LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2022 **Issue: April 2022**

Highlights

–Jean J. Botomogno, Principal Economist

March GRF tax revenue was $324 million above the estimate published by the Office of Budget and Management (OBM), due to a large positive variance of $217 million from the personal income tax (PIT). This monthly performance increased the year-to-date (YTD) positive variance of tax revenue to $1.40 billion. With a fiscal quarter left, GRF tax revenue is likely to end FY 2022 with a significant overage, the size of which will depend primarily on the performance of the PIT in April.

YTD GRF Medicaid expenditures were above estimate by $1.23 billion. However, non-GRF expenditures were below estimate by $947 million, resulting in overall Medicaid expenditures above estimate by $284 million YTD. Ohio's Medicaid program is mainly funded by the GRF but is also supported by several non-GRF funds.

Ohio's unemployment rate dropped to 4.2% in February 2022, down from 4.3% in January. Nonfarm payroll employment increased by 6,700 for the month. Employment gains in private service-providing sectors (+10,400) were partially offset by losses in goods-producing industries (-3,500) and government employment (-200).

Through March 2022, GRF sources totaled $29.55 billion:

- Revenue from the PIT was $886.0 million above estimate.
- Sales and use tax receipts were $390.8 million above estimate.

Through March 2022, GRF uses totaled $30.79 billion:

- Program expenditures were $1.05 billion over estimate, due to a positive variance of $1.23 billion for Medicaid. Primary and Secondary Education was also above estimate, by $226.1 million.
- The remaining expenditure categories were below estimates, including Health and Human Services, by $163.1 million, and Justice and Public Protection, by $121.5 million.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of March 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$180,879	$155,600	$25,279	16.2%
Nonauto Sales and Use	$795,429	$737,900	$57,529	7.8%
Total Sales and Use	*$976,308*	*$893,500*	*$82,808*	*9.3%*
Personal Income	$675,092	$458,200	$216,892	47.3%
Commercial Activity Tax	$24,322	$15,400	$8,922	57.9%
Cigarette	$70,362	$71,400	-$1,038	-1.5%
Kilowatt-Hour Excise	$30,239	$29,600	$639	2.2%
Foreign Insurance	$41,378	$38,600	$2,778	7.2%
Domestic Insurance	-$20	-$800	$780	97.5%
Financial Institution	$48,574	$39,300	$9,274	23.6%
Public Utility	$2,898	$2,700	$198	7.3%
Natural Gas Consumption	$11	$0	$11	---
Alcoholic Beverage	$6,688	$4,300	$2,388	55.5%
Liquor Gallonage	$4,211	$4,200	$11	0.3%
Petroleum Activity Tax	$2,846	$2,600	$246	9.5%
Corporate Franchise	$24	$0	$24	---
Business and Property	$0	$0	$0	---
Estate	$43	$0	$43	---
Total Tax Revenue	**$1,882,975**	**$1,559,000**	**$323,975**	**20.8%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$54,639	$29,684	$24,955	84.1%
Other Revenue	$4,783	$1,043	$3,740	358.4%
Total Nontax Revenue	**$59,423**	**$30,727**	**$28,695**	**93.4%**
Transfers In	**$3,184**	**$0**	**$3,184**	**---**
Total State Sources	**$1,945,582**	**$1,589,727**	**$355,854**	**22.4%**
Federal Grants	**$1,830,802**	**$996,003**	**$834,799**	**83.8%**
Total GRF Sources	**$3,776,384**	**$2,585,730**	**$1,190,654**	**46.0%**

*Estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2022 as of March 31, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$1,397,702	$1,350,400	$47,302	3.5%	$1,307,897	6.9%
Nonauto Sales and Use	$8,090,465	$7,747,000	$343,465	4.4%	$7,398,225	9.4%
Total Sales and Use	*$9,488,167*	*$9,097,400*	*$390,767*	*4.3%*	*$8,706,123*	*9.0%*
Personal Income	$7,045,810	$6,159,800	$886,010	14.4%	$7,034,900	0.2%
Commercial Activity Tax	$1,486,781	$1,358,000	$128,781	9.5%	$1,232,773	20.6%
Cigarette	$616,214	$619,000	-$2,786	-0.5%	$639,650	-3.7%
Kilowatt-Hour Excise	$235,329	$237,600	-$2,271	-1.0%	$236,145	-0.3%
Foreign Insurance	$352,229	$351,100	$1,129	0.3%	$350,911	0.4%
Domestic Insurance	$2,291	$800	$1,491	186.4%	$975	134.9%
Financial Institution	$112,622	$129,500	-$16,878	-13.0%	$146,855	-23.3%
Public Utility	$106,382	$94,500	$11,882	12.6%	$82,106	29.6%
Natural Gas Consumption	$34,909	$33,900	$1,009	3.0%	$35,798	-2.5%
Alcoholic Beverage	$49,086	$45,500	$3,586	7.9%	$45,097	8.8%
Liquor Gallonage	$43,492	$42,200	$1,292	3.1%	$42,808	1.6%
Petroleum Activity Tax	$6,474	$6,600	-$126	-1.9%	$3,202	102.2%
Corporate Franchise	$668	$0	$668	---	$5,877	-88.6%
Business and Property	$0	$0	$0	---	$59	-100.0%
Estate	$50	$0	$50	---	$26	90.1%
Total Tax Revenue	**$19,580,504**	**$18,175,900**	**$1,404,604**	**7.7%**	**$18,563,305**	**5.5%**
Nontax Revenue						
Earnings on Investments	$20,963	$18,737	$2,226	11.9%	$32,562	-35.6%
Licenses and Fees	$79,010	$51,248	$27,762	54.2%	$55,473	42.4%
Other Revenue	$396,706	$102,724	$293,983	286.2%	$106,451	272.7%
Total Nontax Revenue	**$496,680**	**$172,708**	**$323,971**	**187.6%**	**$194,485**	**155.4%**
Transfers In	**$55,535**	**$30,362**	**$25,172**	**82.9%**	**$96,983**	**-42.7%**
Total State Sources	**$20,132,719**	**$18,378,971**	**$1,753,748**	**9.5%**	**$18,854,774**	**6.8%**
Federal Grants	**$9,414,236**	**$8,243,421**	**$1,170,815**	**14.2%**	**$9,016,802**	**4.4%**
Total GRF SOURCES	**$29,546,954**	**$26,622,391**	**$2,924,563**	**11.0%**	**$27,871,576**	**6.0%**

*Estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2021.

Detail may not sum to total due to rounding.

Revenues[1]

– Ruhaiza Ridzwan, Senior Economist

Overview

For FY 2022 through March, GRF sources totaled $29.55 billion, an amount $2.92 billion (11.0%) above the OBM estimate. Total GRF sources have been above estimate since September 2021, mostly due to the solid performance of GRF tax sources and federal grants,[2] which were $1.40 billion (7.7%) and $1.17 billion (14.2%) above their respective estimates through March. For the remaining categories, nontax revenue and transfers in were $324.0 million (187.6%)[3] and $25.2 million (82.9%), respectively, above their estimates. GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants. Tables 1 and 2, which precede this revenue section, show GRF sources for March 2022 and YTD through March in FY 2022, respectively.

The PIT contributed the most, $886.0 million, to the YTD GRF tax sources overage, followed by the sales and use tax, $390.8 million, and the commercial activity tax (CAT), $128.8 million. However, the cigarette tax posted a shortfall of $2.8 million. These four taxes are estimated to provide about 94% of GRF tax revenue and nearly two-thirds of total GRF sources in FY 2022. In addition, other smaller taxes exceeded their estimates: the public utility excise tax, the alcoholic beverage tax, the domestic insurance tax, the liquor gallonage tax, and the foreign insurance tax exceeded expectations by $11.9 million, $3.6 million, $1.5 million, $1.3 million, and $1.1 million, respectively. The financial institutions tax (FIT) and the kilowatt-hour tax posted YTD shortfalls of $16.9 million and $2.3 million, respectively. The first two FIT payments of the fiscal year (due January 31, 2022, and March 31, 2022) provided combined revenue of $164.4 million in the third fiscal quarter compared to an aggregate estimate of $158.9 million, resulting in a positive variance of $5.5 million for the three-month period.[4] With one fiscal quarter left, GRF tax revenue is likely to end FY 2022 with a significant overage, the size of which will depend largely on the performance of the PIT in April.

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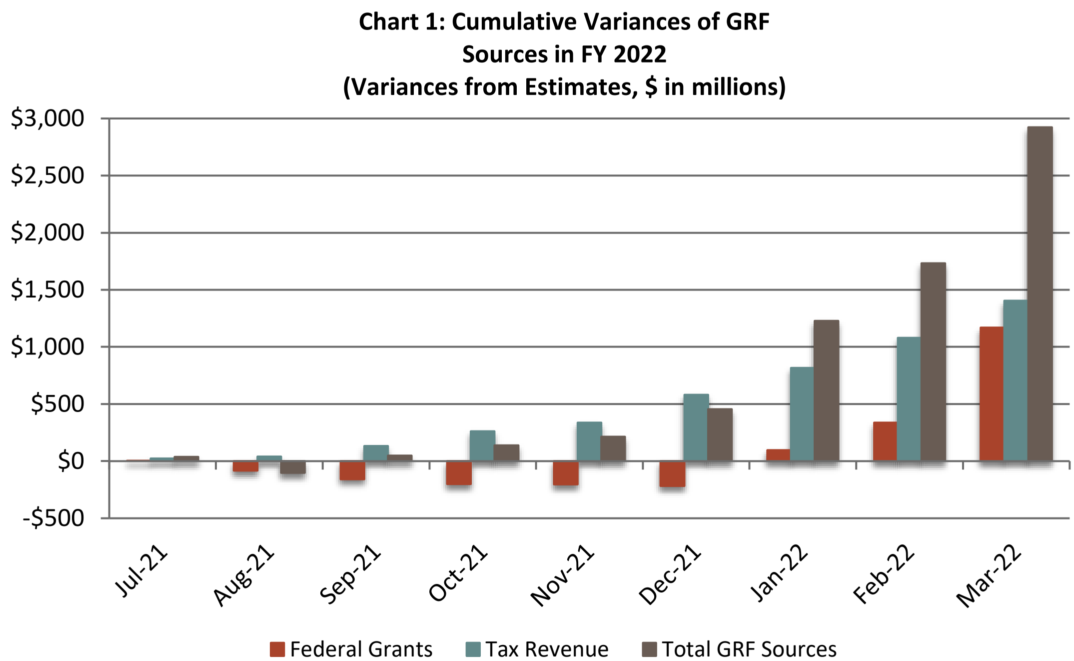
[1] This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs.

[3] More than half of the YTD nontax revenue was from recoveries/ISTV, almost all of which was booked in January. The payments were from COVID-19 relief funds received from the federal government through the state Coronavirus Relief Fund (Fund 5CV1). ISTVs are intrastate transfer vouchers used for making payments.

[4] The GRF typically pays out refunds under the FIT during the first half of the fiscal year as taxpayers make adjustments to previous tax filings. In the first half of FY 2022, the FIT was $22.4 million below estimate through December. 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 generally results in net refunds between July and December.

Total GRF sources for the month of March were $3.78 billion, which was $1.19 billion (46.0%) above estimate. Federal grants were larger than expected by $834.8 million (83.8%), linked to a large positive variance of $1.07 billion for the month in Medicaid expenditures. GRF tax receipts were $324.0 million (20.8%) above estimate, the largest positive monthly variance so far this fiscal year. Nontax revenue was $28.7 million (93.4%) above estimate, mainly due to a license and fee revenue surplus of $25.0 million. Most of the license and fee YTD surplus in March was attributable to fees associated with surplus lines insurance, which accounted for $50.8 million of the $54.6 million license and fee revenue for the month.[5] And OBM transferred into the GRF $3.2 million, when no transfers in were anticipated. Among tax sources, the PIT's positive variance was $216.9 million or about two-thirds of the $324.0 million total positive variance of GRF tax sources in March. The sales and use tax posted a positive variance of $82.8 million, and CAT revenues to the GRF were above estimate by $8.9 million. Tax revenue was also above estimate for the FIT, at $9.3 million, while the foreign insurance tax and the alcoholic beverage tax were above expectations by $2.8 million and $2.4 million, respectively. In contrast, the cigarette tax underperformed by $1.0 million, the only tax source with a shortfall in March. Chart 1, below, shows cumulative YTD variances of GRF sources through March of FY 2022.



[5] For more information about GRF revenue from surplus lines insurance, see the Issue Updates article, "GRF Surplus Lines Insurance Tax Receipts Exceeded $60 Million in FY 2021 (PDF)," in the November 2021 edition of Budget Footnotes.

FY 2022 YTD GRF sources grew by $1.68 billion (6.0%) from the corresponding period in FY 2021. GRF tax revenue increased by $1.02 billion (5.5%), federal grants[6] increased by $397.4 million (4.4%), and nontax revenue increased by $302.2 million (155.4%). On the other hand, transfers in decreased by $41.4 million (42.7%). GRF tax sources growth was largely due to revenue increases in the sales and use tax ($782.0 million) and the CAT ($254.0 million). Other taxes with revenue growth included the public utility tax ($24.3 million), the PIT ($10.9 million), the alcoholic beverage tax ($4.0 million), the petroleum activity tax ($3.3 million), the foreign insurance tax ($1.3 million), and the domestic insurance tax ($1.3 million). The primary factor restraining PIT revenue growth, as explained in more detail below, was a shift in the deadline for filing tax year (TY) 2019 taxes from FY 2020 to FY 2021, which boosted FY 2021 PIT revenue. Those increases were partially offset by revenue decreases from the FIT ($34.2 million), the cigarette tax ($23.4 million), and the corporate franchise tax ($5.2 million). The corporate franchise tax was eliminated at the end of 2013.

Sales and Use Tax

FY 2022 YTD GRF receipts from the sales and use tax totaled $9.49 billion, $390.8 million (4.3%) above estimate, and an increase of $782.0 million (9.0%) compared to receipts during the corresponding period in FY 2021. In March, GRF receipts from the sales and use tax totaling $976.3 million, were $82.8 million (9.3%) above estimate and $113.0 million (13.1%) above revenue in March 2021. This GRF tax source has performed above expectations since September 2021. The rise in consumer spending has been broad based across various retail sectors throughout the fiscal year. Rising prices are eroding consumers' spending power because wages, while up, have increased more slowly than the price of most goods and services; but, the most recent surge in the prices of food, gasoline, and rents (items not in the sales and use tax base) so far has not negatively affected spending on taxable items and sales and use tax revenue.

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

For the FY 2022 YTD through March, GRF revenue from nonauto sales and use taxes totaled $8.09 billion, which was $343.5 million (4.4%) above estimate. YTD revenue grew by $692.2 million (9.4%) compared to revenue during the corresponding period in FY 2021.[7] In March, GRF revenue from this tax of $795.4 million was above estimate by $57.5 million (7.8%) and $102.0 million (14.7%) above revenue in March 2021, another good monthly increase.

[6] H.B. 110 reduced the GRF federal share of Medicaid spending (and increased the non-GRF federal share of Medicaid spending) in FY 2022, relative to Medicaid spending in FY 2021. But that policy change has been offset by federal actions which have boosted both Medicaid spending relative to estimate in FY 2022 and the federal matching rate, resulting in FY 2022 federal grants growing compared to the year-earlier period.

[7] YTD revenue growth would have been stronger, but H.B. 110 of the 134th General Assembly repealed the sales tax paid by businesses on purchases of employment services and employee placement services, which has reduced revenue by an estimated $60 million this fiscal year.

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.

Sales tax revenue growth has been enhanced by a rise in the prices of taxable goods and services, as show below. The table shows the percent changes in nationwide retail sales in various industries in which sales and use tax is charged in Ohio. Changes shown are to the first half of FY 2021 and FY 2022 from the year-earlier period. Retail sales were also adjusted for price effects, using changes in the consumer price index (CPI), with 2019 dollars as the base year for the periods under consideration.

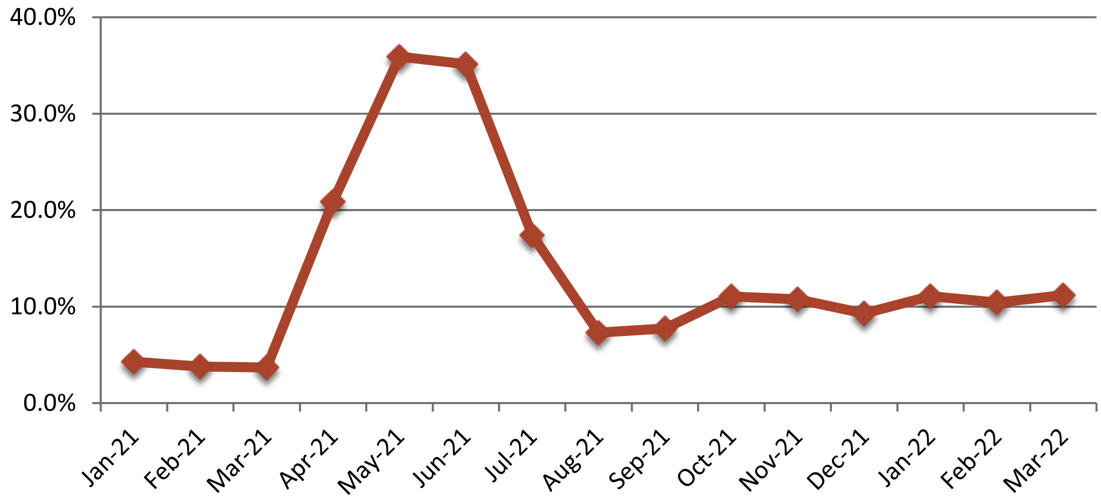
In that six-month period, excluding the nonstore retailers, nominal sales grew 19.4%, while inflation-adjusted (real) retail sales rose 12.7% from a year earlier. The difference, 6.7%, represents growth in the prices of goods, which are generally in the sales tax base. In the first half of FY 2021, both nominal and real sales at nonstore retailers were much higher than a year earlier as many consumers chose to order goods online for delivery, substituting such remote sourcing for in-store purchases for a portion of their needs during the first year of the pandemic. In the latest period shown, growth of nonstore retail sales remained somewhat high (9.0%) but slowed from growth in the previous year, though boosted by price increases as real sales only grew 2.8%.

U.S. Retail Sales: Year-ago % Change in July to December Period in FY 2021 and FY 2022

	FY 2021 Compared to FY 2020		FY 2022 Compared to FY 2021	
Category	Nominal Sales	Inflation-adjusted Sales	Nominal Sales	Inflation-adjusted Sales
Furniture and Home Furnishings	5.9%	4.6%	14.0%	7.6%
Electronics and Appliance Stores	-9.3%	-10.4%	16.6%	10.0%
Building Mat. and Garden Equip. and Supplies Dealers	17.5%	16.1%	8.9%	2.7%
Health and Personal Care Stores	4.6%	3.3%	8.5%	2.4%
Clothing and Clothing Access. Stores	-12.1%	-13.1%	32.6%	25.1%
Sporting Goods, Hobby, Musical Instrument, and Book Stores	16.6%	15.2%	17.6%	10.9%
General Merchandise Stores	3.0%	1.7%	13.7%	7.2%
Miscellaneous Store Retailers	6.2%	4.9%	23.5%	16.5%
Food Services and Drinking Places	-17.3%	-18.3%	35.2%	27.5%
Subtotal	-1.5%	-2.7%	19.4%	12.7%
Nonstore Retailers	24.4%	22.9%	9.0%	2.8%
Total	**4.0%**	**2.8%**	**16.8%**	**10.1%**

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2021. Growth was modest at the start of the 2021 calendar year, strengthened in the second calendar quarter as tax revenue compared favorably to depressed levels in the year-earlier period, then slowed to a more moderate level, about 11.2% on average in the last three months. For the fiscal year, YTD growth was 9.4% through March 2022.

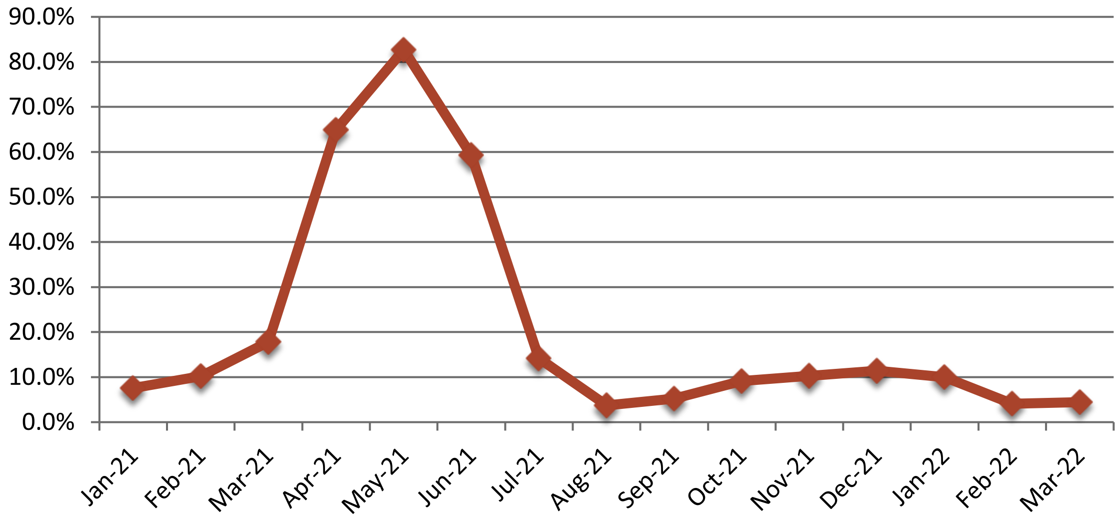
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

FY 2022 YTD GRF revenue from the auto sales and use tax totaled $1.40 billion, an amount $47.3 million (3.5%) above estimate and an increase of $89.8 million (6.9%) compared to actual revenue during the corresponding period in FY 2021. In March, GRF revenue from this tax source was $180.9 million, which was $25.3 million (16.2%) above estimate and an increase of $11.1 million (6.5%) compared to revenue in March 2021. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, including high growth rates in the spring of 2021 from pandemic-depressed revenues a year earlier when vehicle buying plunged. Slower year-over-year revenue growth started in June and continued into FY 2022. Revenue growth has slowed further in calendar year (CY) 2022. It was 4.4%, on average, in the last three months, lower than the first-half growth rate of 8.0% between July and December 2021.

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



As noted in this space last month, auto sales tax revenue growth in FY 2022 has been largely attributable to strong increases in average sale prices of vehicles. Unit sales have softened, mainly due to supply-chain issues, including shortages of semiconductors. Data on new and used vehicles titled in the table below, derived from Ohio Bureau of Motor Vehicles, show that during the first three quarters of FY 2022, total spending on passenger vehicles and trucks grew by 8.7%, compared to the year-earlier period. However, combined unit purchases of new and used motor vehicles were down by 10.4%, but average prices went up 21.3%.

Nationwide unit sales of light motor vehicles have also slowed. Based on data from the U.S. Bureau of Economic Analysis, unit sales fell to 9.9 million in FY 2022 through March from 12.0 million in the corresponding period last year, a decline of 16.9%.

New and Used Vehicles Titled			
YTD Through March	**Titles**	**Spending ($ in millions)**	**Average Price**
New Vehicles	242,439	$11,175	$46,093
Used Vehicles	1,172,483	$16,276	$13,882
Total	**1,414,922**	**$27,451**	**$19,401**
Growth from FY 2021			
New Vehicles	-13.8%	-2.9%	12.7%
Used Vehicles	-9.6%	18.5%	31.1%
Total	**-10.4%**	**8.7%**	**21.3%**

Personal Income Tax

FY 2022 YTD GRF revenue from the PIT amounted to $7.05 billion, which was $886.0 million (14.4%) above estimate, mainly attributable to stronger than expected revenue from employer withholding and from annual returns, higher than anticipated estimated tax payments, and lower than anticipated refunds. 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,[8] 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 (generally over 81% of gross collections for an entire fiscal year).

In March, GRF revenue from the PIT amounted to $675.1 million, which was $216.9 million (47.3%) above estimate and an increase of $152.4 million (29.2%) compared to such revenue in March 2021. Gross collections were $169.5 million (16.2%) above estimate, mainly as a result of employer withholding and annual returns having been above estimated revenue by $108.0 million and $48.6 million, respectively. In addition, refunds were $51.8 million below estimates for the month. On the other hand, LGF distributions were higher than OBM's estimate by $4.4 million.

FY 2022 YTD GRF receipts from the PIT were $10.9 million (0.2%) above revenue in FY 2021 through March, the first time so far in FY 2022 YTD PIT revenue growth was positive. Over the first eight months, year-over-year growth was negative ($141.5 million) due to a year-over-year decline totaling $586.2 million in the months of July and August. That large decline was attributable to the delay of income tax filings for TY 2019 from April to July 2020. Generally, income tax returns are filed in mid-April each year, but the filing of TY 2019 tax returns was delayed due to the COVID-19 pandemic.[9] Income tax filings for TY 2020 returns were delayed from mid-April to mid-May 2021, still within FY 2021, due to the late enactment of the American Rescue Plan Act (ARPA), which included several tax changes impacting TY 2020 returns.

For FY 2022 through March, revenues from each component of the PIT relative to estimates and to revenue received in FY 2021 are detailed in the table below. FY 2022 gross collections were $618.0 million above anticipated revenue, with positive variances of $346.7 million from employer withholding, $128.5 million from quarterly estimated payments, $124.3 million from payments due with annual returns, and $21.7 million from miscellaneous payments. Those positive variances were partly offset by a shortfall of $3.2 million for payments from trusts. YTD refunds were $289.2 million below projections, but LGF distributions were $21.1 million above estimate, adding $268.1 million to YTD gross collections, to arrive at the YTD positive GRF variance of $886.1 million.

[8] Quarterly estimated payments are due from 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.

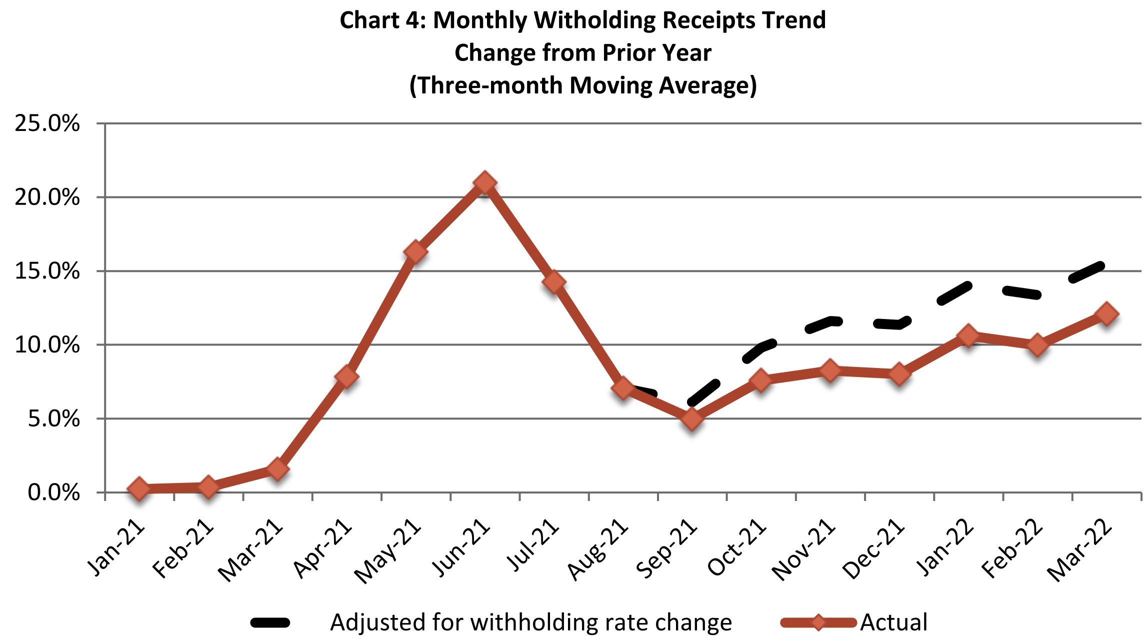
[9] Among measures designed to help consumers and businesses weather the impact of the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments during the period of the Governor's emergency declaration. In response to enactment of the bill, the Tax Commissioner authorized an extension of the deadline to file state income taxes until July 15, 2020, matching the extended deadline for federal income tax returns.

FY 2022 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2021	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$346.7	4.7%	$601.9	8.5%
Quarterly Estimated Payments	$128.5	21.2%	-$49.2	-6.3%
Trust Payments	-$3.2	-8.4%	-$49.5	-58.7%
Annual Return Payments	$124.3	56.0%	-$497.1	-59.0%
Miscellaneous Payments	$21.7	37.2%	$21.6	36.8%
Gross Collections	**$618.0**	**7.5%**	**$27.7**	**0.3%**
Less Refunds	-$289.2	-16.3%	-$2.4	-0.2%
Less LGF Distribution	$21.1	6.2%	$19.2	5.6%
GRF PIT Revenue	**$886.0**	**14.4%**	**$10.9**	**0.2%**

Compared with the same period in FY 2021, gross collections increased $27.7 million in the first nine months of FY 2022. Employer withholding and miscellaneous payments were above their prior-year levels by $601.9 million and $21.6 million, respectively. However, revenue from annual returns, trust payments, and quarterly estimated payments fell $497.1 million, $49.5 million, and $49.2 million, respectively, because these were the components of revenue affected by the tax filing delay described above. FY 2022 refunds decreased by $2.4 million relative to refunds in the year-earlier period, and LGF distributions were $19.2 million higher than in the corresponding period last year. Therefore, YTD PIT GRF revenue was $10.9 million more than receipts in FY 2021 through March.

The chart below illustrates the growth of actual employer withholdings received monthly, on a three-month moving average basis relative to one year ago. Withholding rates were decreased by 3% across the board beginning in September, as a result of a tax rate reduction in H.B. 110.[10] The dashed line in the chart, adjusted for the withholding rate change, approximates actual payroll growth in recent months which was stronger than growth of amounts withheld.

[10] H.B. 110 enacted several changes that will decrease PIT revenue this fiscal year. Most significantly, H.B. 110 reduces income tax rates by 3% in TY 2021 and thereafter, except that it eliminates the top bracket and further reduces the tax rate to 3.99% (from 4.797% and 4.413% in the previous top and next-to-top brackets) for nonbusiness taxable income of $110,650 or more. The budget act also increases the income level at which the lowest tax bracket begins from $22,150 in TY 2020 to $25,000 in TY 2021. Nonbusiness taxable income below these levels incurs zero tax liability.



Commercial Activity Tax

FY 2022 YTD GRF revenue from the CAT amounted to $1.49 billion, which was $128.8 million (9.5%) above estimate and an increase of $254.0 million (20.6%) compared to actual revenue during the corresponding period in FY 2021. In March, GRF revenue from this tax source was $24.3 million, which was $8.9 million (57.9%) above estimate and an increase of $3.8 million (18.7%) compared to revenue in March 2021. FY 2022 GRF revenue growth in the last six months, i.e., excluding first-quarter receipts, compared to receipts in the corresponding period in FY 2021 was a remarkable 16.5%.[11]

YTD through March, gross collections totaled $1.83 billion, an increase of $251.1 million (15.9%) compared to gross collections during the corresponding period in FY 2021. Refunds were $72.0 million, a decrease of $49.7 million (40.8%) from refunds during the corresponding period in FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $11.7 million. (Money in the fund helps defray Ohio Department of Taxation costs of administering the CAT and other taxes.)

Under continuing law, CAT receipts net of refunds and transfers to Fund 2280 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%). YTD distributions to Fund 7047 and Fund 7081 were $227.4 million and $35.0 million, respectively. 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 and the phase down of property taxes on public utility tangible personal property. Through March,

[11] Low tax payments related to pandemic-related business closures and recession in spring 2020 showed up in the first quarter of FY 2021 because CAT payments are based on a company's gross receipts in the previous calendar quarter. Thus, excluding first-quarter receipts provides a better gauge of CAT revenue growth.

distributions to the two funds have exceeded estimated annual reimbursements for both school districts and other local tax units. Any receipts in excess of amounts needed for such reimbursement payments are generally transferred back to the GRF.

Cigarette and Other Tobacco Products Tax

FY 2022 YTD GRF revenue from the cigarette and other tobacco products (OTP) tax totaled $616.2 million, which was $2.8 million (0.5%) below estimate and $23.4 million (3.7%) below revenue in the corresponding period last fiscal year. FY 2022 YTD total revenue included $534.2 million from the sale of cigarettes and $82.0 million from the sale of OTP. OTP sales increased by $7.4 million (9.9%) while receipts from cigarette sales decreased $30.8 million (5.5%). For the month of March, receipts from this source of $70.4 million were $1.0 million (1.5%) below estimate and $5.6 million (7.4%) below revenue in March 2021.

For 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, though monthly receipts may grow or decline from revenue in the year-earlier month.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2022
($ in thousands)
(Actual based on OAKS reports run April 4, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$369,373	$420,001	-$50,628	-12.1%
Higher Education	$211,850	$199,902	$11,948	6.0%
Other Education	$3,160	$3,831	-$671	-17.5%
Total Education	**$584,383**	**$623,734**	**-$39,351**	**-6.3%**
Medicaid	$2,522,073	$1,454,710	$1,067,363	73.4%
Health and Human Services	$141,277	$137,441	$3,837	2.8%
Total Health and Human Services	**$2,663,351**	**$1,592,151**	**$1,071,200**	**67.3%**
Justice and Public Protection	$194,386	$180,880	$13,505	7.5%
General Government	$33,517	$42,463	-$8,946	-21.1%
Total Government Operations	**$227,903**	**$223,343**	**$4,559**	**2.0%**
Property Tax Reimbursements	$128,352	$150,359	-$22,007	-14.6%
Debt Service	$157,963	$161,656	-$3,693	-2.3%
Total Other Expenditures	**$286,315**	**$312,015**	**-$25,701**	**-8.2%**
Total Program Expenditures	**$3,761,951**	**$2,751,244**	**$1,010,708**	**36.7%**
Transfers Out	**$9,200**	**$6,000**	**$3,200**	**53.3%**
Total GRF Uses	**$3,771,151**	**$2,757,244**	**$1,013,908**	**36.8%**

*September 2021 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 2022 as of March 31, 2022
($ in thousands)
(Actual based on OAKS reports run April 4, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$6,558,575	$6,332,425	$226,150	3.6%	$6,223,342	5.4%
Higher Education	$1,833,385	$1,854,680	-$21,295	-1.1%	$1,761,168	4.1%
Other Education	$70,928	$75,563	-$4,635	-6.1%	$57,657	23.0%
Total Education	**$8,462,888**	**$8,262,668**	**$200,220**	**2.4%**	**$8,042,168**	**5.2%**
Medicaid	$13,480,689	$12,250,531	$1,230,158	10.0%	$12,932,364	4.2%
Health and Human Services	$1,159,584	$1,322,644	-$163,061	-12.3%	$1,097,441	5.7%
Total Health and Human Services	**$14,640,273**	**$13,573,176**	**$1,067,097**	**7.9%**	**$14,029,805**	**4.4%**
Justice and Public Protection	$2,002,529	$2,124,034	-$121,505	-5.7%	$1,828,607	9.5%
General Government	$378,544	$438,372	-$59,827	-13.6%	$321,876	17.6%
Total Government Operations	**$2,381,074**	**$2,562,406**	**-$181,332**	**-7.1%**	**$2,150,484**	**10.7%**
Property Tax Reimbursements	$1,041,404	$1,073,024	-$31,620	-2.9%	$1,063,471	-2.1%
Debt Service	$1,274,081	$1,279,843	-$5,762	-0.5%	$896,234	42.2%
Total Other Expenditures	**$2,315,485**	**$2,352,867**	**-$37,382**	**-1.6%**	**$1,959,704**	**18.2%**
Total Program Expenditures	**$27,799,720**	**$26,751,116**	**$1,048,604**	**3.9%**	**$26,182,160**	**6.2%**
Transfers Out	**$2,988,863**	**$2,970,400**	**$18,463**	**0.6%**	**$458,415**	**552.0%**
Total GRF Uses	**$30,788,583**	**$29,721,516**	**$1,067,067**	**3.6%**	**$26,640,575**	**15.6%**

*September 2021 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2021.
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 April 4, 2022)

	Month of March 2022				Year to Date through March 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,451,411	$1,400,457	$1,050,954	75.0%	$12,918,716	$11,654,142	$1,264,574	10.9%
Non-GRF	$1,265,072	$1,379,228	-$114,156	-8.3%	$11,114,263	$12,195,176	-$1,080,913	-8.9%
All Funds	$3,716,483	$2,779,685	$936,798	33.7%	$24,032,978	$23,849,318	$183,661	0.8%
Developmental Disabilities								
GRF	$63,302	$53,128	$10,174	19.2%	$488,831	$495,591	-$6,761	-1.4%
Non-GRF	$515,368	$314,274	$201,094	64.0%	$2,173,214	$2,000,047	$173,167	8.7%
All Funds	$578,671	$367,402	$211,269	57.5%	$2,662,045	$2,495,638	$166,406	6.7%
Job and Family Services								
GRF	$6,724	$185	$6,539	3542.1%	$64,972	$91,958	-$26,986	-29.3%
Non-GRF	$14,246	$36,067	-$21,821	-60.5%	$129,452	$158,168	-$28,716	-18.2%
All Funds	$20,969	$36,251	-$15,282	-42.2%	$194,423	$250,126	-$55,702	-22.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$636	$941	-$305	-32.4%	$8,171	$8,841	-$670	-7.6%
Non-GRF	$1,930	$5,690	-$3,760	-66.1%	$27,124	$37,364	-$10,239	-27.4%
All Funds	$2,566	$6,631	-$4,065	-61.3%	$35,296	$46,204	-$10,909	-23.6%
All Departments:								
GRF	**$2,522,073**	**$1,454,710**	**$1,067,363**	**73.4%**	**$13,480,689**	**$12,250,531**	**$1,230,158**	**10.0%**
Non-GRF	**$1,796,616**	**$1,735,259**	**$61,357**	**3.5%**	**$13,444,053**	**$14,390,754**	**-$946,701**	**-6.6%**
All Funds	**$4,318,689**	**$3,189,969**	**$1,128,720**	**35.4%**	**$26,924,742**	**$26,641,286**	**$283,456**	**1.1%**

*September 2021 estimates from the 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 April 4, 2022)

	Month of March 2022				Year to Date through March 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,825,321**	**$2,234,840**	**$590,481**	**26.4%**	**$18,400,127**	**$18,209,356**	**$190,771**	**1.0%**
CFC†	$852,276	$863,837	-$11,561	-1.3%	$6,402,710	$6,496,672	-$93,962	-1.4%
Group VIII	$765,312	$716,440	$48,872	6.8%	$5,630,241	$5,677,395	-$47,155	-0.8%
ABD†	$319,915	$307,704	$12,211	4.0%	$2,386,334	$2,423,454	-$37,120	-1.5%
ABD Kids	$108,390	$89,804	$18,585	20.7%	$800,149	$768,803	$31,346	4.1%
My Care	$297,211	$257,055	$40,156	15.6%	$2,172,892	$2,191,429	-$18,537	-0.8%
P4P & Ins Fee†	$482,219	$0	$482,219	-	$1,007,801	$651,603	$356,199	54.7%
Fee-For-Service	**$1,300,963**	**$730,159**	**$570,803**	**78.2%**	**$6,840,130**	**$6,623,259**	**$216,872**	**3.3%**
ODM Services	$736,643	$367,912	$368,731	100.2%	$3,515,889	$3,425,468	$90,420	2.6%
DDD Services	$564,320	$362,248	$202,072	55.8%	$2,574,355	$2,414,317	$160,038	6.6%
Hospital - HCAP&Other†	$0	$0	$0	-	$749,886	$783,473	-$33,587	-4.3%
Premium Assistance	**$113,820**	**$119,717**	**-$5,898**	**-4.9%**	**$957,327**	**$980,399**	**-$23,072**	**-2.4%**
Medicare Buy-In	$74,525	$71,947	$2,578	3.6%	$623,094	$629,816	-$6,722	-1.1%
Medicare Part D	$39,294	$47,770	-$8,476	-17.7%	$334,233	$350,582	-$16,349	-4.7%
Administration	**$78,586**	**$105,252**	**-$26,667**	**-25.3%**	**$727,158**	**$828,272**	**-$101,114**	**-12.2%**
Total	**$4,318,689**	**$3,189,969**	**$1,128,720**	**35.4%**	**$26,924,742**	**$26,641,286**	**$283,456**	**1.1%**

*September 2021 estimates from the Department of Medicaid

†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; P4P & Ins Fee - Pay for Performance, and Health insurance provider fee; HCAP - Hospital Care Assurance Program

Detail may not sum to total due to rounding.

Expenditures[12]

– *Melaney Carter, Director*

– *Ivy Chen, Division Chief*

Overview

Program expenditures totaled $3.76 billion in March and were $1.01 billion (36.7%) over estimate. This variance was driven by GRF Medicaid spending, which was $1.07 billion (73.4%) over estimate for the month of March. For the YTD, GRF program expenditures totaled $27.80 billion and were $1.05 billion (3.9%) over estimate. As with the monthly variance, the YTD variance was dominated by a positive variance of $1.23 billion (10.0%) in GRF Medicaid expenditures. Other program categories with significant YTD variances at the end of March were: Primary and Secondary Education with a YTD positive variance of $226.2 million (3.6%), that decreased by $50.6 million in March; Health and Human Services, which had a small positive variance in March, but was under estimate by $163.1 million (12.3%) for the YTD; and Justice and Public Protection which had a negative YTD variance of $121.5 million (5.7%), that decreased by $13.5 million in March.

In addition to program expenditures, total uses include transfers out. Transfers out had a positive variance of $3.2 million (53.3%) in March due to transfers authorized in S.B. 9 and S.B. 11 of the 134th General Assembly that were not in the estimates. For the YTD, transfers out totaled $2.99 billion and had a positive YTD variance of $18.5 million (0.6%) at the end of March. Combining program expenditures and transfers out, total GRF uses for the first nine months of FY 2022 were $30.79 billion. These uses were $1.07 billion (3.6%) above estimate. YTD variances are shown in the preceding Table 4, while Table 3 shows monthly variances. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in a few other categories.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were above their monthly estimate in March by $1.07 billion (73.4%) and above their YTD estimate by $1.23 billion (10.0%) at the end of March. The monthly variance was driven by two factors: unexpected pay-for-performance payments to the Medicaid managed care plans and the additional payments to the home and community-based service providers that were authorized by H.B. 169 of the 134th General Assembly. Non-GRF Medicaid expenditures were above their monthly estimate by $61.4 million (3.5%) and below their YTD estimate by $946.7 million (6.6%) at the end of March. Including both the GRF and non-GRF, all funds Medicaid expenditures were $1.13 billion (35.4%) above estimate in March and $283.5 million (1.1%) above their YTD estimate at the end of March.

[12] 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 the Ohio Department of Medicaid (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 variance in March of $936.8 million (33.7%), which turned ODM's YTD variance to positive at $183.7 million (0.8%) at the end of March. ODODD had a March all funds variance of $211.3 million (57.5%) and ended the month with YTD expenditures $166.4 million (6.7%) above estimate. 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 above their YTD estimates for two of the four major payment categories and below their YTD estimates for the other two at the end of March. The Fee For Service (FFS) variance of $216.9 million (3.3%) was the largest followed by Managed Care's variance of $190.8 million (1.0%). These positive variances were caused by two big unanticipated payments. Under FFS, both ODM and ODODD made additional payments totaling $489.4 million to home and community-based service providers in March. These additional payments were made in accordance with ARPA. The funding for these payments was authorized by H.B. 169 of the 134th General Assembly and was not included in the budget estimates that are based on H.B. 110. Furthermore, under Managed Care, ODM made a total of $482.2 million in pay-for-performance payments to Medicaid managed care plans in March, despite the fact that there was not expected to be one for this month. Currently, Ohio Medicaid withholds 2% of managed care plans' monthly capitation rates and allows plans to earn back all withheld funds by meeting standards for a set of clinical quality metrics.

The two payment categories which continued to see negative YTD variances were Administration and Premium Assistance, with negative variances of $101.1 million (12.2%) and $23.1 million (2.4%), respectively.

From the beginning of the COVID-19 pandemic in March 2020 through the end of March 2022, caseloads have increased by approximately 23,400 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 required as a condition of receiving increased financial assistance from the federal government, and an increase in the number of new applications and approvals due to the economic impacts of the COVID-19 pandemic. Despite the increasing trends in monthly caseloads, caseloads were under ODM estimate for each of the first six months of FY 2022. January, February, and March, however, have had positive caseload variances, with March's positive variance of 45,949 cases (1.4%) bringing the FY 2022 average monthly caseload to approximately 5,600 cases (0.2%) above estimate. Above estimate caseloads for CY 2022 have been influenced by the continuation of the federally declared public health emergency, which was predicted to end at the end of CY 2021 when caseload estimates were developed in July 2021. The federally declared emergency has instead continued into CY 2022, as has the suspension of routine redeterminations of eligibility.

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education (ODE), except for property tax reimbursement and Medicaid spending. The negative March variance of $50.6 million (12.1%) continued to correct the timing-related positive variances this category experienced in prior months, decreasing the category's YTD positive variance to $226.2 million (3.6%).

ALI 200550, Foundation Funding – All Students, is the main cause of both the March and the YTD variance in this category. ALI 200550 had a negative monthly variance of $43.5 million in March that reduced the ALI's YTD positive variance to $288.3 million. This ALI is the main source of state support for public schools, including those operated by traditional school districts, joint vocational school districts, and community and science, technology, engineering, and mathematics (STEM) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools.

Formula payments are made twice a month for traditional districts and once a month for other schools. With the January payments, ODE started using the new formula enacted in H.B. 110. The payments during the first half of the fiscal year were based on the prior formula. Under the new formula, some schools and some districts are to receive more or less on some components of the formula than what had been calculated under the old formula, so ODE started to make adjustments to the payments beginning in January. If ODE calculated that a school or district was underpaid on a specific component for the first half of the year, ODE made up the difference in the January payment. If, however, ODE calculated that a school or district was overpaid on a specific component for the first half of the year, ODE is recouping the overpayment gradually over the remaining months of the fiscal year. As a result, the January payments were higher than the estimates, but this positive variance is expected to be corrected by negative variances through the end of the fiscal year as ODE gradually recoups overpayments.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services programs, except for debt service. The Ohio Department of Job and Family Services (ODJFS) accounts for 53.5% of the estimated expenditures for this category for FY 2022, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.4% and the Ohio Department of Health at 8.8%. Eight other agencies make up the remaining 8.3% of estimated spending.

Except for small positive variances in December and March, this category has consistently been under estimate in FY 2022. It had the largest negative YTD variance at the end of March of all program categories, at $163.1 million (12.3%). This negative variance comes primarily from ODJFS, which had a negative YTD variance of $110.7 million at the end of March.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $2.5 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $42.8 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.

- A positive monthly variance of $3.3 million in ALI 600523, Family and Children Services, which decreased the negative YTD variance for this ALI to $24.3 million. This ALI is used primarily to support county public children services agencies.
- A negative monthly variance of $0.9 million in ALI 600535, Early Care and Education, which increased the negative YTD variance for this ALI to $12.1 million. This ALI is used for publicly funded child care.
- A positive monthly variance of $11.4 million in ALI 600410, TANF State Maintenance of Effort, which decreased the negative YTD variance for this ALI to $10.6 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounts for 70.5% of the estimated expenditures for this category for FY 2022. Eleven other agencies make up the remaining 29.5% of estimated spending.

At the end of March, this category was under estimate by $121.5 million (5.7%), a negative YTD variance that fell in March by $13.5 million. The positive March variance was driven by a positive variance of $17.0 million for the Public Defender. DRC continues to dominate the negative YTD variance in this category, with a negative YTD variance of $86.8 million at the end of March. Many other agencies in this category also had negative YTD variances at the end of March.

The monthly variance for the Public Defender came from ALI 019501, County Reimbursement, which had a positive variance of $16.9 million in March that more than offset a negative variance of $11.0 million in February and resulted in a positive YTD variance of $4.0 million. This ALI is used to reimburse counties for their costs in providing legal counsel to indigent persons. The estimate allocates the appropriation evenly over the months of the fiscal year, but actual expenditures depend on the actual costs incurred by the counties and the timing of the requests for reimbursement, so there are often timing-related variances.

DRC's YTD variance is mainly due to negative YTD variances of $58.1 million in ALI 501321, Institutional Operations, and $19.3 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

Transfers Out

Cash transfers out of the GRF to other state funds were above estimate by $3.2 million (53.3%) in March and above estimate by $18.5 million (0.6%) YTD. The March variance was due to two transfers totaling $9.2 million to the Board of Elections Reimbursement and Education Fund (Fund 5FG0), which were not included in the estimates, being partially offset by a $6.0 million transfer to the Information Technology Development Fund (Fund 5LJ0) that occurred in January, but was estimated for March. The transfers to Fund 5FG0 were comprised of a $9.0 million transfer to provide financial assistance to county boards of elections for the 2022 primary election that was authorized in S.B. 9 of the 134th General Assembly, and a

$200,000 transfer authorized by S.B. 11 of the 134th General Assembly to be used by the Secretary of State to implement that bill's requirements related to uniform and overseas absent voter's ballots for the 2022 primary election.

The rest of the positive YTD variance in transfers out at the end of March primarily includes:

- $8.3 million transferred to the Ohio Incumbent Workforce Job Training Fund (Fund 5HR0) in August that was authorized in Section 259.80 of H.B. 110, but not included in the estimates; and
- $2.8 million transferred to the Major Information Technology Purchases Fund (Fund 4N60) in October that was authorized in Section 207.40 of H.B. 110, but not included in the estimates.

These positive variances were partially offset by a transfer of $2.4 million to the OAKS Support Organization Fund (Fund 5EB0) that was estimated to occur in January, but has not taken place.

Issue Updates

Broadband Expansion Authority Approves $232.9 Million in Ohio Residential Broadband Expansion Grants

– Shannon Pleiman, Senior Budget Analyst

On March 18, 2022, the Broadband Expansion Authority of the Department of Development approved $232.9 million in grants under the Ohio Residential Broadband Expansion Grant Program. As shown in the table below, 11 internet service providers will receive grants to support 33 broadband expansion projects in the state. The projects will serve over 43,000 households located in 31 counties.[13]

Ohio Residential Broadband Expansion Grant Program Awards, FY 2022		
Internet Service Provider	**Number of Projects**	**Total Award Amount**
South Central Power Communications	2	$98,041,000
Spectrum	17	$55,756,895
Chillicothe Telephone Company	2	$30,063,025
Southern Ohio Communications Services, Inc.	1	$22,423,851
Comcast Cable Communications LLC	1	$9,419,150
Telephone Services Company	1	$4,750,000
Windstream Western Reserve	4	$4,217,289
JB-Nets	1	$3,628,700
Windstream Ohio	2	$2,352,866
North Coast Wireless	1	$1,663,250
Frontier	1	$560,463
Total	**33**	**$232,876,489**

[13] See the announcement, including descriptions of awards under the Ohio Residential Broadband Expansion Grant Program (PDF), on the Governor's website: governor.ohio.gov. More information about the Ohio Residential Grant Program is available on BroadbandOhio's website: broadband.ohio.gov.

H.B. 2 of the 134th General Assembly created the competitive grant program to support the expansion of broadband services into unserved and underserved areas of the state. The grants support the "broadband funding gap." This is the difference between the total amount of money a broadband provider calculates is necessary to construct the last mile of a specific broadband network and the total amount of money that the provider has determined is the maximum amount of money that is cost effective for the provider to invest in last mile construction for that network. Under H.B. 2, the Ohio Residential Broadband Expansion Grant Program Fund (Fund 5GT0) was capitalized by a $20.0 million transfer from the Facilities Establishment Fund (Fund 7037). H.B. 110 provided an additional $230.0 million via a transfer from the GRF in FY 2022 and $20.0 million from the GRF in FY 2023.

Tax Credit Authority Approves $100 Million in Tax Credits to Support Mixed-Use Development Projects

– Jared Cape, LSC Fellow

On March 2, 2022, the Ohio Tax Credit Authority approved a total of $100 million in tax credits for 13 mixed-use development projects for FY 2022 under the Transformational Mixed-Use Development Program. Specifically, $76.7 million was awarded to five major city projects and $23.3 million to eight projects in other areas. The table below shows these projects and their location, as well as the total development costs and amount of the tax credits awarded.

Transformational Mixed-Use Development Program Projects, FY 2022				
Project	City	County	Total Development Cost	Total Tax Credit
			($ in millions)	
The Centennial*	Cleveland	Cuyahoga	$465.1	$40.0
Gravity Phase II*	Columbus	Franklin	$175.7	$14.3
CC Superior Holding LLC*	Cleveland	Cuyahoga	$100.5	$8.6
Connect Housing Block*	Columbus	Franklin	$98.7	$7.1
CoverMyMeds Campus*	Columbus	Franklin	$252.8	$6.8
Champion Mill Redevelopment Project	Hamilton	Butler	$140.3	$6.4
Renkert Building	Canton	Stark	$42.1	$4.2
1 Flax - East Riverfront District	Delaware	Delaware	$37.9	$3.4
Downtown Elyria Redevelopment	Elyria	Lorain	$35.7	$3.4
Van Wert Forward	Van Wert	Van Wert	$36.4	$2.6

Transformational Mixed-Use Development Program Projects, FY 2022				
Project	City	County	Total Development Cost	Total Tax Credit
			($ in millions)	
Historic Newark Arcade Redevelopment	Newark	Licking	$17.5	$1.5
Uptown Mentor	Mentor	Lake	$14.0	$1.2
Liberty Beall	Wooster	Wayne	$5.8	$0.5
		Total	**$1,413.5**	**$100.0**

* Major city projects

The Transformational Mixed-Use Development Program was created by S.B. 39 of the 133rd General Assembly. The total amount of tax credits that can be issued is $100 million per fiscal year. The program allows the tax credits to be used against development costs for the new construction or improvement of vacant buildings for a mixed-use development project. Projects may include an entire development or contiguous phases within the development. Factors such as the location, building square footage, project cost, number of uses, projected tax collection increases, capital committed, and tax credit impact determine project eligibility and selection. Projects within ten miles of a major city are eligible to receive up to $80 million in aggregate of the $100 million allocated in estimated tax credits each fiscal year. The maximum tax credit that a development may receive is $40 million. For property owners, the tax credit is 10% of the estimated development costs for the project as defined in the application. For insurance companies, the tax credit is 10% of the companies' capital contribution to the project as defined in the application.

CMS Approves $282 Million in Home and Community-Based Services Provider Relief Payments

– Brandon T. Minster, Economist

ODM announced in early March 2022 the U.S. Centers for Medicare & Medicaid Services' (CMS) approval of ODM's plans for making an estimated $282 million in provider-relief payments to certain Medicaid home and community-based services (HCBS) providers. The first four approved components of ODM's HCBS plan cover Ohio Home Care Waiver, Pre-Admission Screening System Providing Options and Resources Today (PASSPORT) providers, waivers administered by ODODD, and residential care facilities with assisting living beds. The estimated amount approved is roughly half of the $529 million in Medicaid funding authorized by H.B. 169 of the 134th General Assembly.

ARPA provided a ten percentage point increase to the federal reimbursement matching rate for certain HCBS expenditures to offset the financial strain faced by HCBS providers during the COVID-19 public health emergency. This additional money must be used to enhance, expand, or strengthen HCBS. States also must preserve covered HCBS, maintain the rate of HCBS provider payments, and not impose stricter eligibility standards for HCBS programs. CMS required ODM to submit for approval plans for each provider type that would receive these payments. This first group of approvals authorizes payments of approximately $13 million to Ohio Home Care Waiver, $26 million to PASSPORT providers, $210 million for ODODD waivers, and $33 million for Residential Care Facilities with Assisted Living beds. ODM has submitted proposals to CMS for other HCBS providers.

Ohio Institutions Receive $4.2 Million for Healthcare Workforce Resiliency

– Nicholas J. Blaine, Senior Budget Analyst

On January 20, 2022, the U.S. Health Resources and Services Administration (HRSA) announced that two Ohio institutions will receive about $4.2 million over three years to reduce burnout and promote mental health among their healthcare workforce. The grants will be provided to Northeast Ohio Medical University in Rootstown and the Research Institute at Nationwide Children's Hospital in Columbus. The table below shows the amount each recipient will receive. The grants are awarded as part of the Health and Public Safety Workforce Resiliency Training Program. The program's goal is to reduce and address burnout, suicide, mental health conditions, and substance use disorders among health care students, residents, public safety officers, and professionals. Grant funds are to be used for a variety of activities including: paying for short-term training that addresses related issues, providing continuing education units to staff that participate in provider resiliency trainings, implementing training models to promote resiliency, and developing training interventions to increase well-being and satisfaction in several areas, including workload and work-life balance.

Health and Public Safety Workforce Resiliency Training Program Grants				
Grant Recipient	Year 1	Year 2	Year 3	Total
Northeast Ohio Medical University	$1,034,528	$653,629	$480,638	**$2,168,795**
Research Institute at Nationwide Children's Hospital	$914,734	$678,240	$488,042	**$2,081,016**
Total	**$1,949,262**	**$1,331,869**	**$968,680**	**$4,249,811**

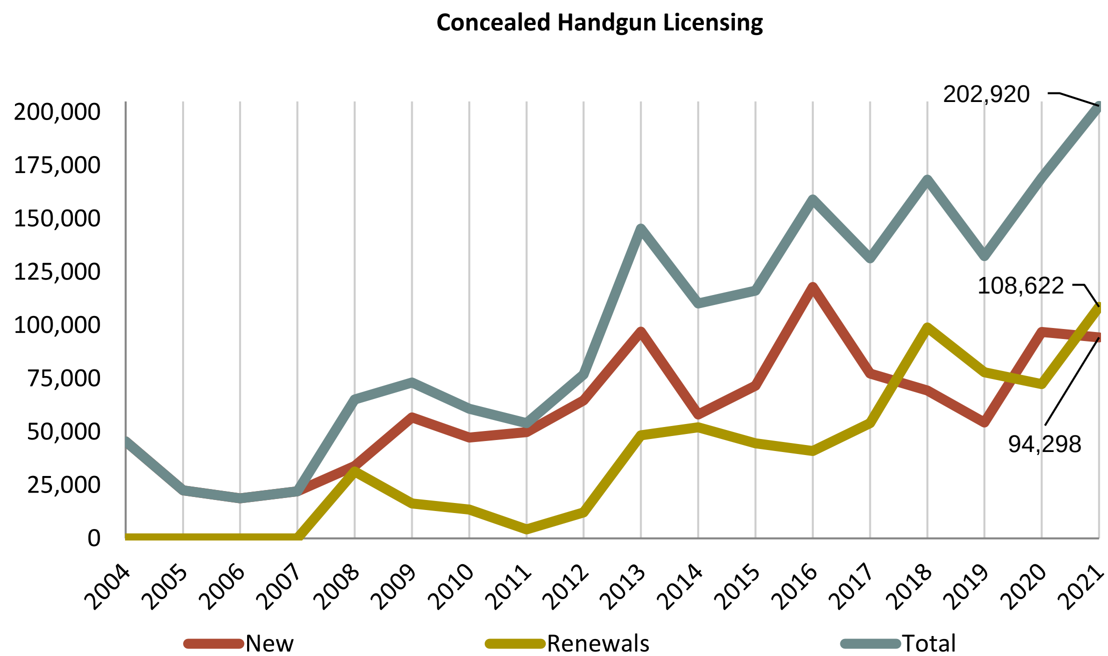
In total, about $68.2 million in Health and Public Safety Workforce Resiliency Training Program grants will be distributed to 34 entities throughout the nation. Eligible entities included health professions schools, academic health centers, state or local governments, and nonprofit entities. No cost sharing or matching funds are required to receive grants. In selecting award winners, HRSA particularly considered the needs of rural and medically underserved communities. Funding for these grants is provided through ARPA.

Attorney General Releases 2021 Concealed Handgun Report

– Jessica Murphy, Budget Analyst

On March 1, 2022, the Ohio Attorney General's Office released its 2021 Statistics of Concealed Handgun License report. The annual report includes statewide and county statistics on licenses issued (new and renewal), suspended, revoked, and denied. Of note is that the total number of concealed handgun licenses issued statewide in 2021 reached an all-time high due to a record number of renewal licenses. The full report is available on the Attorney General's website under Publications: ohioattorneygeneral.gov.

The chart below demonstrates the changes in licensing activity since 2004, the year Ohio's Concealed Handgun Law went into effect. The first renewal period under Ohio's new concealed handgun law began in 2008 for those issued permits in 2004. As shown, there were 202,920 concealed handgun licenses issued in 2021, including 94,298 new licenses and 108,622 renewal licenses. The total (202,920) exceeds that of the previous year (169,232) by nearly 20%, or 33,688. Compared to 2020, slightly fewer new licenses were issued in 2021; however, the number of renewal licenses issued increased by 50%, or 35,663. This increase can be largely attributed to the extension of deadlines for license renewal in 2020 in response to the COVID-19 pandemic and other delays.



The enactment of S.B. 215 of the 134th General Assembly is expected to result in a potentially significant reduction in the number of persons applying for a new or renewal of a concealed handgun license. The act provides that a person who is a "qualifying adult" is not required to obtain a license in order to carry a concealed handgun that is not a "restricted firearm." See LSC's various analysis documents for further detail, which are available on the General Assembly's website: legislature.ohio.gov.

Ohio EPA Awards $159.9 Million in Wastewater and Drinking Water Infrastructure Loans

– Jamie Doskocil, Fiscal Supervisor

In February 2022, the Ohio Environmental Protection Agency (Ohio EPA) announced that low-interest and principal forgiveness loans totaling $159.9 million had been awarded to 37 recipients for wastewater and drinking water infrastructure improvement projects. The loans were approved during the fourth quarter of CY 2021 (period ending on December 31). This round included more than $22 million in principal forgiveness, which means the principal does not have to be repaid. Ohio EPA estimates that loan recipients will save a total of more than $44.5 million in interest compared to market-rate loans. Award amounts ranged from $37,834 (Philo, a village in Muskingum County) to $79.8 million (city of Columbus), which funded seven individual projects for the city.

The loans are backed with money drawn from the Ohio Water Pollution Control Loan Fund (WPCLF) and the Water Supply Revolving Loan Account (WSRLA). Both funds are managed by the Ohio EPA with assistance from the Ohio Water Development Authority. The WPCLF provides below-market rate, zero interest rate, and principal forgiveness loans for the planning, design, and construction of wastewater treatment facilities and sewer systems. The WSRLA provides below-market rate loans to public water systems for the planning, design, and construction of improvements to community water systems and nonprofit noncommunity public water systems. Both the WPCLF and WSRLA are funded with federal capitalization grants, loan repayments, and bond proceeds and were created in 1989 and 1998, respectively. For the entire CY 2021, Ohio EPA financed approximately $797 million for public works projects.

ODE Publishes K-4 Literacy Report for the 2020-2021 School Year

– James Clark-Stewart, Economist

In January 2022, ODE published its annual literacy report for grades kindergarten through four for the 2020-2021 school year. Based on the fall reading diagnostic assessments administered to students in grades K-3 and Ohio's state test for English language arts (ELA), ODE reports the majority of students in each grade were on track to read at grade level but academic progress for third grade students was slower during the 2020-2021 school year compared to prior years.[14] These results are shown in the table below.

[14] See ODE's Kindergarten through Grade 4 Literacy Report for School Year 2020-2021 (PDF), which is available on ODE's website: education.ohio.gov.

Students Reading at or Below Grade Level, 2020-2021 School Year				
Grade Level and Test Type	**Students Reading at Grade Level**	**Students Reading Below Grade Level**	**% at Grade Level**	**% Below Grade Level**
Kindergarten Fall Diagnostic	71,692	44,304	61.8%	38.2%
Grade 1 Fall Diagnostic	78,342	43,169	64.5%	35.5%
Grade 2 Fall Diagnostic	73,513	47,777	60.6%	39.4%
Grade 3 Fall Diagnostic	72,081	47,599	60.2%	39.8%
Grade 3 State Test*	61,402	56,866	51.9%	48.1%
Grade 4 State Test	64,329	50,474	56.0%	44.0%

*The "Grade 3 State Test" results reflect the highest score a student received on either the fall or spring grade 3 ELA assessment in the 2020-2021 school year. Third grade students first take the state test in the fall. Third grade students who do not score at least at the "proficient" level in the fall must take the test again in the spring. Students who score at least at the "proficient" level in the fall may also take the test in the spring. The grade 4 ELA assessment is administered once, in the spring.

As the table shows, 60.2% of third grade students were "on track" for reading at grade level based on the fall 2020 diagnostic, which, according to ODE, measures performance based on the previous year's end-of-year standards. However, 51.9% of third grade students scored proficient or higher on the ELA state test, which reflects the highest score a student received on either the fall or spring grade 3 ELA assessment. Accordingly, ODE reports that third-grade students learned roughly 20% less on average between the fall and spring state tests as compared to prior years. The report attributes approximately one-third of the decline in performance to decreased learning during the 2020-2021 school year and two-thirds of the decline in performance to learning loss prior to the fall 2020 tests.

In addition to students reading at or below grade level, the report states that 30% of students in grades K-3 who were on a reading improvement and monitoring plan (RIMP) from the prior year progressed to grade-level reading in the 2020-2021 school year. This percentage is lower than in the years before the COVID-19 pandemic. ODE reports that 38% of students who were not on track and were on a RIMP in the 2017-2018 school year progressed to grade level reading in the 2018-2019 school year. The most common intervention for students in grades 1-3 on a RIMP was guided reading while phonemic awareness and phonemic decoding was the most common intervention for kindergarten students on a RIMP. Increased reading time, sight word instruction, and supplemental instruction in decoding skills were also among the top five most common intervention services.

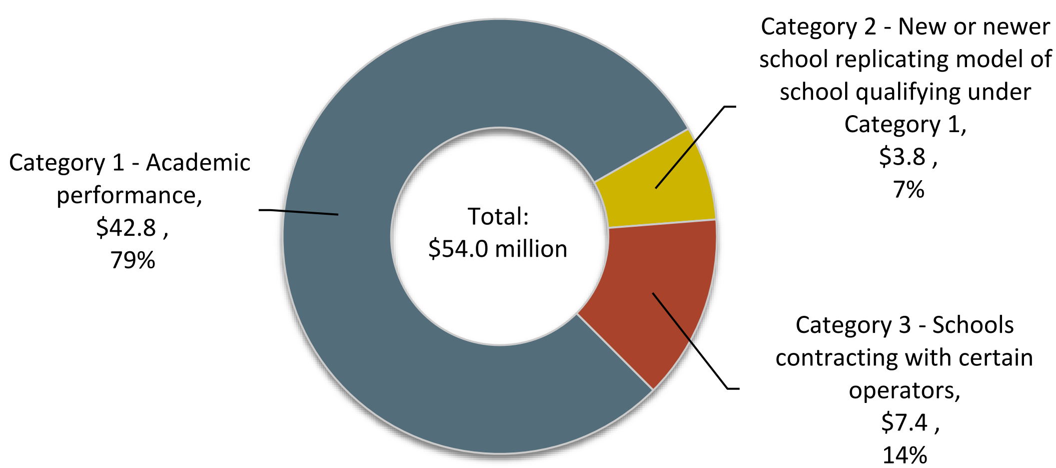
ODE Announces Quality Community School Support Awards

– James Clark-Stewart, Economist

In January 2022, ODE released the list of schools awarded Quality Community School Support funds for the 2021-2022 school year. The program rewards community schools that meet certain criteria with respect to sponsor ratings, report card performance, and other factors. Designated schools receive payments of $1,750 for every student identified as economically disadvantaged and $1,000 for each other student. For the 2021-2022 school year, ODE awarded $54 million, supported by lottery profits, to 100 schools. These schools served 33,863 full-time equivalent (FTE) students, of whom 31,144 (92%) were economically disadvantaged. The number of students in qualifying schools required each school's payment to be prorated to 94.4% of the calculated amount to fit within the appropriation.

A community school must meet at least one of three categories of criteria to qualify for the Quality Community School designation, all of which require that a school's sponsor must be rated "exemplary" or "effective" on the sponsor's most recent evaluation. The three categories allow schools to qualify based on a variety of metrics and capture different dimensions of school quality. Of the 100 schools designated, 72 schools, receiving $42.8 million, qualified under Category 1, which focuses on the academic performance of the schools (see chart below). In general, this category takes into account performance index scores relative to the school district in which the school is located, the value-added progress dimension on the report cards (a statistical measure intended to capture students' learning over the course of a school year), and the school's concentration of economically disadvantaged students. Thirteen schools, receiving $3.8 million, qualified under Category 2, which designates certain schools that are new or opened within the last four years, that are replicating an instructional or operational model of a school designated under Category 1, and whose operator, if any, meets certain performance requirements. Fifteen schools, receiving $7.4 million, qualified under Category 3, which applies to schools contracting with certain operators that also operate schools in other states.

Quality Community School Support Funds by Designation Category ($ in millions), FY 2022



Schools that receive the designation, in general, retain it for the subsequent two fiscal years, although the size of awards may change based on the school's enrollment, the number of schools receiving awards, and state funding levels. Payments for each fiscal year are calculated based on the final FTE number of students enrolled in the school for the prior fiscal year. However, if a school is in its first year of operation, the payment is calculated using the school's FTE number of students for the current fiscal year as of the date the payment is made.

Tracking the Economy

– Eric Makela, Economist

Overview

The national economy continued its expansion during the first calendar quarter of 2022, despite pressures imposed by global supply chains and war in Ukraine. Nonfarm payroll employment increased by 431,000 in March and the national unemployment rate, 3.6% during the month, continued to fall. Industrial production expanded 0.5% in February, when inflationary pressures continued to mount, as the year-over-year increase in the consumer price index (CPI) reached 7.9%. The central bank's Federal Open Market Committee (FOMC) raised the federal funds rate range by 0.25 percentage point in their most recent meeting and stated their intent to take additional measures to temper inflation and maintain maximum employment in the national economy.

Nonagricultural employment in Ohio increased by 6,700 in February, while the state's unemployment rate inched downward, to 4.2%. While the civilian labor force in Ohio has consistently expanded in recent months,[15] total payroll employment in February remained 174,400 below its prepandemic level. Despite challenges, growth in Ohio's inflation-adjusted gross domestic product (real GDP) during CY 2021 was above trend at 4.3%, following a dip of 3.5% the prior year. The personal incomes (PIs) of Ohio residents, which increased 6.1% (not adjusted for inflation), were boosted by various federal transfer programs in 2021. Housing demand remained strong in Ohio during recent months; the average price of homes sold in January and February was up nearly 10% from a year earlier.

The National Economy

In March, nonfarm payroll employment rose by a seasonally adjusted 431,000 as the economic expansion continued to foster job growth. Payroll employment in both the goods-producing sector (+60,000, +0.3%) and service-providing sector (+371,000, +0.3%) grew during March. Employers in the retail trade (+49,000, +0.3%) and wholesale trade (+7,000, +0.1%) industries added workers during the month. Job growth was particularly robust in leisure and hospitality (+112,000, +0.7%), as well as professional and business services (+102,000, +0.5%).

Between March 2021 and March 2022, employers nationwide added nearly 6.5 million payroll jobs (+4.5%). Only federal government employment (-8,000, -0.3%) decreased during that time, among the major industrial groups. Employers in industries such as mining and logging (+49,000, +8.9%), construction (+220,000, +3.0%), and manufacturing (+389,000, +3.2%) all added positions between March 2021 and March 2022. Workers flocked to industries well positioned to provide services coming out of the health crisis, including transportation and warehousing (+407,000, +6.8%) and information (+161,000, +5.8%). On a year-over-year basis, large numbers of positions were added in professional and business services (+1,095,000, +5.2%) and leisure and hospitality (+2,086,000, +15.5%).

[15] The civilian labor force consists of all persons who are employed or who have actively searched for work during the four weeks prior to being surveyed.

The national unemployment rate decreased again in March, from 3.8% to 3.6%. In March 2021, the seasonally adjusted unemployment rate was 6.0%. The labor force participation rate was 62.4% in March 2022, up 0.9 percentage point from its level a year prior.[16] Over the last year, the number of persons participating in the labor force increased by approximately 3.8 million as the working-age population grew and improved job prospects led more people to search for work. Chart 5 displays the national payroll employment level and unemployment rate in recent years.

The FOMC announced an increase in the federal funds target interest rate following the committee's most recent meeting, March 15-16. The federal funds rate was set at a range between 0.25% and 0.50%, and the rate increase was the first since an emergency meeting of the FOMC in March 2020, when the rate was cut to the lowest positive range. The committee stated that it anticipates further increases in the target range; data from the Atlanta Federal Reserve, which uses market inputs to graph implied increases in the federal funds rate, indicate that a series of rate increases is highly likely and would continue through mid-2023.[17] In its post-FOMC meeting press release (PDF), the FOMC notes it expects inflation to return to its 2% objective and expects the Federal Reserve Board system to begin reducing its holdings of treasuries, agency debt, and mortgage-backed securities.

Industrial production, as measured by the Federal Reserve Board's industrial production index (IPI), expanded 0.5% in February. The monthly rise in production was primarily attributable to an increase in manufacturing (+1.2%); mining output rose (+0.1%) while output of utilities decreased (-2.7%). The rate of motor vehicle assemblies tumbled for the third consecutive month, as a rise in auto production did not outpace the decline in light truck assemblies. According to aggregate IPI data, output of products in all major market groups increased on balance between February 2020 and February 2022,[18] though it fell sharply between those months for all of these groups, indicating that industrial production in these areas has recovered to, and now exceeded, prepandemic levels. Output in all groups remains below earlier peaks.

Inflation, as measured by the CPI for all items, increased a further 0.8% in February, on a seasonally adjusted basis. During the month, the price index for food rose 1.0% and the price index for energy rose 3.5%.[19] The CPI for nondurable goods excluding food and beverages increased 2.7% from January 2022 to February 2022, as all levels of supply chains continue to be impacted by shortages of primary and intermediate inputs. The cost of housing increased 0.5% in February.[20]

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[16] The labor force participation rate equals the civilian labor force divided by the civilian noninstitutionalized population.

[17] See the Atlanta Federal Reserve Bank's Market Probability Tracker for data and source information.

[18] Major market groups include final products, consumer goods, business equipment, nonindustrial supplies, construction supplies, and materials. The IPI total index is also up from its February 2020 level.

[19] The energy price index includes both service (electricity, piped gas) and commodity (gasoline, fuel oil) components.

[20] Nondurable goods and housing indices are from table 3 of the monthly CPI press release, which presents special aggregate indices prepared by staff at the Bureau of Labor Statistics.

The CPI for all items increased 7.9% between February 2021 and February 2022, the largest year-over-year increase since January 1982. Over the same time period, the price index for gasoline increased 38.0% and appears certain to show another large increase in March. The cost of services excluding energy was up 4.4% in the 12 months ending in February, while the price indices for apparel goods increased 6.6%. The price of new (+12.4%) and used (+41.2%) vehicles also rose substantially during that time, despite a slowing of inflationary pressure for vehicles in January and February, as compared with the fourth quarter of 2021.

The economy continues to be influenced by the ongoing conflict in Ukraine, as well as the targeted sanctions imposed on Russia and its major corporations. En masse troop movements to the border region of the two countries began in January, just prior to February 24, the day Russian troops began hostilities in Ukrainian territory. Between December 31, 2021, and April 6, 2022, crude oil prices increased 27.9%. The price of wheat futures was up 34.7% in that time. Russia is a leading producer of a number of raw materials used in fabricated metal products and electronics. Market prices for raw metal inputs such as palladium (+14.3% during the first quarter) and nickel (+60.7%) have risen significantly during the calendar year thus far.[21]

The Ohio Economy

In Ohio, nonagricultural payroll employment increased by 6,700 (0.1%) in February, following an increase of 29,700 in January. During February 2022, seasonally adjusted employment gains in service-providing industries (+10,200, +0.2%) outmatched job losses in goods-producing industries (-3,500, -0.4%). On a seasonally adjusted basis, employment fell in durable goods manufacturing (-700, -0.2%) and construction (-2,800, -1.2%). Employers in the professional and business services industry (+4,900, +0.7%) added workers in February, while transportation, warehousing, and utilities (+2,800, +1.0%) businesses also expanded. The number of positions in the leisure and hospitality (+1,000, +0.2%) industry rose modestly during the month. Government employment contracted slightly in February (-200, -0.03%).

The state's unemployment rate decreased by 0.1 percentage point in February, to 4.2%. In February 2020, the last month prior to widespread COVID-19 pandemic shutdowns in Ohio, the unemployment rate was 4.6%. Between February 2020 and February 2022, the state's labor force underwent significant changes; the number of civilian labor force participants decreased by an estimated 156,600 (-2.7%), while the labor force participation rate dropped from 63.4% to 61.5%. As of February 2022, total nonfarm payroll employment was 174,400 below its level two years prior, a decrease of 3.1%. Chart 6 displays the state's nonfarm employment level and unemployment rate in recent years.

Real GDP in Ohio increased 4.3% in 2021, following a 3.5% contraction during 2020. The rate of economic expansion in the state during 2021 ranked 35th among states nationally;[22] across all 50 states real GDP grew by 5.7%. Most major industrial sectors, as defined by two-digit codes in the North American Industrial Classification System (NAICS), expanded in

[21] Price changes reported in this paragraph are based on closing prices quoted on www.nasdaq.com/market-activity/commodities, except for nickel which is based on markets.businessinsider.com/commodities/nickel-price.

[22] Real GDP in Tennessee grew fastest in 2021, at 8.6%, while real GDP growth in Alaska (+0.3%) was the slowest.

Ohio during the year. Real GDP in the manufacturing industry grew 6.7% in 2021, with output in both durable goods manufacturing (+7.2%) and nondurable goods manufacturing (+6.2%) expanding. Within the service sector, real GDP attributable to the finance and insurance industry (+5.4%) increased in 2021, and output growth in professional and business services (+8.4%) also increased, at a well above trend rate. The arts, entertainment, recreation, accommodation, and food service industries collectively grew 19.0% in 2021, following a sharp 24.8% contraction in activity during 2020.

The nominal PI[23] of Ohio's residents increased 6.1% in 2021, the second fastest annual growth of incomes since 2011. The rate of PI growth for Ohioans during 2020 was 6.8%. Wages and salaries grew 7.3% during 2021, the highest annual growth since 1988. During the year, incomes were buffered by the highest ever transfer receipts, the result of federal programs to mitigate the impact of COVID-19 and related shutdowns on household incomes; transfer receipts of Ohioans grew 7.3% in 2021, after a 33.0% increase the year prior.[24] The table below displays the annual growth of selected economic indicators for Ohio. In the table, 2019 is the final year of the longest recorded economic expansion in U.S. history, 2020 reflects the impact of the COVID-19 pandemic and policy responses to the pandemic on these indicators, and 2021 is the first recovery year since the recession.

Ohio Economic Indicators, 2019 to 2021

	2019	2020	2021
Real GDP	+2.0%	-3.5%	+4.3%
Private Sector Real GDP	+2.2%	-3.7%	+4.7%
Government Real GDP	+0.6%	-1.3%	+1.4%
Nominal Personal Income*	+3.1%	+6.8%	+6.1%
Nominal Wages and Salaries*	+3.7%	+0.8%	+7.3%

*Changes in nominal amounts are not adjusted for inflation
Note: Indented categories are subsets of the total categories, whose titles are not indented

Ohio's housing market remained resilient at the start of the year, bolstered by favorable interest rates. The number of units sold in the first two months of 2022 was 0.6% higher than a year earlier. The average sale price of a home in Ohio increased 9.8% over that time, from about $211,000 to approximately $232,000.[25] In all of 2021, the average home sale price rose 12.3% in this state.

[23] The term "nominal" as used here refers to the fact that the numbers are not adjusted for inflation.

[24] Transfer receipts include nonwage income sources, such as Social Security, Medicare, Medicaid, and other forms of payments to individuals for which no current services are performed through government or nonprofit programs. Earlier in the pandemic, the most utilized transfer programs were unemployment insurance and economic impact payments; more recently the child care tax credit accounted for more of the transfers.

[25] Ohio Realtors report data on sale closings for new and existing residential single family houses and condominiums, as indicated by multiple listing services around the state.

Chart 5: U.S. Employment and Unemployment

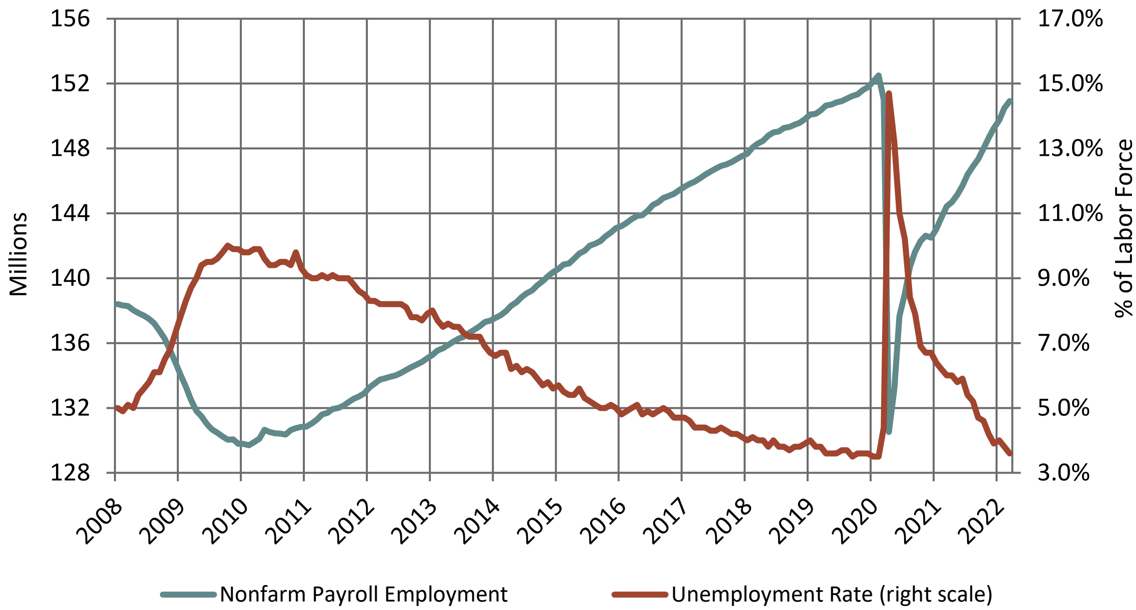

Chart 6: Ohio Employment and Unemployment