increase in OTP revenue is due, in part, to additional revenue from the vapor tax. H.B. 166 levied a tax of 10¢ per milliliter (or gram) of vapor product (depending on the form of the product) which is defined as any liquid solution or other substance that contains nicotine and is depleted as it is used in an electronic smoking product.[7] The OTP tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base (about 9% of the total tax base) grows with OTP price increases.

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

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

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of October 2020
($ in thousands)
(Actual based on OAKS reports run November 6, 2020)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$369,571	$312,121	$57,450	18.4%
Higher Education	$191,039	$197,138	-$6,099	-3.1%
Other Education	$9,574	$9,749	-$175	-1.8%
Total Education	**$570,184**	**$519,008**	**$51,176**	**9.9%**
Medicaid	$1,452,705	$1,882,249	-$429,544	-22.8%
Health and Human Services	$143,809	$190,842	-$47,033	-24.6%
Total Health and Human Services	**$1,596,514**	**$2,073,091**	**-$476,577**	**-23.0%**
Justice and Public Protection	$282,608	$294,257	-$11,649	-4.0%
General Government	$53,956	$52,220	$1,736	3.3%
Total Government Operations	**$336,564**	**$346,477**	**-$9,913**	**-2.9%**
Property Tax Reimbursements	$321,903	$295,879	$26,024	8.8%
Debt Service	$66,042	$66,071	-$29	0.0%
Total Other Expenditures	**$387,945**	**$361,950**	**$25,995**	**7.2%**
Total Program Expenditures	**$2,891,207**	**$3,300,526**	**-$409,319**	**-12.4%**
Transfers Out	**$77**	**$9,000**	**-$8,923**	**-99.1%**
Total GRF Uses	**$2,891,284**	**$3,309,526**	**-$418,242**	**-12.6%**

*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 October 31, 2020
($ in thousands)
(Actual based on OAKS reports run November 6, 2020)

Program Category	Actual	Estimate*	Variance	Percent	FY 2020**	Percent
Primary and Secondary Education	$2,765,321	$2,782,221	-$16,900	-0.6%	$2,861,890	-3.4%
Higher Education	$757,277	$769,758	-$12,481	-1.6%	$739,145	2.5%
Other Education	$34,953	$35,290	-$337	-1.0%	$37,743	-7.4%
Total Education	**$3,557,551**	**$3,587,268**	**-$29,717**	**-0.8%**	**$3,638,778**	**-2.2%**
Medicaid	$6,717,927	$7,263,483	-$545,556	-7.5%	$5,434,467	23.6%
Health and Human Services	$473,729	$540,893	-$67,165	-12.4%	$512,919	-7.6%
Total Health and Human Services	**$7,191,655**	**$7,804,376**	**-$612,721**	**-7.9%**	**$5,947,387**	**20.9%**
Justice and Public Protection	$964,628	$1,005,408	-$40,780	-4.1%	$866,957	11.3%
General Government	$156,589	$175,430	-$18,841	-10.7%	$152,721	2.5%
Total Government Operations	**$1,121,217**	**$1,180,838**	**-$59,621**	**-5.0%**	**$1,019,678**	**10.0%**
Property Tax Reimbursements	$820,883	$842,312	-$21,429	-2.5%	$851,362	-3.6%
Debt Service	$477,663	$479,761	-$2,098	-0.4%	$853,499	-44.0%
Total Other Expenditures	**$1,298,546**	**$1,322,073**	**-$23,526**	**-1.8%**	**$1,704,861**	**-23.8%**
Total Program Expenditures	**$13,168,970**	**$13,894,556**	**-$725,586**	**-5.2%**	**$12,310,704**	**7.0%**
Transfers Out	**$411,475**	**$445,900**	**-$34,425**	**-7.7%**	**$661,667**	**-37.8%**
Total GRF Uses	**$13,580,445**	**$14,340,456**	**-$760,011**	**-5.3%**	**$12,972,371**	**4.7%**

*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 November 8, 2020)

	Month of October 2020				Year to Date through October 2020			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,392,177	$1,817,929	-$425,752	-23.4%	$6,485,818	$7,021,431	-$535,614	-7.6%
Non-GRF	$761,614	$762,920	-$1,305	-0.2%	$2,876,766	$2,923,609	-$46,844	-1.6%
All Funds	$2,153,791	$2,580,849	-$427,058	-16.5%	$9,362,583	$9,945,041	-$582,458	-5.9%
Developmental Disabilities								
GRF	$52,185	$53,002	-$817	-1.5%	$198,951	$199,819	-$868	-0.4%
Non-GRF	$189,793	$185,919	$3,874	2.1%	$900,271	$814,971	$85,299	10.5%
All Funds	$241,978	$238,921	$3,057	1.3%	$1,099,222	$1,014,790	$84,431	8.3%
Job and Family Services								
GRF	$6,843	$10,191	-$3,348	-32.9%	$28,816	$37,929	-$9,113	-24.0%
Non-GRF	$15,142	$20,582	-$5,439	-26.4%	$55,145	$67,408	-$12,263	-18.2%
All Funds	$21,985	$30,772	-$8,787	-28.6%	$83,961	$105,337	-$21,376	-20.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,500	$1,127	$373	33.1%	$4,342	$4,304	$38	0.9%
Non-GRF	$2,077	$2,822	-$745	-26.4%	$11,116	$13,490	-$2,374	-17.6%
All Funds	$3,578	$3,950	-$372	-9.4%	$15,458	$17,794	-$2,336	-13.1%
All Departments:								
GRF	**$1,452,705**	**$1,882,249**	**-$429,544**	**-22.8%**	**$6,717,927**	**$7,263,483**	**-$545,556**	**-7.5%**
Non-GRF	**$968,627**	**$972,243**	**-$3,616**	**-0.4%**	**$3,843,297**	**$3,819,479**	**$23,818**	**0.6%**
All Funds	**$2,421,332**	**$2,854,492**	**-$433,160**	**-15.2%**	**$10,561,224**	**$11,082,962**	**-$521,738**	**-4.7%**

*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 November 8, 2020)

	Month of October 2020				Year to Date through October 2020			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,675,943**	**$2,055,824**	**-$379,880**	**-18.5%**	**$6,834,324**	**$7,276,476**	**-$442,152**	**-6.1%**
CFC†	$603,614	$613,652	-$10,038	-1.6%	$2,433,766	$2,487,342	-$53,576	-2.2%
Group VIII	$508,515	$560,557	-$52,042	-9.3%	$2,035,952	$2,091,303	-$55,351	-2.6%
ABD†	$249,454	$257,405	-$7,951	-3.1%	$1,005,684	$1,018,407	-$12,723	-1.2%
ABD Kids	$79,870	$83,020	-$3,149	-3.8%	$322,206	$327,340	-$5,133	-1.6%
My Care	$234,490	$243,717	-$9,228	-3.8%	$956,250	$974,111	-$17,861	-1.8%
P4P†	$0	$297,473	-$297,473	-100.0%	$80,466	$377,973	-$297,507	-78.7%
Fee-For-Service	**$563,878**	**$607,929**	**-$44,051**	**-7.2%**	**$3,087,112**	**$3,115,325**	**-$28,213**	**-0.9%**
ODM Services	$328,300	$375,462	-$47,163	-12.6%	$1,394,596	$1,487,241	-$92,645	-6.2%
DDD Services	$235,579	$232,467	$3,112	1.3%	$1,069,856	$983,618	$86,239	8.8%
Hospital - HCAP† & Other	$0	$0	$0	---	$622,660	$644,466	-$21,807	-3.4%
Premium Assistance	**$95,091**	**$93,926**	**$1,164**	**1.2%**	**$344,353**	**$340,120**	**$4,233**	**1.2%**
Medicare Buy-In	$60,043	$58,817	$1,226	2.1%	$239,410	$234,645	$4,765	2.0%
Medicare Part D	$35,047	$35,109	-$62	-0.2%	$104,943	$105,475	-$532	-0.5%
Administration	**$86,420**	**$96,813**	**-$10,393**	**-10.7%**	**$295,435**	**$351,042**	**-$55,606**	**-15.8%**
Total	**$2,421,332**	**$2,854,492**	**-$433,160**	**-15.2%**	**$10,561,224**	**$11,082,962**	**-$521,738**	**-4.7%**

*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 - Pay For Performance

Detail may not sum to total due to rounding.

Expenditures[8]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

FY 2021 GRF program expenditures totaled $13.17 billion at the end of October. These expenditures were $725.6 million (5.2%) below the estimate released by OBM in early September 2020. All program categories had negative YTD variances at the end of October. The program category with the largest negative variance was Medicaid, which had a negative YTD GRF variance of $545.6 million (7.5%), largely due to a negative variance of $429.5 million (22.8%) in October. It should be noted that these variances are measured against estimates that are approximately $3 billion higher for all funds Medicaid expenditures for the fiscal year than the estimates established when H.B. 166 was enacted. Health and Human Services had the second largest negative YTD variance at $67.2 million (12.4%), which, like Medicaid, was largely due to a negative variance in October ($47.0 million, 24.6%). Two categories that had large negative variances and were reported on in last month's *Budget Footnotes* – Primary and Secondary Education and Property Tax Reimbursements – had positive variances in October that reduced their YTD negative variances. The negative YTD variance for Primary and Secondary Education fell by $57.5 million to $16.9 million (0.6%). The negative YTD variance for Property Tax Reimbursements fell by $26.0 million to $21.4 million (2.5%). YTD variances are shown in the preceding Table 4, while Table 3 shows October variances.

In addition to program expenditures, total uses include transfers out. Transfers out totaled $411.5 million YTD and had a negative YTD variance of $34.4 million (7.7%) at the end of October. Combining program expenditures and transfers out, total GRF uses for FY 2021 were $13.58 billion at the end of October. These uses were $760.0 million (5.3%) below estimate. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in Health and Human Services, Primary and Secondary Education, and Property Tax Reimbursements.

Medicaid

GRF Medicaid expenditures were below their monthly estimate in October by $429.5 million (22.8%) and below their YTD estimate by $545.6 million (7.5%) at the end of October. Non-GRF Medicaid expenditures were also below their monthly estimate, by $3.6 million (0.4%), which brought YTD expenditures to $23.8 million (0.6%) above estimate. Including both the GRF and non-GRF, all funds Medicaid expenditures were $433.2 million (15.2%) below estimate in October and $521.7 million (4.7%) below their YTD estimate at the end of October. The Medicaid expenditure and caseload estimates used in this report were updated by the Ohio Department of Medicaid (ODM) for FY 2021. These updates were precipitated by the COVID-19 pandemic and are thus different from the expenditure and caseload estimates outlined in H.B. 166. The updated expenditure estimates include approximately $3 billion in increases for the fiscal year, related to many impacts of the COVID-19 pandemic.

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

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all funds negative variance in October of $427.1 million (16.5%) and YTD expenditures were also below estimate, with a negative variance of $582.5 million (5.9%). ODODD had an all funds positive variance of $3.1 million (1.3%) in October and ended the month with a YTD positive variance of $84.4 million (8.3%). 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 October. Managed Care had the largest negative variance of $442.2 million (6.1%), followed by Administration's negative variance of $55.6 million (15.8%) and Fee-For-Service's negative variance of $28.2 million (0.9%). Premium Assistance YTD expenditures were above estimate by $4.2 million (1.2%).

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

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

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

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

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

6.2 percentage point increase applies only to those Medicaid expenditures subject to the regular FMAP and not to expenditures made for these exceptions. As a result, the increase does not apply to administrative expenditures or service expenditures for the expansion population under the Affordable Care Act (typically referred to as "Group VIII"), among others. Ohio's FMAP was 63.02% from October 1, 2019, through September 30, 2020, and temporarily increased to 69.22% because of the FFCRA. Ohio's FMAP is 63.6% from October 1, 2020, through September 30, 2021, and is currently temporarily increased to 69.8% because of the FFCRA. In October, this 6.2 percentage point FMAP increase represented approximately $107.5 million in increased federal funding for Ohio Medicaid. The majority of this increased funding was for GRF funds ($93.0 million), with the remaining $14.5 million going to non-GRF funds.

The impact of the COVID-19 pandemic began to show in March's Medicaid caseloads, and the impacts have continued to show through monthly caseload increases since March. From March through October of 2020, caseloads have increased by 36,100 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility and an increase in the number of new applications and approvals, due to the economic impacts of the COVID-19 pandemic. Based on updated FY 2021 ODM estimates, October's caseload of 3.1 million enrollees is approximately 112,600 cases (3.5%) below estimate.

Health and Human Services

The Health and Human Services program category includes all non-Medicaid GRF expenditures by several state agencies. This category had a negative variance of $47.0 million (24.6%) in October, adding to an existing negative variance from August and resulting in a YTD negative variance of $67.2 million (12.4%). The Ohio Department of Job and Family Services (ODJFS) was responsible for $44.8 million of the October variance and $39.3 million of the YTD variance. ODJFS's variances were dominated by two appropriation items as listed below:

- 600523, Family and Children Services, was $29.5 million under estimate in October and $16.0 million under estimate YTD;
- 600413, Child Care State/Maintenance of Effort, was $10.1 million under estimate in October and $10.9 million under estimate YTD.

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

Primary and Secondary Education

The Primary and Secondary Education program category includes all GRF expenditures by the Department of Education (ODE), except for Medicaid and Property Tax Reimbursement expenditures. This category had a positive variance of $57.5 million (18.4%) in October, partially offsetting its negative September variance and resulting in a YTD negative variance of $16.9 million (0.6%). As reported in last month's issue of *Budget Footnotes*, this category had negative variances of $48.2 million in appropriation item 200550, Foundation Funding, and $30.7 million in appropriation item 200573, EdChoice Expansion, in September, due mainly to a timing issue related to scholarship payments. As expected, these negative variances have begun to be reversed. Item 200550 had a positive variance of $49.1 million in October, leaving it with a YTD positive variance of $5.9 million. Item 200573 had a positive variance of $10.1 million in October, leaving it with a YTD negative variance of $20.5 million.

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. The current payment is based on a property tax settlement conducted in August. Reimbursements will be made as counties request them through December. 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 August, this category was under estimate by $105.2 million (42.8%). Positive variances of $57.7 million (19.2%) in September and $26.0 million (8.8%) in October partially offset August's variance, resulting in a negative YTD variance of $21.4 million (2.5%) at the end of October, which should decrease even more by the end of the calendar year.

Issue Updates

OhioMHAS Receives $11.5 Million in Federal CARES Funding

– Ryan Sherrock, Economist

On September 28, 2020, the Controlling Board approved a total of $11.5 million in federal funding for the Ohio Department of Mental Health and Addiction Services (OhioMHAS) to respond to behavioral health impacts relating to the COVID-19 pandemic. The funds come from the federal CARES Act. Of this amount, $10.0 million will be deposited into the Coronavirus Relief Fund (Fund 5CV1) and the remaining $1.5 million will be deposited into the Governor's Emergency Education Relief Fund (Fund 3HQ0). The funds in Fund 5CV1 will be used to support COVID-19 response efforts and to strengthen the continuum of care in three primary areas: visibility and access to services, psychiatric inpatient and crisis care, and supports for those in recovery. Specific project examples include: increasing inpatient capacity by reimbursing local boards for indigent patients who receive care at inpatient private psychiatric hospitals;[12] promoting the Ohio CareLine, a 24/7 helpline staffed with licensed clinicians who direct people to appropriate mental health services; training and recruiting peer supporters in nontraditional settings such as homeless shelters and emergency departments; and increasing community screening and referral events to afford all community members with the opportunity to be screened for behavioral health conditions. The funds in Fund 3HQ0 will be used in partnership with state and local entities to identity strategies to meet the mental health and alcohol/drug use needs of higher education communities. Strategies will include building connections between students, staff, and community providers to improve access to necessary services.

These federal CARES Act funds were released as part of a $31.0 million Controlling Board request that also included funds for the Ohio Department of Higher Education (DHE, $13.5 million) and ODE ($6.0 million). OhioMHAS will work with these two departments to support a coordinated behavioral health approach to the pandemic. The CARES Act allows funds to be used for necessary expenditures incurred by the state due to the COVID-19 pandemic incurred from March 1, 2020, to December 30, 2020.

Controlling Board Approves $13.5 Million in COVID-19 Relief Aid for Mental Health Assistance at Higher Education Institutions

– Edward Millane, Senior Budget Analyst

On September 28, 2020, the Controlling Board approved a total of $13.5 million in federal funding for mental health response and recovery assistance at public and private institutions of higher education. The funding, appropriated in two new line items in the DHE budget, is supported by federal CARES Act funds deposited into the Governor's Emergency Education Relief Fund (Fund 3HQ0) and the Coronavirus Relief Fund (Fund 5CV1). Fund 5CV1 allocations will be used by institutions to immediately address the increased demand for mental health and counseling support services for their students. Institutions must use these allocations by December 30, 2020,

[12] According to OhioMHAS, local boards will be reimbursed at a rate of $750 per day for up to seven days of treatment.

due to federal requirements associated with coronavirus relief funds. Fund 3HQ0 allocations, by contrast, will be used by institutions to provide longer-term mental health support and capacity development, connect to community mental health resources, and implement behavioral health supports in response to the COVID-19 pandemic. Due to the anticipated longer-term nature of these efforts, DHE expects to disburse these funds from January through June of 2021. Together, this $13.5 million in new COVID-19 relief is in addition to the approximately $400 million that institutions received directly from the U.S. Department of Education through the CARES Act's Higher Education Emergency Relief Fund and the approximately $200 million from Fund 5CV1 that DHE disbursed through an enrollment-based formula earlier this year.

According to DHE, approximately 110 public and private, nonprofit higher education institutions will receive a portion of the total $13.5 million available for mental health-related efforts at their campuses. Generally, distributions are based on each campus' full-time equivalent (FTE) enrollment with a focus on Pell-eligible students. The table below shows Fund 3HQ0 and Fund 5CV1 allocations by institution sector. As the table indicates, the state's 14 public universities will receive approximately $8.1 million (59.7%). A total of 74 private, nonprofit institutions will receive the next highest share at $3.3 million (24.7%), followed by 22 community colleges at almost $2.1 million (15.6%).

CARES Act Mental Health Allocations for Ohio Higher Education Institutions by Sector

Institutional Sector	Number of Institutions	Fund 3HQ0 Allocation	Fund 5CV1 Allocation	Total
Public universities	14	$5,076,769	$2,986,335	$8,063,104
Private, nonprofits	74	$2,101,609	$1,236,241	$3,337,850
Community colleges	22	$1,321,622	$777,424	$2,099,046
Total	**110**	**$8,500,000**	**$5,000,000**	**$13,500,000**

ODJFS Provides Fall Pandemic EBT Benefits to K-12 Students Learning Remotely

– Nicholas J. Blaine, Budget Analyst

On September 5, 2020, ODJFS announced that a second round of benefits would be distributed through the Pandemic-Electronic Benefit Transfer (P-EBT) Program. P-EBT provides Supplemental Nutrition Assistance Program (SNAP) benefits to children in kindergarten through 12th grade who are eligible for free or reduced-price school lunches and unable to attend school in person due to COVID-19. In order to be eligible, a student must have participated in a remote learning period that lasted for at least five consecutive days between August 1 and September 30. Each eligible child received $5.86 per day for each remote learning period that met this requirement. ODJFS worked with ODE and local school districts to identify eligible children. Once identified, benefits were automatically issued; families did not need to apply. Children already receiving SNAP benefits had their benefit loaded onto their existing electronic benefit card.

Students that did not receive SNAP during this time period were mailed a P-EBT card. ODJFS anticipated that 490,000 students would receive $86.1 million in benefits.

SNAP is an ongoing federal program that assists low-income households in purchasing food from authorized merchants. Monthly benefits are provided through a debit card. To qualify, recipients must earn less than 130% of the federal poverty level ($28,200 annually for an assistance group of three in 2020).[13] The P-EBT benefits are authorized under the federal Families First Coronavirus Response Act of 2020. The first round of P-EBT benefits provided over $250 million in benefits to 850,000 students in March and April of 2020. These funds are provided directly through the federal government and are not appropriated in the state budget.

OFCC Completed Facility Plans for Nine School Districts in FY 2020

– Jason Glover, Budget Analyst

During FY 2020, the Ohio Facilities Construction Commission (OFCC) completed projects that fully addressed the facilities needs of nine school districts. As shown in the following table, the total master facility plan costs of these projects, as assessed by OFCC, was $462.7 million. Of that total, the state share was $212.5 million (46%) and the local share was $250.3 million (54%).

FY 2020 Completed School Facility Plans

District	County	Total Plan Costs	State Share	State Share %
Ayersville Local School District	Defiance	$16,778,266	$11,241,438	67%
Chillicothe City School District	Ross	$46,705,261	$25,687,893	55%
Clear Fork Valley Local School District	Richland	$25,599,228	$15,615,529	61%
Coventry Local School District	Summit	$30,083,556	$11,130,916	37%
Lakewood City School District	Cuyahoga	$164,045,059	$50,853,968	31%
Liberty Center Local School District	Henry	$36,539,610	$23,385,350	64%
Miami Trace Local School District	Fayette	$42,558,944	$19,577,114	46%
Midview Local School District	Lorain	$39,270,231	$17,671,604	45%
Urbana City School District	Champaign	$61,148,233	$37,300,422	61%
	Total	**$462,728,388**	**$212,464,236**	**46%**

[13] The benefit amount varies based on the income and size of the assistance group.

Overall, OFCC disbursed $368.1 million for school facilities assistance projects in FY 2020, almost 88% ($323.1 million) of which was spent on the Classroom Facilities Assistance Program (CFAP) projects. The remainder, $45.1 million, primarily supported OFCC's Exceptional Needs Program ($28.4 million), which addresses the facilities needs of a specific building rather than the entire facilities needs of a district, as well as facilities assistance for independent science, technology, engineering, and mathematics (STEM) schools ($10.1 million), the Vocational Facilities Assistance Program (VFAP) for joint vocational school districts (JVSDs, $4.4 million), and high-performing community schools ($2.1 million). S.B. 4 of the 133rd General Assembly appropriates $300 million for classroom facilities assistance projects for the FY 2021-FY 2022 capital biennium, supported through the sale of bonds.

Through the end of FY 2020, 44% of districts statewide, including 275 school districts and 15 JVSDs, have completed projects that fully addressed their facilities' needs through CFAP and VFAP and another 18% of districts, including 116 school districts and one JVSD, have buildings in the design or construction phase or had some work performed through another OFCC program. An additional 17% of districts, including 100 school districts and 11 JVSDs, have been offered funding but have deferred the offer, allowed it to lapse because they were unable to raise the required local share, or are in the process of seeking the required local share. The remaining 21% of districts, including 119 school districts and 22 JVSDs, have not yet been offered CFAP funding.

Attorney General Awards $55.5 Million in Federal Victim Assistance Grants

– Jessica Murphy, Budget Analyst

On September 25, 2020, the Office of the Attorney General announced the award of $55.5 million in federal grants from the Victims of Crime Act (VOCA) Victim Assistance Formula Grant Program. Eligible programs provide services to victims of domestic violence, sexual assault, and human trafficking, as well as children and elderly victims of crime and crime victims with disabilities. Grants were awarded to 343 crime victim assistance programs operated by public agencies and private nonprofit organizations.

Individual grants ranged from $8,382 (Hardin County Victim Assistance) to $1.9 million (Cleveland Rape Crisis Center) with an average award of just over $161,881.[14] The largest share of funding – around 30% – benefitted programs located in Franklin County ($9.1 million to 44 programs) and Cuyahoga County ($8.9 million to 30 programs). Grant funding is paid as reimbursements to recipients for expenses incurred within the 12-month grant period, beginning October 1, 2020. As a condition of funding, recipients are required to provide monthly financial reports to the Attorney General for reimbursement payments to be issued. Recipients are also required to provide a 20% cash or in-kind match to their VOCA-funded project.

VOCA Victim Assistance Grants are awarded by the U.S. Department of Justice to all state governments and most territories, which then set priorities and allocate funds to qualifying programs within that state or territory. The annual grant amount awarded to each state includes a base amount of $500,000, with additional funds based on the state's population relative to other

[14] A complete grant award list can be found at: https://www.ohioattorneygeneral.gov/Individuals-and-Families/Victims/VOCA-SVAA-Grants-for-Advocates/VOCA-SVAA-Grant.

states, as determined by U.S Census data. VOCA funding has decreased in recent years due to a decline in the fines and penalties recouped from federal criminal cases. As a result, the federal cap on funds available for distribution decreased for two consecutive years, from a FY 2018 record high of $4.44 billion to $3.35 billion in FY 2019 followed by $2.64 billion in FY 2020.[15]

Ohio EPA Grants $725,000 in H2Ohio Funding for Lead Service Line Replacement in Cincinnati

– Jamie Doskocil, Fiscal Supervisor

On September 3, 2020, the Ohio Environmental Protection Agency (Ohio EPA) announced the award of $725,000 in H2Ohio grant funding to the city of Cincinnati to replace lead service lines and fixtures at childcare facilities. Eligible child-care centers in the city can apply for funds via the Greater Cincinnati Water Works website.[16] The Greater Cincinnati Water Works has a goal of full citywide replacement of lead service lines in 15 years. The average cost to property owners is estimated at $3,700 to replace such lines.[17] Approximately 185 child-care centers will be assisted by the grants.

H2Ohio is a water quality plan to reduce harmful algal blooms, improve wastewater infrastructure, and prevent lead contamination. It is being financed by $172 million transferred from FY 2019 GRF surplus revenue and credited to the H2Ohio Fund (Fund 6H20), as authorized in H.B. 166. H2Ohio's focus is on preventing lead contamination in high-risk daycare centers and schools, improving wastewater infrastructure, replacing failing home septic systems, and reducing phosphorus runoff and preventing algal blooms through increased implementation of agricultural best practices and the creation of wetlands. Part of the goal of H2Ohio is to develop strategies for long-term, cost-effective, and permanent water quality solutions. Partner state agencies include the Ohio EPA, the Department of Natural Resources (DNR), and the Department of Agriculture (AGR). Each agency administers their portion of the funding separately. Ohio EPA offers support in the areas of funding water infrastructure projects, addressing failing home sewage treatment systems, and adding water quality monitors.

The Ohio EPA has previously awarded H2Ohio funding as follows:

- $1 million to Pike Water, Inc., (Pike County) to construct a new drinking water line to provide water to more than 100 homes without public water;
- $500,000 to New Waterford (Columbiana County) to construct a new drinking water line extension to Crestview Schools;
- $500,000 to West Milton (Miami County) to help improve sanitary sewer services;
- $500,000 to the city of Coshocton to construct a new drinking water line to connect West Lafayette to Coshocton's water system;

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[15] From FY 2000 to FY 2014, the annual cap varied from $500 million to $745 million In subsequent years, the annual cap was $2.36 billion in FY 2015, $3.04 billion in FY 2016, and $2.57 billion in FY 2017.

[16] la.mygcww.org/child-care-providers-parents/.

[17] Smith-Randolph, Walter, WKRC, *Cincinnati receives $725,000 to replace lead service lines at day care centers*, September 3, 2020.

- $250,000 each to health departments in Erie, Ottawa, Paulding, Putnam, Sandusky, Williams, and Wood counties to replace failing household sewage treatment systems.

Controlling Board Approves Additional Testing for Chronic Wasting Disease in Ohio White Tailed Deer

Tom Wert, Senior Budget Analyst

On October 26, 2020, the Controlling Board approved $53,200 requested by DNR to contract with Colorado State University (CSU) Veterinary Diagnostic Lab to conduct additional testing for Chronic Wasting Disease (CWD) in white tailed deer harvested by hunters during the 2020-2021 deer hunting season. CWD is a contagious and fatal neurological disease in deer and elk that has been documented in wild deer populations in 24 states including Pennsylvania, Michigan, and West Virginia. Previously, CWD was detected in captive white tailed deer in Ohio's Wayne County but is believed to have been eradicated via depopulation of the affected herd by AGR.

DNR has conducted CWD surveillance in Ohio's wild deer populations dating back to 2002. Since then, nearly 24,000 deer have been tested, including more than 3,800 in 2019. Previously, testing of wild deer was conducted by AGR's Animal Disease Diagnostic Lab (ADDL). However, because CWD has appeared in wild deer populations so close to Ohio's borders, DNR will expand its 2020-2021 testing program beyond ADDL's capacity. Under an existing agreement, CSU was slated to test 1,200 hunter-harvested or road-killed wild deer in 2020-2021. The additional contract approved by the Controlling Board adds an additional 2,800 tests, increasing the total number of deer to be tested to 4,000. Cost per sample under both the existing and new contracts is set at $19 per sample. Funding for the testing will be supported by the Wildlife Fund (Fund 7015) which receives revenue primarily from the sale of hunting and fishing licenses and permits and federal sportfish and wildlife restoration grants.

Department of Commerce Awards Funding to 45 Cemeteries Under Cemetery Grant Program

– Shannon Pleiman, Senior Budget Analyst

On October 20, 2020, the Department of Commerce awarded nearly $74,000 to 45 cemeteries located in 32 counties under the Cemetery Grant Program. The program was created by H.B. 168 of the 132nd General Assembly and is used to provide funds to not-for-profit cemeteries to (1) defray the costs of exceptional maintenance (nonroutine, nonrepetitive maintenance) or (2) train cemetery personnel in the maintenance and operation of cemeteries. Overall, grants ranged from a low of $500 to a high of nearly $20,000. Of the 45 cemeteries receiving grants, 40 received awards of $1,000. The list of cemeteries awarded under the grant and other grant information can be accessed on the Department of Commerce website.

Under this competitive award program, grant applications are evaluated using project budget, cemetery operating budget, and a description of the exceptional maintenance to be undertaken, among other criteria. Grants are funded by $1 of each $2.50 burial permit fee that is deposited into the Cemetery Grant Fund (Fund 5SE0). The current cash balance in Fund 5SE0 is $104,000. H.B. 166 appropriated $100,000 for the program in FY 2021.

Tracking the Economy

– Phil Cummins, Senior Economist

– Ruhaiza Ridzwan, Senior Economist

Overview

The national economy continued to expand through October, but the level of activity remains below that prior to the pandemic. A widespread resurgence of new COVID-19 infections raises questions about the economy's near-term course. Total nonfarm payroll employment rose for the sixth consecutive month in October, and unemployment fell to its lowest level since March. Inflation-adjusted gross domestic product (real GDP) rose sharply in the July to September quarter, but this measure of the economy's total output remained well below its peak at the end of 2019. Industrial production slowed in September, after rapid gains in May through August, and also remained lower than its prior peak. An index of all prices paid by consumers for goods and services increased in June through September, after declining in the previous three months. On a year-over-year basis, consumer price inflation is low. Monetary policy remained highly supportive of the economy.

Ohio's economy continued to add jobs in September, with employment increasing by a total of 484,200 over the past five months, but employment in the state still had not recovered from the losses in March and April of 895,100 total jobs suffered at the beginning of the COVID-19 pandemic. Ohio's unemployment rate continued to decline, to 8.4% in September, down from a peak of 17.6% in April. The region's economic activity continued to expand at a moderate pace, as reported by the Cleveland Federal Reserve Bank based on information from business contacts. Home sales in the state continued higher in July through September than in the corresponding months of 2019, after being lower in April and May.

The National Economy

Total nonfarm payroll employment nationwide continued to recover in October, increasing 638,000 or 0.5%. October was the sixth consecutive month of rising employment, an increase in the number of people employed of 12.1 million (9.3%) from the recession low point in April. Total employment last month was still 10.1 million (6.6%) below the peak last February. In October, large increases in employment were reported in the leisure and hospitality sector, professional and business services, retail trade, and construction. Government employment fell, as temporary decennial Census workers left federal payrolls, and as state and local payrolls were reduced in education. Among all employed persons, about 21% teleworked or worked at home for pay at some point in the latest four weeks. About 15 million persons did not work at all or worked reduced hours in the last four weeks because their employers closed or lost business due to the pandemic.

The number of people counted as unemployed declined in October to 11.1 million, 6.9% of the labor force. Last month was the sixth consecutive month in which unemployment fell, from a peak of 23.1 million or 14.7% in April. The number of people unemployed, and the nation's unemployment rate, remained about twice as high in October as in February, before pandemic-related layoffs started. Among job losers and persons who completed temporary jobs, those on temporary layoff fell to 3.2 million, down from a peak of 18.1 million in April. Those whose layoffs were not considered temporary rose to 4.5 million, highest since the economic peak and start of the recession in February.

Total economic activity nationwide as measured by real GDP rose 7.4% in the third quarter, a 33% annual rate, in the initial report from the Bureau of Economic Analysis (BEA). The increase was the largest ever on quarterly records kept since 1947. This rebound followed the sharpest quarterly fall on record in the previous quarter. The increase in real GDP from the second to third quarter recovered about two-thirds of the decline from the all-time peak in the 2019 fourth quarter and only brought this measure of economic activity back up to about its level in the first half of 2018.

Among major sectors of the economy, consumer spending on goods recovered strongly in the third quarter, particularly for durable goods but also nondurables. Light motor vehicle sales continued strong in October. Federal pandemic-related support for consumers' incomes was massive in the third quarter though less than half that provided in the second quarter.[18] Residential investment also was robust in the third quarter, as new home sales rose to the highest rate since 2006, supported in part by extraordinarily low mortgage interest rates.

Other segments of the economy showed less strength. Consumer spending on services, hard hit in this year's first half, recovered much less than outlays for goods. Fixed investment by business, overall, recovered only partially in the latest quarter, with investment outlays for structures continuing to decline particularly for mining exploration including oil and gas well drilling. Holdings of inventories by business bottomed out in the third quarter after being sharply reduced in the first half of the year. Buying of U.S. exports recovered only a small portion of the drop in the year's first half. Federal government outlays helped support the economy, though they slipped somewhat in the third quarter from a second quarter peak. State and local government spending fell in both the second and third quarters.

Industrial production fell 0.6% in September, after climbing for four straight months from the April low point of the recession to date. Much of September's decline was due to lower output of utilities, a result of less use of air conditioning than usual in the month. Factory production fell 0.3% in September, with notable month-to-month declines in computers and electronic products and in motor vehicles and parts. The other major industry group in industrial production, mining, rose in September as extraction of oil and gas rebounded from tropical storm disruptions in August. Total industrial production in September was 7% below its level in February 2020, before the pandemic-related downturn, and 8% below its all-time peak in December 2018. Manufacturing production in September was 6% lower than in February 2020 and 11% lower than the all-time peak for the index in 2007.

In October, manufacturing production appears to have increased, based on reports from factory purchasing managers. A comparable survey of purchasing managers in other industries also showed reports of expanding business activity outnumbered those indicating contraction. Some survey respondents noted both optimism and caution regarding longer-term commitments amid uncertainties associated with the pandemic.[19]

The consumer price index (CPI) for all items increased 0.2% in September to 1.4% higher than a year earlier. Increases in the CPI resumed in the latest four months after declines in March through May, when gasoline and other fuel prices fell sharply. Consumer energy prices in September were 7.7% lower than a year earlier, while food prices were 3.9% higher. Excluding

[18] This support was mostly through various programs authorized in the CARES Act of 2020.

[19] Institute for Supply Management.

food and energy prices, the CPI was 1.7% higher than a year earlier, though prices for some items were up more sharply. A CPI subindex for used cars and trucks, for example, was 10.3% higher in September than its year-earlier level.

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

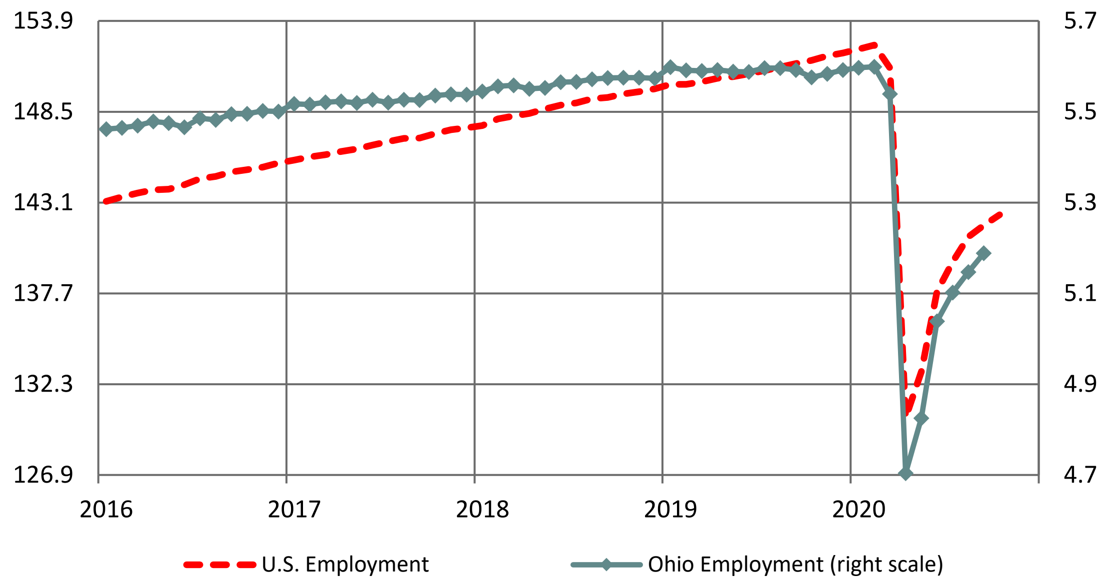
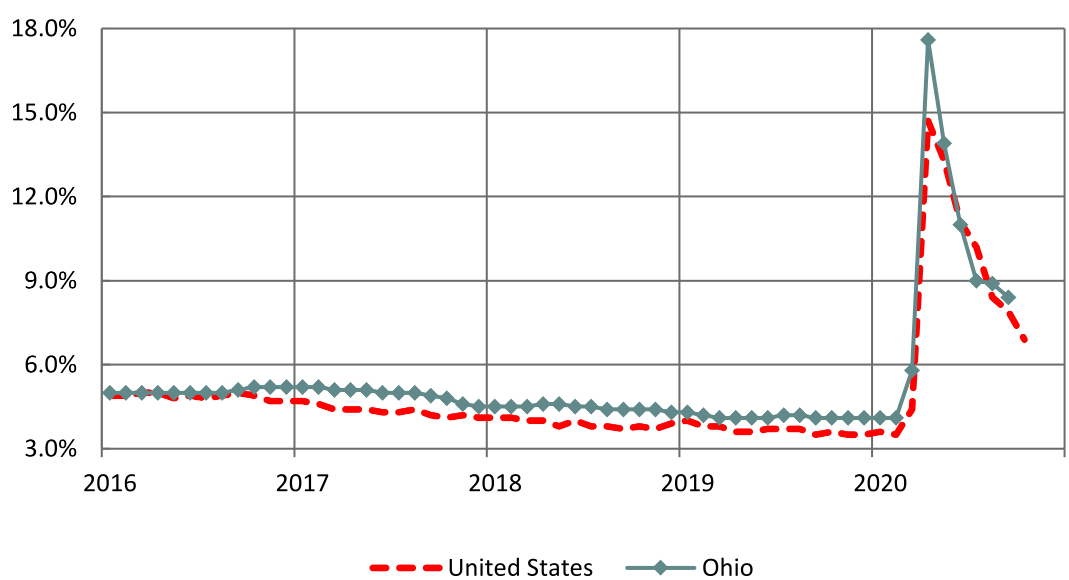


Chart 6: U.S. and Ohio Unemployment Rates % of Labor Force



The Ohio Economy

Ohio's nonfarm payroll employment continued to increase while the unemployment rate decreased to 8.4% in September from 8.9% in August. In September of last year, Ohio's unemployment rate was 4.1%. The number of unemployed workers in Ohio was 472,000 in September, 38,000 fewer than in August and 232,000 more than in September of last year. The state's unemployment rate in September was higher than the U.S. unemployment rate, which was 7.9%.

Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 41,500 or 0.8% in September from the revised total in August. Employment increased over the past five consecutive months since a low point in April. In September, employment in private service-providing industries, goods-producing industries, and government increased by 34,900, 3,500, and 3,100, respectively. Job gains were nearly across the board with job losses mainly in state and federal governments.

Compared to September of last year, the state's nonfarm payroll employment was 403,700, or 7.2% lower. Employment in private service-providing industries, goods-producing industries, and government decreased by 298,800, 53,700, and 51,200, respectively. Year-over-year employment losses occurred in most industries, largely in leisure and hospitality (-131,000), followed by trade, transportation, and utilities (-55,100), and professional and business services (-53,800). Job gains were in federal government (+7,000) and nondurable goods manufacturing (+1,900).

In September, the number of Ohioans who filed initial claims for unemployment insurance dropped to 63,456 from 74,285, a decrease of 14.6%. Compared to September of last year, initial claims were up 188.6%. The average weekly number of benefit recipients dropped by 25.9% in September from August but was up by 587.0% from September of last year.

The number of existing homes sold in Ohio increased by 18.1 % in September compared to September 2019, according to the Ohio Association of Realtors. From January through September, existing home sales were 0.5% higher than the corresponding months in 2019. The statewide sales price of homes sold in the first nine months of this year averaged $209,663 or 8.0% higher than the corresponding months in 2019.

The region's economic activity grew at a moderate pace, according to a Federal Reserve Bank of Cleveland report.[20] Employment picked up slightly but remained well below levels before the pandemic. Consumer spending rose modestly. Auto sales continued strong, but general merchandisers and apparel retailers noted flat sales. Manufacturing activity edged up moderately but was still below the activity level before the pandemic. Residential building and sales continued to be strong. Contacts in financial services reported mortgages and auto lending activity continued to be strong due to persistent low interest rates, but business lending activity was flat. Freight services picked up due to an increase in e-commerce and reopening of the economy after disruptions related to COVID-19.

[20] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. Comments here are derived from the latest edition of the Beige Book, a Federal Reserve publication that summarizes reports from business and industry contacts outside of the Federal Reserve System collected on or before October 9, 2020.

The dollar value of Ohio's total retail sales, excluding food service and drinking places and nonstore retailers, was higher in June and July than a year earlier, according to an experimental data product from the U.S. Census Bureau. From July 2019 to July 2020, total retail sales rose 2.9%, after an increase of 4.1% year-over-year in June. Total retail sales were lower than a year earlier in March, April, and May due to a statewide lockdown with many retail stores closed at the beginning of the pandemic. From July 2019 to July 2020, the highest percentage gain, 17.2%, was reported for retail sales at sporting goods, hobby, musical instrument, and book stores. Retail sales of building material and garden equipment stores, garden centers, and other building supply dealers were reported 16.8% higher than a year earlier, and furniture and home furnishing stores sales were reported 10.4% higher. Retail sales at gasoline stations, clothing and accessories stores, and electronics and appliance stores dropped by 18.9%, 15.5%, and 6.7%, respectively.

Personal consumption expenditures (PCE) of Ohio residents increased 2.8% during CY 2019, according to an annual data release from BEA. Growth in PCE of Ohio residents was slower than the average for all 50 states (3.9%), about on par with that in the Great Lakes region (+2.9%) but lower than in neighboring Indiana (+3.3%) and Pennsylvania (+3.7%).[21]

[21] The Great Lakes region includes Illinois, Indiana, Michigan, Ohio, and Wisconsin.