LBO Budget Footnotes

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Highlights

– *Jean J. Botomogno, Principal Economist*

November GRF tax receipts exceeded the estimate published by the Office of Budget and Management (OBM) by $76 million. Strong performances from the largest GRF tax sources were partially offset by a shortfall of $42 million from the financial institutions tax. Through the latest month, year-to-date (YTD) GRF tax sources were $337 million above projections.

Ohio's unemployment rate was 5.1% in October, down from 5.3% in September. Ohio's rate was 0.5 percentage point higher than the national rate. Ohio's nonfarm payroll employment increased by 20,100 (0.4%), with the private-service sector providing the bulk of the expansion (18,100). Employment in goods-producing industries increased 1,900, while government employment was almost flat.

Through November 2021, GRF sources totaled $15.75 billion:

- Revenue from the sales and use tax was $121.4 million above estimate;
- Personal income tax (PIT) receipts were $165.7 million above estimate.

Through November 2021, GRF uses totaled $18.01 billion:

- Program expenditures were $813.4 million below estimate;
- Expenditures in all program categories were below estimate, including Medicaid (by $312.3 million), Justice and Public Protection ($191.1 million), and Health and Human Services ($133.7 million).

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$154,864	$138,500	$16,364	11.8%
Nonauto Sales and Use	$913,182	$866,300	$46,882	5.4%
Total Sales and Use	*$1,068,046*	*$1,004,800*	*$63,246*	*6.3%*
Personal Income	$720,538	$686,900	$33,638	4.9%
Commercial Activity Tax	$389,917	$365,100	$24,817	6.8%
Cigarette	$74,846	$78,600	-$3,754	-4.8%
Kilowatt-Hour Excise	$22,488	$22,400	$88	0.4%
Foreign Insurance	-$494	$0	-$494	---
Domestic Insurance	$1	$0	$1	---
Financial Institution	-$44,183	-$1,700	-$42,483	-2499.0%
Public Utility	$29,953	$27,100	$2,853	10.5%
Natural Gas Consumption	$4,857	$5,400	-$543	-10.1%
Alcoholic Beverage	$4,057	$5,900	-$1,843	-31.2%
Liquor Gallonage	$4,893	$4,700	$193	4.1%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$38	$0	$38	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,274,958**	**$2,199,200**	**$75,758**	**3.4%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$1,810	$743	$1,067	143.6%
Other Revenue	$2,126	$1,472	$654	44.4%
Total Nontax Revenue	**$3,937**	**$2,216**	**$1,721**	**77.7%**
Transfers In	**$1,909**	**$0**	**$1,909**	**---**
Total State Sources	**$2,280,804**	**$2,201,416**	**$79,388**	**3.6%**
Federal Grants	**$884,828**	**$886,957**	**-$2,129**	**-0.2%**
Total GRF Sources	**$3,165,632**	**$3,088,372**	**$77,259**	**2.5%**

*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 November 30, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$817,966	$800,500	$17,466	2.2%	$754,838	8.4%
Nonauto Sales and Use	$4,502,336	$4,398,400	$103,936	2.4%	$4,175,636	7.8%
Total Sales and Use	*$5,320,303*	*$5,198,900*	*$121,403*	*2.3%*	*$4,930,474*	*7.9%*
Personal Income	$3,921,516	$3,755,800	$165,716	4.4%	$4,240,081	-7.5%
Commercial Activity Tax	$936,549	$870,400	$66,149	7.6%	$758,599	23.5%
Cigarette	$342,494	$338,800	$3,694	1.1%	$347,917	-1.6%
Kilowatt-Hour Excise	$131,190	$133,000	-$1,810	-1.4%	$133,139	-1.5%
Foreign Insurance	$182,946	$179,500	$3,446	1.9%	$176,637	3.6%
Domestic Insurance	$2,253	$200	$2,053	1026.6%	$824	173.5%
Financial Institution	-$56,755	-$22,500	-$34,255	-152.2%	-$14,968	---
Public Utility	$69,931	$62,200	$7,731	12.4%	$60,814	15.0%
Natural Gas Consumption	$18,550	$19,700	-$1,150	-5.8%	$19,004	-2.4%
Alcoholic Beverage	$29,182	$26,700	$2,482	9.3%	$27,868	4.7%
Liquor Gallonage	$24,668	$23,700	$968	4.1%	$24,313	1.5%
Petroleum Activity Tax	$1,425	$1,700	-$275	-16.2%	$878	62.3%
Corporate Franchise	$538	$0	$538	---	$248	116.7%
Business and Property	$0	$0	$0	---	$15	-100.0%
Estate	$5	$0	$5	---	$12	-62.5%
Total Tax Revenue	**$10,924,793**	**$10,588,100**	**$336,693**	**3.2%**	**$10,705,854**	**2.0%**
Nontax Revenue						
Earnings on Investments	$11,884	$9,485	$2,399	25.3%	$17,577	-32.4%
Licenses and Fees	$12,837	$11,124	$1,713	15.4%	$14,815	-13.4%
Other Revenue	$151,223	$88,766	$62,458	70.4%	$82,867	82.5%
Total Nontax Revenue	**$175,945**	**$109,375**	**$66,570**	**60.9%**	**$115,260**	**52.7%**
Transfers In	**$44,854**	**$30,362**	**$14,492**	**47.7%**	**$79,832**	**-43.8%**
Total State Sources	**$11,145,592**	**$10,727,837**	**$417,754**	**3.9%**	**$10,900,946**	**2.2%**
Federal Grants	**$4,604,826**	**$4,807,096**	**-$202,270**	**-4.2%**	**$6,096,280**	**-24.5%**
Total GRF SOURCES	**$15,750,418**	**$15,534,933**	**$215,485**	**1.4%**	**$16,997,226**	**-7.3%**

*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]

–Russ Keller, Senior Economist

Overview

FY 2022 GRF sources through November of $15.75 billion were $215.5 million (1.4%) over the estimate released by OBM. Positive variances of $336.7 million (3.2%) for GRF tax sources, $66.6 million (60.9%) for nontax revenue, and $14.5 million (47.7%) for transfers in were partly offset by a negative variance of $202.3 million (4.2%) for federal grants.[2] 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 November 2021 and YTD through November in FY 2022.

GRF tax sources have performed well in the first five months of FY 2022. The largest tax sources had positive variances, including the PIT, $165.7 million; the sales and use tax, $121.4 million; the commercial activity tax (CAT), $66.1 million; and the cigarette tax, $3.7 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.) Among the smaller taxes, the public utility excise tax, the foreign insurance tax, the alcoholic beverage tax, and the domestic insurance tax exceeded their respective estimates by $7.7 million, $3.4 million, $2.5 million, and $2.1 million. The financial institutions tax (FIT) posted net refunds totaling $56.8 million, exceeding the anticipated YTD total of $22.5 million, resulting in a negative variance of $34.3 million for this tax source.[3] Two other taxes posted a significant shortfall through November 2021: the kilowatt-hour tax and the natural gas consumption tax yielded negative variances of $1.8 million and $1.2 million, respectively.

GRF sources for the month of November were $3.17 billion, an amount $77.3 million (2.5%) above estimate. GRF tax and nontax categories were above their respective estimates by $75.8 million (3.4%) and $1.7 million (77.7%), while revenue from transfers in was $1.9 million, though GRF income from this category was not anticipated for the month (and is not expected until June 2022). The positive variances were partially offset by a deficit of $2.1 million (0.2%) for federal grants. The three largest GRF tax sources were above their respective estimates for the month, as evidenced by solid performances from the sales and use tax ($63.2 million), the PIT ($33.6 million), and the CAT ($24.8 million). In addition, the public utility excise tax experienced a positive variance of $2.9 million. The positive variances were partially offset by a

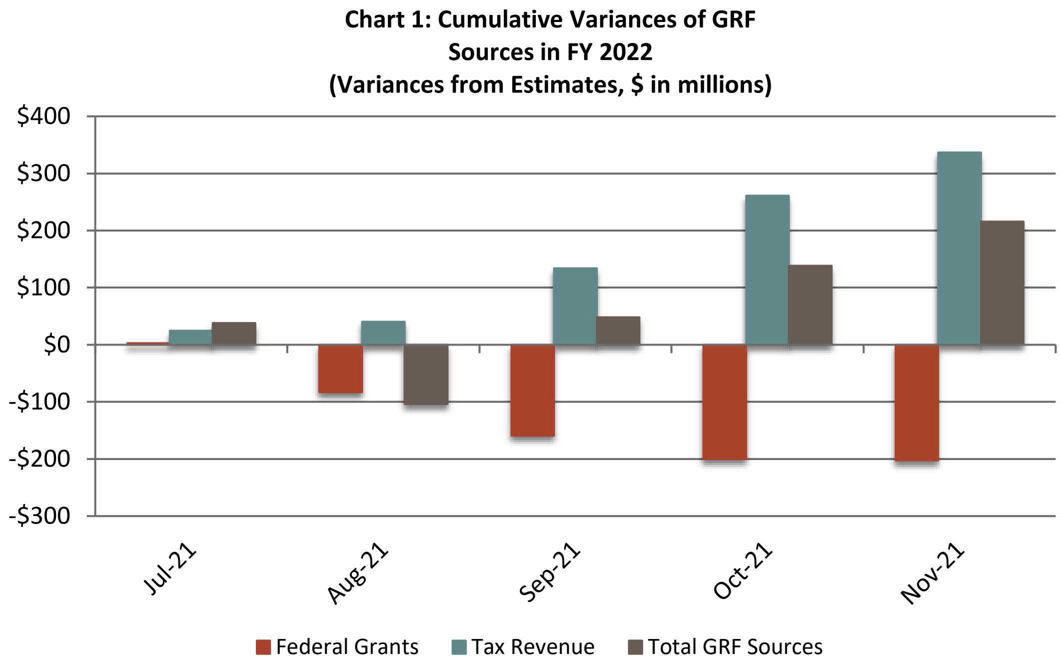
[1] This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs. Through November, Medicaid spending was $312.3 million below estimated expenditures, as caseloads have been generally below anticipated levels in FY 2022.

[3] The GRF typically pays out refunds under the FIT during the first half of a fiscal year as taxpayers make adjustments to previous tax filings. FIT receipts are generally expected at the end of January, March, and May, with the annual tax report due in October of each year.

large negative variance of $42.5 million from the FIT (due to large refunds from adjustments in annual tax reports in October), and a negative variance of $1.8 million from the alcoholic beverage tax.

Chart 1, below, shows cumulative YTD variances of GRF sources through November in FY 2022.



As shown in Table 2, YTD GRF sources were $1.25 billion (7.3%) below such sources through November in FY 2021 largely due to federal grants. YTD FY 2022 federal grants were $1.49 billion (24.5%) below revenue in this category a year ago. YTD GRF tax sources were $218.9 million (2.0%) above revenue in the first five months of FY 2021. The PIT experienced a revenue decline of $318.6 million due to changes related to the filing of tax returns in 2020, as explained in more detail in the PIT section below. The PIT revenue decrease was offset by YTD revenue growth of $389.8 million for the sales and use tax and $177.9 million for the CAT, reflecting continuing economic recovery. Receipts from the remaining GRF tax sources declined, by a net $30.3 million, mainly due to higher refunds paid from the above-cited FIT ($41.8 million) but also a decrease of $5.4 million for the cigarette tax, though public utility tax receipts and foreign insurance tax revenue grew $9.1 million and $6.3 million, respectively. For the remaining GRF categories, nontax revenue rose $60.7 million, but transfers in fell $35.0 million.

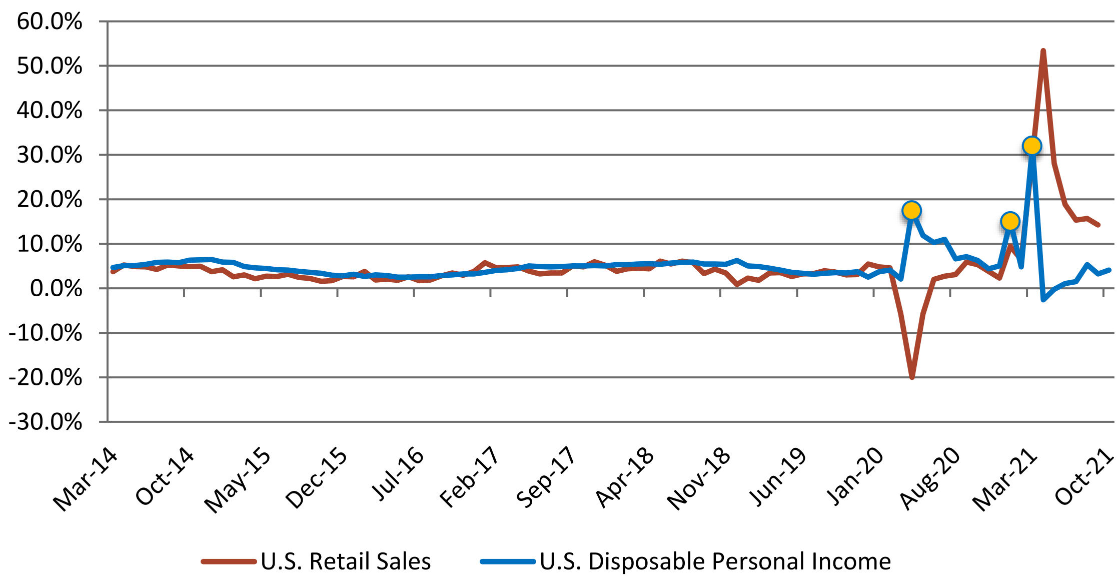
Sales and Use Tax

FY 2022 YTD GRF revenue from the sales and use tax of $5.32 billion was above estimate by $121.4 million (2.3%), as both October and November receipts easily surpassed their monthly estimates. Compared with the corresponding period in FY 2021, YTD revenue from this tax source was $389.8 million (7.9%) higher.

U.S. retail sales have remained elevated since the Internal Revenue Service (IRS) sent the third round of "economic impact payments" in March 2021. Prior to the brief 2020 recession, U.S. retail sales were correlated with U.S. disposable personal income (i.e., after-tax income). Retail sales dipped sharply in the three-month period between March 2020 and May 2020 but resumed their growth by June of that year. Federal legislation authorized three different economic impact payments paid to taxpayers in April 2020, January 2021, and March 2021 (as indicated by gold dots in Chart 2). IRS statistics show that the three payments totaled nearly $803 billion, of which Ohio residents' share was about $30 billion.[4] The outsized retail sales growth since July 2021 likely reflects the ongoing impact of those three IRS payments. Sales in those recent months were between 14% and 15% higher than year-ago levels, which is a comparison period when retail sales had already reverted back to trend growth.

Another boost to disposable personal income came from the "advance child tax credit" payments included in the American Rescue Plan Act (ARPA), which the IRS started in July 2021 and will continue through December. These are early payments from the IRS of 50% of the estimated amount of the child tax credit that a taxpayer may properly claim on their 2021 tax return during the 2022 tax filing season.[5] The IRS announced that monthly payments through November totaled about $77 billion, which averages to about $15 billion per month. Ohio's share of this nationwide total is likely between 3.5% and 4.0%.

Chart 2: U.S. Retail Sales vs. U.S. Disposable Personal Income
(Percentage Change from One Year Ago)



[4] https://www.irs.gov/statistics/soi-tax-stats-coronavirus-aid-relief-and-economic-security-act-cares-act-statistics#EIP3.

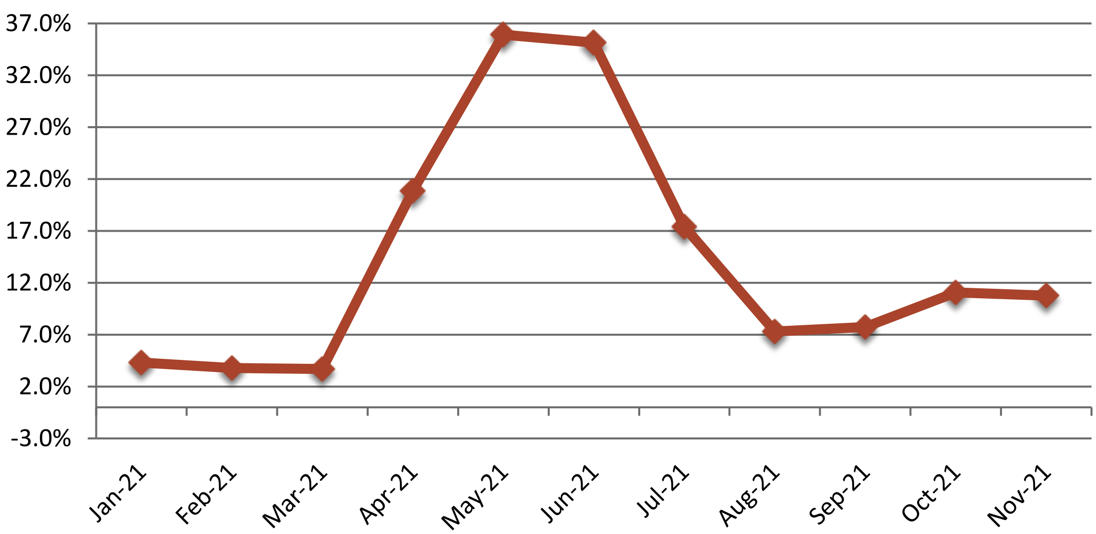
[5] Eligible families received a payment of up to $300 per month for each child under age six and up to $250 per month for each child age six to 17. https://home.treasury.gov/news/press-releases/jy0482.

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

Excluding a negative variance of $29.0 million in July, the nonauto sales and use tax has performed better than expected in FY 2022. Through November, GRF revenue from this tax source totaled $4.50 billion, $103.9 million (2.4%) above estimate and $326.7 million (7.8%) above receipts in the first five months of FY 2021. November 2021 GRF receipts of $913.2 million were above estimate by $46.9 million (5.4%) and $65.2 million (7.7%) above the corresponding month in FY 2021, a robust gain. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. Chart 3, below, shows year-over-year growth in nonauto sales and use tax collections since January 2021. Growth was modest at the start of the 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. However, revenue growth has picked up in the last four months.

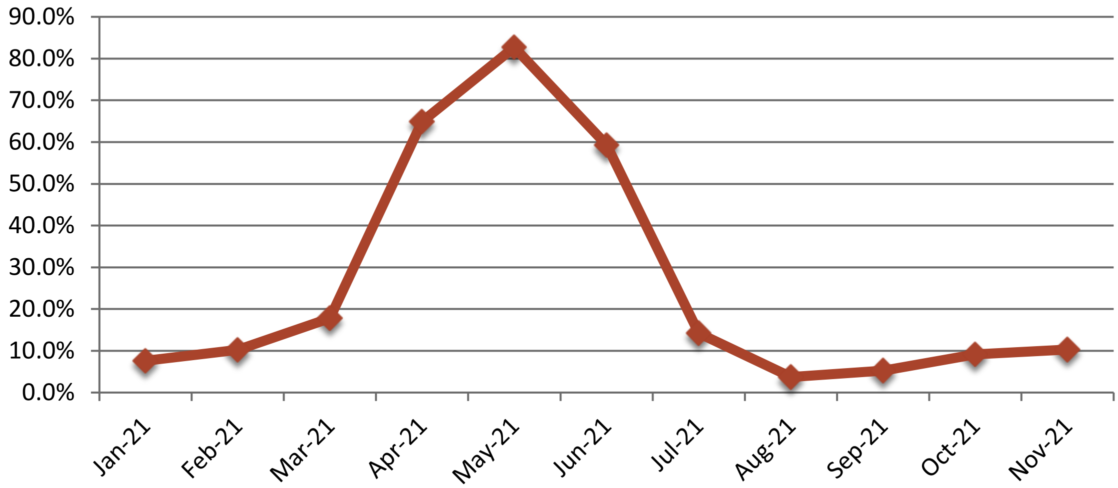
Chart 3: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

Through November, receipts from the auto sales and use tax totaled $818.0 million, $17.5 million (2.2%) above estimate and $63.1 million (8.4%) above revenue in the corresponding period in FY 2021. For the month of November, GRF revenue from this tax source was $154.9 million, $16.4 million (11.8%) above estimate and $26.1 million (20.3%) above receipts in November 2020. Chart 4, below, shows year-over-year growth in auto sales and use tax collections, including high growth rates in the spring of 2021 related to pandemic-depressed revenues a year earlier from both low demand and low supply of vehicles. Slower year-over-year revenue growth started in June and is continuing into FY 2022, with a trend comparable to that of the nonauto sales and use tax.

Chart 4: Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto sales tax revenue growth has been supported by price increases, driven by auto parts shortages and taut supply chains. Data provided by the Ohio Bureau of Motor Vehicles have shown an increase in total spending on passenger vehicles and trucks in FY 2022. Unit purchases of both new and used motor vehicles were down sharply, but average prices were considerably higher than in the year-earlier period, particularly for used vehicles, which account for the majority of motor vehicle titles issued.

Personal Income Tax

Through November, FY 2022 GRF revenue from the PIT totaled $3.92 billion, $165.7 million (4.4%) above the estimate, largely due to stronger than anticipated revenue from employer withholding and from annual returns. 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 (generally over 81% of gross collections for an entire fiscal year).

In November, PIT receipts to the GRF of $720.5 million were $33.6 million (4.9%) above estimate. Gross collections were $33.8 million (4.2%) above estimate, boosted by positive variances of $24.1 million for employer withholding and $10.1 million for payments due with annual returns. Additionally, quarterly estimated payments and trust payments had small negative variances of $0.2 million each. A negative variance of $2.3 million for refunds was offset by a positive variance of $2.4 million for distributions to the LGF, thus causing the overage in gross collections to nearly match that for net collections.

[6] 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.

FY 2022 GRF receipts from the PIT were $318.6 million (7.5%) below such revenue in FY 2021 through November. This decrease was due to a year-over-year decline of $586.2 million in the months of July and August. The large year-over-year PIT revenue decline is attributable to the delay of income tax filings for tax year (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.[7] 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 ARPA, which included several tax changes impacting TY 2020 returns.

For FY 2022 through November, 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 $162.5 million above anticipated revenue, with positive variances of $82.2 million from employer withholding, $54.7 million from payments due with annual returns, $18.3 million from quarterly estimated payments, and $10.1 million from miscellaneous payments, partially offset by a shortfall of $2.8 million for payments from trusts. YTD refunds were $8.3 million below projections, but LGF distributions were $5.0 million above estimate. Thus, the YTD positive variance for the GRF was $165.7 million.

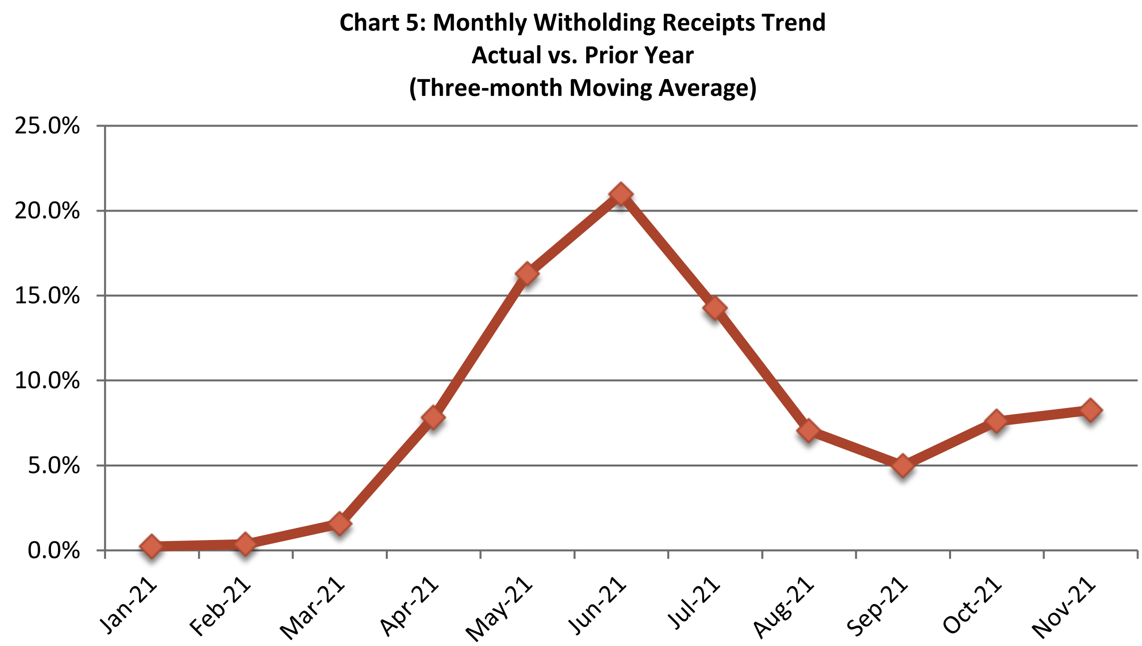
FY 2022 PIT Revenue Variance and Annual Change by Component

Category	YTD Variance from Estimate		Changes from FY 2021	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$82.2	2.1%	$196.0	5.3%
Quarterly Estimated Payments	$18.3	6.2%	-$115.9	-26.9%
Trust Payments	-$2.8	-13.8%	-$46.8	-72.8%
Annual Return Payments	$54.7	48.8%	-$547.1	-76.6%
Miscellaneous Payments	$10.1	37.1%	$10.1	36.9%
Gross Collections	$162.5	3.8%	-$503.6	-10.1%
Less Refunds	-$8.3	-2.4%	-$192.4	-36.2%
Less LGF Distribution	$5.0	2.6%	$7.4	3.8%
GRF PIT Revenue	$165.7	4.4%	-$318.6	-7.5%

[7] 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.

Compared with the same period in FY 2021, gross collections fell $503.6 million in the first five months of FY 2022. Employer withholding and miscellaneous payments were above their prior-year levels by $196.0 million and $10.1 million, respectively. However, revenue from annual returns, quarterly estimated payments, and trust payments fell $547.1 million, $115.9 million, and $46.8 million, respectively. FY 2022 refunds were below those in FY 2021 by $192.4 million, while LGF distributions were higher than in the year-earlier period by $7.4 million. Therefore, YTD PIT GRF revenue was $318.6 million less than receipts in FY 2021 through November.

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.[8]



Commercial Activity Tax

The second CAT payment for quarterly return taxpayers, due in November, provided $389.9 million to the GRF, $24.8 million (6.8%) above estimate, bringing the YTD positive variance for this tax source to $66.1 million (7.6%). For the fiscal year, YTD GRF receipts from CAT taxpayers were $936.5 million, $177.9 million (23.5%) above weaker revenues in FY 2021 through November due to poor first-quarter receipts that year. (Low tax payments related to

[8] 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.

pandemic-related business closures and recession in spring 2020 showed up in that quarter because payments are based on gross receipts in the previous calendar quarter.) In the first quarter of FY 2022, GRF receipts were 31.1% above receipts in the corresponding quarter in FY 2021. Thus, revenue growth relative to the year-ago period is likely to continue to decline through the current fiscal year.

Through November, gross collections totaled $1.15 billion, an increase of $183.6 million (19.0%) relative to gross collections in FY 2021 through November. Refunds were $42.9 million, a decrease of $27.1 million (38.8%) from FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $7.4 million. (Moneys in the fund help defray Ohio Department of Taxation costs of administering the CAT and other taxes.)

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%). YTD distributions to Fund 7047 and Fund 7081 were $143.2 million and $22.0 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.

Cigarette and Other Tobacco Products Tax

Through November in FY 2022, GRF revenue from the cigarette and other tobacco products (OTP) tax totaling $342.5 million was above estimate by $3.7 million (1.1%). This total included $295.9 million from the sale of cigarettes and $46.6 million from the sale of OTP. For the month of November, receipts from this source of $74.8 million were $3.8 million (4.8%) below estimate but only $0.3 million (0.4%) below revenue in November 2020.

FY 2022 YTD revenue was $5.4 million (1.6%) below year-earlier revenue in FY 2021. OTP sales increased by $4.2 million (9.9%) while receipts from cigarette sales decreased $9.6 million (3.5%). 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 November 2021
($ in thousands)
(Actual based on OAKS reports run December 7, 2021)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$639,560	$635,860	$3,700	0.6%
Higher Education	$219,265	$216,743	$2,522	1.2%
Other Education	$3,597	$4,165	-$568	-13.6%
Total Education	**$862,423**	**$856,768**	**$5,654**	**0.7%**
Medicaid	$1,321,439	$1,330,891	-$9,453	-0.7%
Health and Human Services	$120,535	$167,439	-$46,904	-28.0%
Total Health and Human Services	**$1,441,974**	**$1,498,331**	**-$56,357**	**-3.8%**
Justice and Public Protection	$162,830	$194,077	-$31,247	-16.1%
General Government	$40,982	$42,427	-$1,445	-3.4%
Total Government Operations	**$203,812**	**$236,504**	**-$32,692**	**-13.8%**
Property Tax Reimbursements	$42,826	$70,850	-$28,024	-39.6%
Debt Service	$26,104	$26,889	-$786	-2.9%
Total Other Expenditures	**$68,930**	**$97,739**	**-$28,810**	**-29.5%**
Total Program Expenditures	**$2,577,138**	**$2,689,343**	**-$112,204**	**-4.2%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$2,577,138**	**$2,689,343**	**-$112,204**	**-4.2%**

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

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$3,558,869	$3,622,933	-$64,064	-1.8%	$3,443,752	3.3%
Higher Education	$991,572	$1,034,137	-$42,565	-4.1%	$954,777	3.9%
Other Education	$48,848	$54,053	-$5,206	-9.6%	$38,479	26.9%
Total Education	**$4,599,288**	**$4,711,123**	**-$111,834**	**-2.4%**	**$4,437,008**	**3.7%**
Medicaid	$6,711,153	$7,023,420	-$312,267	-4.4%	$8,683,799	-22.7%
Health and Human Services	$621,540	$755,241	-$133,701	-17.7%	$595,332	4.4%
Total Health and Human Services	**$7,332,693**	**$7,778,662**	**-$445,968**	**-5.7%**	**$9,279,132**	**-21.0%**
Justice and Public Protection	$1,113,734	$1,304,834	-$191,099	-14.6%	$1,124,940	-1.0%
General Government	$231,454	$263,905	-$32,451	-12.3%	$190,310	21.6%
Total Government Operations	**$1,345,188**	**$1,568,739**	**-$223,551**	**-14.3%**	**$1,315,250**	**2.3%**
Property Tax Reimbursements	$893,139	$921,573	-$28,434	-3.1%	$902,217	-1.0%
Debt Service	$867,628	$871,256	-$3,628	-0.4%	$503,972	72.2%
Total Other Expenditures	**$1,760,767**	**$1,792,829**	**-$32,062**	**-1.8%**	**$1,406,189**	**25.2%**
Total Program Expenditures	**$15,037,936**	**$15,851,352**	**-$813,416**	**-5.1%**	**$16,437,579**	**-8.5%**
Transfers Out	**$2,972,942**	**$2,948,000**	**$24,942**	**0.8%**	**$411,475**	**622.5%**
Total GRF Uses	**$18,010,878**	**$18,799,352**	**-$788,474**	**-4.2%**	**$16,849,054**	**6.9%**

*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 December 8, 2021)

	Month of November 2021				Year to Date through November 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,259,873	$1,275,100	-$15,227	-1.2%	$6,394,029	$6,679,679	-$285,650	-4.3%
Non-GRF	$1,504,893	$1,104,095	$400,797	36.3%	$5,928,444	$6,137,422	-$208,978	-3.4%
All Funds	$2,764,766	$2,379,195	$385,571	16.2%	$12,322,473	$12,817,101	-$494,628	-3.9%
Developmental Disabilities								
GRF	$54,663	$54,791	-$127	-0.2%	$272,979	$275,904	-$2,925	-1.1%
Non-GRF	$232,285	$244,366	-$12,081	-4.9%	$1,041,887	$1,059,435	-$17,548	-1.7%
All Funds	$286,948	$299,156	-$12,208	-4.1%	$1,314,866	$1,335,339	-$20,473	-1.5%
Job and Family Services								
GRF	$5,507	$80	$5,426	6752.7%	$38,781	$62,445	-$23,664	-37.9%
Non-GRF	$19,236	$36,067	-$16,831	-46.7%	$77,587	$49,968	$27,618	55.3%
All Funds	$24,742	$36,147	-$11,405	-31.6%	$116,367	$112,414	$3,954	3.5%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,395	$920	$475	51.6%	$5,363	$5,391	-$28	-0.5%
Non-GRF	$4,090	$3,713	$377	10.2%	$16,241	$19,684	-$3,443	-17.5%
All Funds	$5,485	$4,633	$852	18.4%	$21,604	$25,075	-$3,471	-13.8%
All Departments:								
GRF	**$1,321,439**	**$1,330,891**	**-$9,453**	**-0.7%**	**$6,711,153**	**$7,023,420**	**-$312,267**	**-4.4%**
Non-GRF	**$1,760,503**	**$1,388,240**	**$372,262**	**26.8%**	**$7,064,158**	**$7,266,509**	**-$202,351**	**-2.8%**
All Funds	**$3,081,941**	**$2,719,132**	**$362,810**	**13.3%**	**$13,775,311**	**$14,289,929**	**-$514,618**	**-3.6%**

*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 December 8, 2021)

	Month of November 2021				Year to Date through November 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,235,278**	**$1,812,496**	**$422,782**	**23.3%**	**$9,237,779**	**$9,446,041**	**-$208,263**	**-2.2%**
CFC†	$856,173	$653,169	$203,003	31.1%	$3,403,723	$3,519,101	-$115,377	-3.3%
Group VIII	$722,645	$587,868	$134,777	22.9%	$2,949,628	$3,043,045	-$93,417	-3.1%
ABD†	$310,423	$246,091	$64,332	26.1%	$1,277,161	$1,287,233	-$10,073	-0.8%
ABD Kids	$99,795	$83,036	$16,759	20.2%	$426,971	$415,882	$11,088	2.7%
My Care	$246,243	$242,332	$3,911	1.6%	$1,180,296	$1,180,780	-$484	0.0%
Fee-For-Service	**$637,245**	**$692,492**	**-$55,246**	**-8.0%**	**$3,623,876**	**$3,893,773**	**-$269,896**	**-6.9%**
ODM Services	$364,198	$408,413	-$44,215	-10.8%	$1,742,722	$1,880,928	-$138,206	-7.3%
DDD Services	$273,047	$284,078	-$11,031	-3.9%	$1,268,209	$1,285,572	-$17,363	-1.4%
Hospital - HCAP&Other†	$0	$0	$0	---	$612,946	$727,273	-$114,327	-15.7%
Premium Assistance	**$101,729**	**$107,766**	**-$6,037**	**-5.6%**	**$506,864**	**$525,472**	**-$18,608**	**-3.5%**
Medicare Buy-In	$65,359	$71,389	-$6,030	-8.4%	$324,269	$343,590	-$19,321	-5.6%
Medicare Part D	$36,369	$36,377	-$7	0.0%	$182,595	$181,882	$713	0.4%
Administration	**$107,690**	**$106,378**	**$1,312**	**1.2%**	**$406,792**	**$424,643**	**-$17,851**	**-4.2%**
Total	**$3,081,941**	**$2,719,132**	**$362,810**	**13.3%**	**$13,775,311**	**$14,289,929**	**-$514,618**	**-3.6%**

*September 2021 estimates from the Department of Medicaid.
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program.
Detail may not sum to total due to rounding.

Expenditures[9]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

FY 2022 GRF program expenditures totaled $15.04 billion at the end of November. These expenditures were $813.4 million (5.1%) below OBM's estimate. All program categories had negative YTD variances at the end of November. The program category with the largest negative variance was Medicaid, which had a negative YTD GRF variance of $312.3 million (4.4%). Justice and Public Protection and Health and Human Services had the next largest negative YTD variances at $191.1 million (14.6%) and $133.7 million (17.7%), respectively. YTD variances are shown in the preceding Table 4, while Table 3 shows November variances.

In addition to program expenditures, total uses include transfers out. Transfers out totaled $2.97 billion YTD and had a positive YTD variance of $24.9 million (0.8%) at the end of November. Combining program expenditures and transfers out, total GRF uses for FY 2022 were $18.01 billion at the end of November. These uses were $788.5 million (4.2%) below estimate.

The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in a few other categories, followed by an update on prior-year GRF encumbrances that were still outstanding at the end of November.

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 below their monthly estimate in November by $9.5 million (0.7%) and below their YTD estimate by $312.3 million (4.4%) at the end of November. Non-GRF Medicaid expenditures were above their monthly estimate, by $372.3 million (26.8%), but below their YTD estimate by $202.4 (2.8%) at the end of November. Including both the GRF and non-GRF, all funds Medicaid expenditures were $362.8 million (13.3%) above estimate in November but $514.6 million (3.6%) below their YTD estimate at the end of November.

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 positive variance in November of $385.6 million (16.2%), which decreased the magnitude of ODM's YTD negative variance, leaving it at $494.6 million (3.9%) below estimate at the end of November. ODODD had a November all funds negative variance of $12.2 million (4.1%) and ended the month with

[9] 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.

YTD expenditures $20.5 million (1.5%) below 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 below their YTD estimates for all of the four major payment categories at the end of November. Fee-For-Service (FFS) had the largest negative variance of $269.9 million (6.9%), which was largely caused by below estimate FFS caseloads and lower than expected payments in the Hospital Care Assurance Program (HCAP). Under HCAP, the state makes subsidy payments to hospitals that provide uncompensated care to low-income and uninsured individuals at or below 100% of the federal poverty level.

FFS's largest YTD negative variance was followed by Managed Care's YTD negative variance of $208.3 million (2.2%). The magnitude of this negative variance shrunk from previous months’ values, with a November monthly positive variance of $422.8 million (23.3%). This November positive variance was largely due to two causes. Firstly, a quarterly hospital payment to distribute additional Medicaid funding to hospitals under the public health emergency due to COVID-19 which was expected to be distributed in October was distributed in November. The total amount of this payment over FY 2022 is estimated to be $1.4 billion, with payments made quarterly. Secondly, ODM made retroactive rate reconciliation payments for Managed Care rates in the amount of $51.6 million in November. As has been referenced in previous Budget Footnotes, there was a delay in the deployment of new Managed Care rates, which this payment partially corrected for. Premium Assistance and Administration rounded out the negative YTD variances among all payment categories with negative variances of $18.6 million (3.5%) and $17.9 million (4.2%), respectively.

From the beginning of the COVID-19 pandemic in March 2020 through November 2021, caseloads have increased by approximately 25,200 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 three months of FY 2022. November ended with a small positive variance in caseloads of just over 4,000 cases (0.1%) above estimate.

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 November, this category was under estimate by $191.1 million (14.6%), a negative variance that grew in November by $31.2 million. The negative November variance was driven by negative variances of $19.4 million for DRC and $11.1 million for the Ohio Public Defender Commission (PUB).

DRC's negative monthly variance was mainly due to a negative variance of $13.8 million in appropriation line item (ALI) 501321, Institutional Operations, which increased this ALI's negative YTD variance to $79.8 million. This ALI is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321, Institution Medical Services, also contributed to DRC's negative monthly variance, with a negative variance of $4.7 million in November, which increased this ALI's negative YTD variance to $10.5 million. This ALI is used to provide medical services to inmates of the state's prisons.

PUB's negative monthly variance was primarily due to a negative variance of $11.0 million in ALI 019501, County Reimbursement, which increased this ALI's negative YTD variance to $15.5 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 will depend on the actual costs incurred by the counties and the timing of the requests for reimbursement.

The Department of Public Safety continued to have the second largest negative YTD variance in this category at $62.5 million. This variance is primarily from a negative variance of $50.0 million in ALI 761408, Highway Patrol Operating Expenditures. This ALI provides GRF support for the highway patrol's operating expenditures that is in addition to the funds collected for this purpose from various taxes, fees, and fines related to the registration and operation of vehicles on public highways. The estimates were for the entire $50.0 million appropriation to be expended in September. This amount has not yet been expended.

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.

The negative November variance of $46.9 million (28.0%) and the negative YTD variance of $133.7 million (17.7%) in this category came primarily from negative variances for ODJFS: $35.1 million for November and $93.2 million YTD. All other agencies in the category also had negative YTD variances.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $6.4 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $27.3 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $1.4 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $23.2 million. This ALI is used primarily to support county public children services agencies.
- A negative monthly variance of $12.9 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $16.7 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

- A negative monthly variance of $13.2 million in ALI 600535, Early Care and Education, which more than offset a small positive YTD variance for this ALI at the end of October, resulting in a negative YTD variance of $12.8 million. This ALI is used for publicly funded child care.

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. In November, this category was over estimate by $3.7 million (0.6%), which decreased the category's negative YTD variance to $64.1 million (1.8%). November's positive variance was caused primarily by a positive variance of $48.3 million in ALI 200550, Foundation Funding – All Students, that was partially offset by a negative variance in ALI 200502, Pupil Transportation, of $44.8 million.

ALI 200550 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. ALI 200502 is primarily used to support the transportation part of the school funding formula. Expenditures from these ALIs are governed by a variety of formulas and data and can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in these ALIs.

Prior-year Encumbrances

As reported in the July 2021 issue of *Budget Footnotes*, state agencies carried into FY 2022 $611.5 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2022. An agency generally has five months to spend prior-year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

Prior-year GRF Encumbrances by Agency ($ in thousands)

Agency	Prior-year Encumbrances as of July 1, 2021	Percentage of Total	Outstanding Encumbrances as of December 1, 2021	Percentage of Total
Education	$121,970	19.9%	$15,144	7.9%
Job and Family Services	$84,858	13.9%	$23,780	12.5%
Rehabilitation and Correction	$81,406	13.3%	$290	0.2%
Transportation	$68,174	11.1%	$50,040	26.3%
Higher Education	$50,664	8.3%	$35,253	18.5%
Development	$41,096	6.7%	$24,684	13.0%

Prior-year GRF Encumbrances by Agency ($ in thousands)				
Agency	Prior-year Encumbrances as of July 1, 2021	Percentage of Total	Outstanding Encumbrances as of December 1, 2021	Percentage of Total
Agriculture	$32,624	5.3%	$10,355	5.4%
Medicaid	$31,104	5.1%	$2,620	1.4%
Other	$99,615	16.3%	$28,419	14.9%
Total	**$611,511**	**100.0%**	**$190,585**	**100.0%**

As shown in the table above, as of December 1, 2021, $190.6 million of the $611.5 million (31.2%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. The Ohio Department of Transportation (ODOT) had the largest share (26.3%) of the total outstanding encumbrances as of December 1, followed by the Department of Higher Education (DHE) at 18.5%, the Department of Development (DEV) at 13.0%, ODJFS at 12.5%, and ODE at 7.9%. Together, these five agencies had $148.9 million (78.1%) of the $190.6 million in total outstanding prior-year encumbrances. The nature of these outstanding encumbrances is discussed below.

ODOT had $50.0 million in outstanding prior-year encumbrances, of which $45.5 million (91.0%) occurred in ALI 775470, Public Transportation - State. ALI 775470 is used to provide state funding for local transit programs.

DHE had $35.3 million in outstanding prior-year encumbrances, of which $29.9 million (84.8%) occurred in ALI 235438, Choose Ohio First Scholarship. ALI 235438 is used to pay the state's obligations to scholarship recipients.

DEV had $24.7 million in outstanding prior-year encumbrances. Of this amount, $9.1 million (36.8%) occurred in ALI 195455, Appalachia Assistance, and $9.0 million (36.6%) occurred in ALI 195556, TechCred Program. ALI 195455 is used to provide financial assistance to development projects in Ohio's Appalachian counties. ALI 195556 is used to fund the TechCred program that offers financial assistance for students and workers to enroll in short-term training courses or programs in specific industries or to pursue in-demand jobs.

ODJFS had $23.8 million in outstanding prior-year encumbrances. The most significant encumbrance was $12.9 million (54.1%) in ALI 655523, Medicaid Program Support – Local Transportation. This encumbrance is for payments to local county departments of job and family services for the state's share of Medicaid costs for providing transportation services to certain Medicaid enrollees. Another significant encumbrance is $5.5 million (22.9%) in ALI 600523, Child, Family, and Community Protection Services. This encumbrance is for various programs, including the support of best practices in children services programs and foster parent recruitment.

ODE had $15.1 million in outstanding prior-year encumbrances, of which $6.6 million (43.8%) was encumbered in ALI 200408, Early Childhood Education. ALI 200408 is used to make payments to early childhood education providers. The remaining $8.5 million (56.2%) is spread out over 12 other ALIs.

Issue Updates

Department of Development Awards $138.2 Million in Ohio BUILDS Water Infrastructure Grants

– Shannon Pleiman, Senior Budget Analyst

In October and November 2021, DEV, in partnership with the Ohio Environmental Protection Agency, awarded $138.2 million to 82 projects in the first two rounds under the Ohio Broadband, Utilities, and Infrastructure for Local Development Success (BUILDS) Water Infrastructure Grant Program. The program was established and appropriated $250.0 million in federal American Rescue Plan Act money under H.B. 168 of the 134th General Assembly. Under the program, political subdivisions that own and operate public water and sewer systems and nonprofit, noncommunity public water systems can apply for grants for drinking water and wastewater infrastructure projects. Of the grant funding awarded, $88.7 million is for 47 wastewater infrastructure projects and $49.5 million is for 35 drinking water infrastructure projects benefiting all 88 counties. Grants are up to $250,000 for design and up to $5.0 million for construction. Examples of eligible construction costs include new or replacement sanitary sewer lines, sewer or wastewater treatment plant improvements, drinking water line improvements or extensions, and repair or construction of drinking water storage towers.

A full list of the recipients and project descriptions in Round 1 can be found here. Round 2 awards can be found here. A third round of grants is anticipated.

ODE Releases 2020-2021 School Report Cards

– Sarah Darnell, LSC Fellow

On October 14, 2021, ODE released report cards for school districts and other public schools for the 2020-2021 school year. The 2020-2021 school year report cards report data on individual performance measures but overall, component, and performance measure grades and performance index (PI) rankings were not issued due to "safe harbor" provisions enacted by the General Assembly in response to the COVID-19 pandemic. The results indicated on the report cards generally reflect the educational disruption caused by the pandemic. On the whole, student achievement, measured through performance on state tests, as well as enrollment and attendance declined in the 2020-2021 school year compared to previous years. However, high school student performance on the Prepared for Success component remained similar to previous years.

Statewide performance on the PI score declined from 84.7 in the 2018-2019 school year to 72.5 in the 2020-2021 school year, a decrease of 14.4%.[10] The PI score is a point system that captures all levels of student performance on state assessments and whose maximum score is 120. Further, proficiency rates on state tests decreased 7.6 percentage points for English language arts and 12.8 percentage points for mathematics across all students and applicable

[10] The PI score was not calculated for the 2019-2020 school year due to suspension of the spring state tests resulting from the COVID-19 pandemic.

tests. ODE notes that varying participation rates and education delivery models during the 2020-2021 school year led to differences on state test performance among student subgroups, with historically underserved students experiencing the greatest decreases in learning. The table below provides the statewide PI scores and proficiency rates since the 2016-2017 school year.

On the other hand, statewide performance on the Prepared for Success component held relatively steady, with a small drop to 41.2% in the 2020-2021 school year from 42.0% in the 2019-2020 school year and a slight increase compared to 40.1% in the 2018-2019 school year. The Prepared for Success component looks at how well prepared Ohio's students are for future opportunities in college or careers based, in general, on the percentage of students in recent graduation cohorts that achieved certain benchmarks, including ACT or SAT remediation-free scores, earning an honors diploma, or earning one or more industry-recognized credentials meeting certain criteria (bonus points are awarded for these students that also meet certain thresholds with respect to scores on Advanced Placement and International Baccalaureate tests and College Credit Plus participation). The table below provides the statewide Prepared for Success percentages since the 2016-2017 school year.

Statewide Performance on Certain Report Card Metrics, 2016-2017 to 2020-2021 School Years					
Metric	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**
Performance Index	84.1	84.2	84.7	N/A	72.5
Proficiency Rate – English	62.1%	63.7%	64.6%	N/A	57.0%
Proficiency Rate – Math	60.2%	60.4%	61.0%	N/A	48.2%
Prepared for Success	36.1%	37.7%	40.1%	42.0%	41.2%

Student enrollment and attendance declined in the 2020-2021 school year compared to previous years. Specifically, public school student enrollment in grades K-12 declined 2.0%, or about 34,000 students, from the 2019-2020 to 2020-2021 school years, likely due to delayed enrollment or parents choosing private schools or homeschooling. Notably, about one-third of the overall decrease was in kindergarten enrollment. Additionally, in the 2020-2021 school year, 24% of students were chronically absent, an increase from the 16.7% of students who were chronically absent in the 2018-2019 school year.[11] For additional details concerning student performance during the 2020-2021 school year, please refer to the 2020-2021 State Report Card.

[11] Chronic absence is defined as missing 10% or more of scheduled education activity for any reason (excused or unexcused).

DHE Announces Grant Program Aimed at Reenrolling Students with Some College Credit to Complete a Degree or Credential

– Edward M. Millane, Fiscal Supervisor

In October 2021, DHE announced the creation of the Second Chance Grant Pilot Program (Second Chance), which aims to help students who have some college coursework to reenroll at a higher education institution to complete a degree or credential program. According to DHE, the program has two main goals: (1) reduce financial barriers that prevent Ohio residents with some college coursework but no degree or credential from returning to a higher education institution and (2) increase the number of Ohioans with a degree or credential. Under the program, an eligible student can receive a grant of $2,000 to reenroll at a qualifying Ohio public university or community college; private, nonprofit, and for-profit university or college; a career college; or an Ohio Technical Centers center. To be eligible for a grant under the program, a student must be an Ohio resident, complete the Free Application for Federal Student Aid (FAFSA), not have a bachelor's degree, and have withdrawn in good standing from an Ohio public university or community college between one and five years ago. A student also cannot be a recipient of any of the following state scholarship programs: Choose Ohio First Scholarship, Ohio Safety Officers College Memorial Fund, War Orphans and Severely Disabled Veteran's Scholarship Program, and Ohio National Guard Scholarship.

H.B. 110 funds the program with an appropriation of $3.0 million in FY 2022 from Fund 5YD0 line item 235494, Second Chance Grant Pilot Program and a FY 2022 GRF transfer to Fund 5YD0 in the same amount. The program will support grants for 1,500 eligible students ($3.0 million appropriation/$2,000 grant award). Higher education institutions will apply the award to a recipient's cost of attendance[12] after any federal and state need-based awards have been taken into account. Students whose remaining cost of attendance is lower than $2,000 will have what is left of their Second Chance Grant rolled over to the next term the student is enrolled. The first grants will be awarded in the spring 2022 semester on a first-come, first-served basis, with more grants awarded thereafter on a rolling basis until all $3.0 million has been awarded.[13]

Production of Ohio's Nonfuel Mineral Resources Valued at More than $1.4 Billion in 2020

– Tom Wert, Senior Budget Analyst

On November 8, 2021, the Department of Natural Resources (DNR) released its annual report on Ohio's mineral industries. According to the report, the value of all nonfuel minerals (mineral resources excluding oil and natural gas) produced in the state exceeded $1.4 billion in calendar year (CY) 2020. Limestone and dolomite had the highest production value accounting for 52.5% ($737.2 million) of the total. Sand and gravel was second at 20.4% ($286.3 million)

[12] According to DHE, a student's "cost of attendance" includes estimated costs for tuition and fees, room and board, books, supplies, transportation, child or dependent care allowances, and other miscellaneous costs.

[13] Complete details of the Second Chance Grant Pilot Program can be found at: https://www.ohiohighered.org/second-chance.

followed by salt (13.1%, $183.3 million), coal (10.1%, $141.2 million), and sandstone and conglomerate (3.1%, $43.8 million). Taken together, clay and shale accounted for 0.9% of the production value totaling $11.8 million.

By county, Franklin County had the highest production value in CY 2020 totaling $118.9 million. Belmont ranked second at $85.7 million followed by Sandusky ($76.8 million), Cuyahoga ($65.8 million), and Wyandot ($63.0 million). Summit County rounded out the top five with $60.4 million in production value. The table below shows the top ten counties with the highest total production value in CY 2020 and the values of minerals they produced representing 46.5% of the total statewide production value.

Top Ten Industrial Mineral Production Value Counties for CY 2020 ($ in millions)						
County	Limestone/ Dolomite	Sand/Gravel	Salt	Coal	Sandstone/ Clay/Shale	Total
Franklin	$96.88	$22.00	$0.00	$0.00	$0.00	**$118.88**
Belmont	$11.27	$0.00	$0.00	$74.41	$0.00	**$85.68**
Sandusky	$76.79	$0.01	$0.00	$0.00	$0.00	**$76.80**
Cuyahoga	$0.00	$0.17	$65.55	$0.00	$0.07	**$65.79**
Wyandot	$58.61	$4.40	$0.00	$0.00	$0.00	**$63.00**
Summit	$0.00	$0.33	$60.11	$0.00	$0.00	**$60.44**
Erie	$50.32	$0.00	$0.00	$0.00	$3.86	**$54.17**
Wayne	$0.05	$3.66	$40.02	$0.00	$1.42	**$45.15**
Harrison	$1.73	$0.00	$0.00	$42.59	$0.34	**$44.66**
Ottawa	$38.27	$0.00	$0.00	$0.00	$0.00	**$38.27**

The state derives revenue on severance taxes applied to the volume of minerals produced. The rates vary depending on the specific mineral produced. Severance taxes collected on the production of mineral resources are deposited to the credit of the Mining Regulation and Safety Fund (Fund 5290) and the Reclamation Forfeiture Fund (Fund 5310) used by DNR's Division of Mineral Resources Management and to the Geological Mapping Fund (Fund 5110) used by DNR's Division of Geological Survey. For CY 2020, severance taxes generated nearly $4.2 million in revenue for these three funds.

OCTF Awarded $3.7 Million in Federal Funds to Develop Child and Family Well-being Systems

– Ryan Sherrock, Economist

On October 15, 2021, the Ohio Children's Trust Fund (OCTF) was awarded a $3.7 million federal Family Support through Primary Prevention (FSPP) grant to develop child and family well-being systems. FSPP goals include: (1) building or enhancing existing state, local, and private efforts to support a comprehensive, community-based system that focuses on primary prevention, (2) establishing well-being measures that identify community needs, service gaps, and system inefficiencies, (3) developing systems that consider the lived child welfare experience of community members, families, and youth in all phases of implementation efforts, (4) reducing the stigma of seeking help, and (5) evaluating primary prevention activities and strategies implemented to ensure effectiveness. Specifically, in Ohio, funds will be used to support the recommendations[14] of the Governor's Children Services Transformation Advisory Council to prevent child maltreatment. These recommendations focus on reforming the children services system and address a number of topics including, prevention efforts, workforce development, kinship care, foster care, and juvenile justice. FSPP funds will also be used to expand preventive services in underserved communities and to make the children services system more proactive and prevention focused.

FSPP grants are administered by the U.S. Department of Health and Human Services' Administration for Children and Families. Grants are awarded over a five-year period and first-year grant amounts are up to $750,000. The OCTF is one of six entities to receive a grant. The other entities are located in Colorado, Kansas, Kentucky, Massachusetts, and Pennsylvania.

The OCTF is a quasi-public entity governed by a 15-member board made up of various directors of state departments, legislative appointees, and public members with knowledge of children's programs or issues. The OCTF's mission is to prevent child abuse and neglect through investing in strong communities, healthy families, and safe children. The OCTF receives various funds, including a portion of fee revenues paid to local governments for certified copies of documents (e.g., birth and death certificates and divorce decrees), grants, and donations.

Ohio Traffic Safety Office Awards $23.6 Million for Traffic Safety Grants

– Robert Meeker, Budget Analyst

On November 3, 2021, the Governor announced the award of 171 competitive grants totaling $23.6 million for traffic safety grants through the Ohio Traffic Safety Office (OTSO) of the Department of Public Safety. Individual grants range from $15,011 to the Boardman Police Department in Mahoning County to $5.2 million to the Ohio State Highway Patrol (OSHP). OSHP also received the largest number of individual grants (ten) and the most total grant funding ($11.5 million or 48.4% of total funding).

[14] The final recommendations of the Children Services Transformation Advisory Council were released in November 2020. The recommendations can be accessed here: https://content.govdelivery.com/attachments/OHOOD/2020/11/19/file_attachments/1606570/Transformation%20Final%20Report%20FINAL.pdf.

The grants were awarded in four categories of programming. Statewide programming (61.7% of total award funding) includes awards to agencies to support statewide traffic safety priority areas including impaired driving, seat belt usage, distracted driving, youthful driving, and motorcycle safety. The Impaired Driving Enforcement and Selective Traffic Enforcement Program category (19.9%) includes awards to 56 sheriff's offices and 32 police departments for overtime hours related to fatal crashes involving impaired driving, seat belt usage, speed, aggressive driving, motorcycles, and failure to yield. The Countywide OVI Task Forces category (9.5%) includes awards to agencies for countywide high-visibility enforcement, public awareness, and impaired driving initiatives. The Safe Communities Programs category (8.9%) includes awards to address traffic safety issues that involve impaired driving, seat belt usage, distracted driving, youthful driving, and motorcycles.

The table below shows total funding and the number of individual grant awards by funding category.

Ohio Traffic Safety Grants, Federal Fiscal Year 2022		
Category	**Category Total**	**Number of Grants**
Statewide Programming	$14,570,332	29
Impaired Driving Enforcement and Selective Traffic Enforcement Program	$4,705,834	88
Countywide OVI Task Forces	$2,249,932	10
Safe Community Programs	$2,102,484	44
Total	**$23,628,582**	**171**

OTSO's traffic safety grants are funded through money provided by the National Highway Traffic Safety Administration under the Fixing America's Surface Transportation, or FAST, Act. Under the FAST Act, Ohio has received approximately $111.8 million in traffic safety funding between federal fiscal year (FFY) 2016 and FFY 2021.

Board of Nursing Announces $3.0 Million for the Nurse Education Grant Program

– Nicholas J. Blaine, Senior Budget Analyst

In October 2021, the Ohio Board of Nursing announced 16 Nurse Education Grant Program (NEGP) awards totaling $3.0 million for the 2021-2023 grant cycle. The grants are provided to programs that partner with health care facilities, community health agencies, or other education programs to increase nursing student enrollment capacity. Funds may be used to purchase educational equipment or to hire or contract with clinical faculty and instructional personnel. Grants are awarded to prelicensure programs for licensed practical nurses (LPNs) and registered nurses (RNs), as well as postgraduate education programs. The grant program is funded by $10 of each nursing license renewal fee, which is deposited into the Nurse Education Grant Program Fund

(Fund 5AC0). Funds are typically disbursed quarterly. A grant recipient may not receive more than $200,000 in each grant cycle. NEGP was created by H.B. 95 of the 125th General Assembly and was to operate from 2004 through 2013. H.B. 303 of the 129th General Assembly extended the program through 2023.The table below shows the grant awards.

Nursing Education Grant Program Awards November 1, 2021 to October 31, 2023	
Program Name	**Award**
LPN Prelicensure Programs	**$399,960**
ETI Technical College of Niles Practical Nursing Program	$200,000
North Central State College Practical Nurse Program	$199,960
RN Prelicensure Programs	**$1,059,100**
Ashland University Dwight Schar College of Nursing and Health Sciences	$200,000
Muskingum University Bachelor of Science in Nursing Program	$199,950
University of Cincinnati College of Nursing	$197,003
Mid-East Career and Technology Centers Adult Education	$62,147
Kettering College	$200,000
Walsh University Gary and Linda Byers School of Nursing	$200,000
Postgraduate Programs	**$1,566,940**
Ashland University Dwight Schar College of Nursing and Health Sciences	$200,000
Aultman College of Nursing and Health Sciences	$171,605
Bowling Green State University	$200,000
Mount Saint Joseph University	$199,600
Otterbein University	$200,000
The Ohio State University	$197,257
The University of Cincinnati College of Nursing	$198,478
The University of Toledo	$200,000
Total	**$3,026,000**

Controlling Board Approves Funding for Rapid DNA Testing Equipment for Pilot Project

– Jessica Murphy, Budget Analyst

On October 25, 2021, the Controlling Board approved a waiver of competitive selection for the Attorney General to enter into a $363,664 contract with Life Technologies (based in Carlsbad, California) for the purchase of two RapidHIT ID System devices and supplies. This purchase is related to the launch of the Rapid DNA Pilot Project and will allow two law enforcement booking agencies to participate in rapid DNA testing without incurring the initial cost of the testing equipment. The Attorney General is in the final stages of selecting the participating agencies.

H.B. 110 established the Rapid DNA Pilot Project, with a GRF appropriation of $1 million in FY 2022 and $400,000 in FY 2023 (ALI 055440, Rapid DNA Pilot Project). The Rapid DNA Pilot Project will allow Ohio to demonstrate to the Federal Bureau of Investigation (FBI) that requirements under the Federal Rapid DNA Act of 2017 can be successfully met by participating agencies.[15] Unlike traditional DNA analysis, which can take weeks or months, Rapid DNA systems can process DNA samples in less than two hours. This would allow law enforcement agencies to identify arrestees wanted in connection to other violent crimes while they are still in custody at the booking station.

The pilot project is structured into two phases. Phase 1 consists of purchasing, testing, and validating the testing devices. Once testing is complete, and if successful, Phase 2 will consist of finalizing an agreement with the FBI to connect the resulting DNA profiles with the Combined DNA Index System (CODIS).

It is estimated that initial testing and validation of these machines will take up to six months before they will be ready for use by the booking locations under the pilot. The goal is to have a pilot program fully underway before the end of FY 2022 that will last approximately a year.

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[15] A state must apply for approval to operate a Rapid DNA program once they can demonstrate it meets the federal requirements found in the FBI's National Rapid DNA Booking Operational Procedures Manual.

Tracking the Economy

– Eric Makela, Economist

Overview

The most recent economic data suggest a further expansion of the national economy, with indicators generally pointing to growth along with decades-high inflationary pressure. A total of 210,000 nonfarm payroll jobs were added nationally in November, and the unemployment rate dipped to a seasonally adjusted 4.2%. Inflation-adjusted gross domestic product (real GDP) rose at a 2.1% annual rate in the third quarter of 2021; industrial production, as measured by the Federal Reserve Board's industrial production index (IPI), was up 1.6% in the month of October. The consumer price index (CPI) for all items rose 6.2% between October 2020 and October 2021, the largest 12-month jump in the index since 1990. Price increases were widespread though particularly large for energy products.

Employers in Ohio added a seasonally adjusted 20,100 jobs in October, increasing nonfarm payroll employment by 0.4%. The state unemployment rate dropped 0.2 percentage point, to 5.1%. The Ohio labor force expanded during the month, with unemployment dropping and total employment rising. Both unit transactions and prices increased in the housing market in 2021 through October, though an Ohio Realtors press release points to a tempering of housing demand from the frenetic pace early in the year.[16] Economic activity picked up in October and November, according to businesses surveyed by the Federal Reserve Bank of Cleveland. Well over half of respondents say their businesses increased prices, generally in response to recent spikes in input costs.

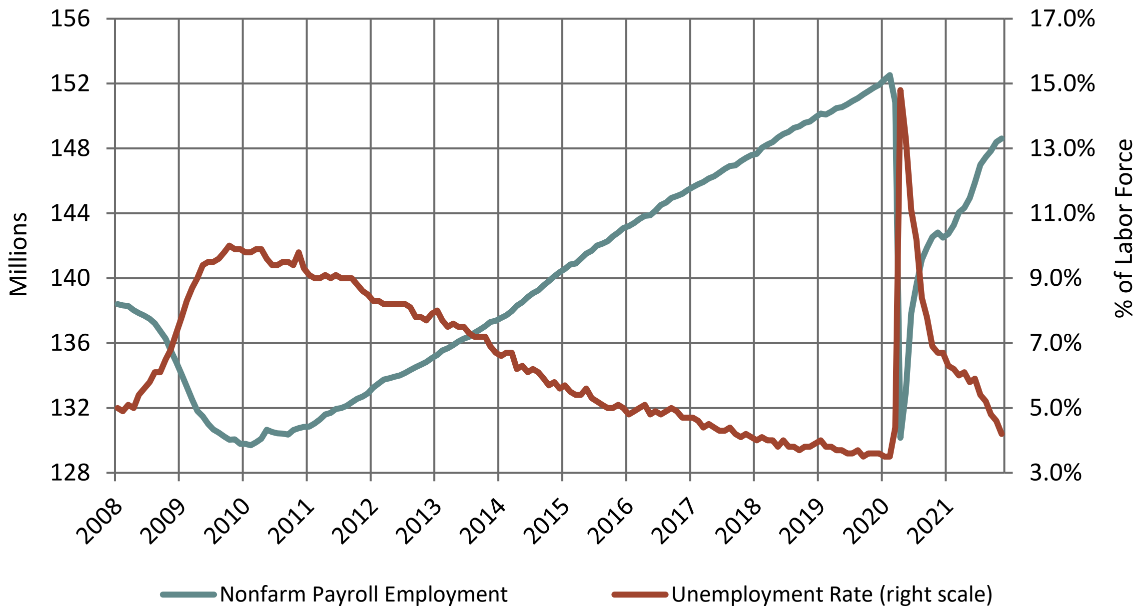
The National Economy

Nonfarm payroll employment increased by a seasonally adjusted 210,000 jobs in November. During the month, goods-producing employers added 60,000 jobs, as gains in the construction (+31,000) and manufacturing (+31,000) industries well outpaced modest losses in logging and mining (-2,000). November employment gains in the service sector were mainly due to hiring in professional and business services (+90,000) and transportation and warehousing (+49,700). Among other major industries, leisure and hospitality (+23,000) and financial activities (+13,000) added workers during November. Chart 6 displays nonfarm payroll employment and the national unemployment rate.

Between November 2020 and November 2021, total nonfarm employment rose by approximately 5.8 million (+4.1%). The largest percentage year-over-year job growth among major sectors was in leisure and hospitality (+1.9 million, 14.3%), followed by mining and logging (+48,000, 8.0%), information (+141,000, 5.3%), and professional and business services (+1.0 million, 4.9%). In the last 12 months, the construction (+180,000, 2.4%) and manufacturing (+350,000, 2.9%) workforces also expanded. Among public employers, both state (+99,000, 2.0%) and local (+322,000, 2.4%) governments added workers during the time period.

[16] Oct2021homesales.docx (ohiorealtors.org).

Chart 6: U.S. Employment and Unemployment



The national unemployment rate decreased significantly in November, by 0.4 percentage point, to 4.2%. The seasonally adjusted number of unemployed persons tumbled by 542,000, or 7.3%. The employment to population ratio, the number of persons working divided by the total civilian noninstitutionalized population, increased from 58.8% to 59.2%.

Real GDP increased at a 2.1% annual rate in the third quarter. As compared to previous quarters, the slowing growth rate reflected a decrease in the annual rate of growth of real personal consumption expenditures (PCE) on services (+7.6%), and a decrease in PCE on goods (-8.4%). In particular, spending on durable goods fell at a 24.4% annual rate during the third quarter, after growing 33.7% from the second quarter of 2020 through the second quarter of 2021. Residential fixed investment fell at an 8.3% rate in the third quarter, the second consecutive quarterly decline. Nonresidential fixed investment grew at a 1.5% annual rate in the third quarter due to higher spending on software and other intellectual property products, while outlays for equipment and structures fell. Business inventories continued to contract but not as rapidly as in the previous quarter. Total federal expenditures decreased by an annualized 4.9% during the period, but the decline was more than offset by a 4.7% rise in the rate of state and local government spending.

During October, total industrial production rose 1.6%, following a dip of 1.3% the previous month. Production rose in all major market groups in October.[17] Among major industrial groupings, both utility and manufacturing output rose 1.2% in October, while mining output increased 4.1%. Output in the motor vehicles industry grew 17.8% during October and completed assemblies reached a seasonally adjusted, annual rate of 9.1 million units, eclipsing the average rate of production during the second and third quarters of 2021. Production among firms in the business of semiconductors and related electronic components increased at an

[17] Major market groups include final products, nonindustrial supplies, and materials.

annual rate of 0.4% in the third quarter of 2021, after more seismic growth of 10.4% and 16.7% in the first and second quarters, respectively.[18]

Consumer prices, as measured by the CPI for all items, increased 0.9% in October, matching June 2021 for the highest monthly inflation rate of the calendar year thus far. The rise in prices during October included a 0.9% increase in the cost of food purchases and a 4.8% increase in the price of energy commodities and services. During the month, the price of commodities rose 1.5% while the price of services rose 0.6%.[19] In the 12 months leading up to October 2021, consumer prices excluding the volatile food and energy categories rose 4.6%, the greatest year-over-year climb since 1991.

The table below displays the year-over-year change in all-item CPI, as well as select components of the index. The table shows the CPI for all items purchased by consumers was 6.2% higher in October 2021 than in October 2020.[20] Energy prices, which include electric and gas services as well as commodities like motor fuel, rose 30.0% during that time. The price index for other commodities increased at a rate faster than the aggregate index, while the price index for other service purchases lagged that for all purchases but still rose faster than in recent years. The table below also contains a column showing the percent of each category that comprises the total index.

Annual Change in the Consumer Price Index and its Components, October 2021		
Expenditure Category	**Relative Importance (% of Index)***	**Annual % Change, October 2021**
All items	100.000%	6.2%
Food at home	7.716%	5.4%
Food away from home	6.261%	5.3%
Energy	7.322%	30.0%
All items (except food and energy)	78.701%	4.6%
Commodities (except food and energy)	20.686%	8.4%
Services (except energy)	58.016%	3.2%

*The consumer price indexes are calculated based on a bundle of goods and services purchased by a representative consumer and measures the difference in the cost of purchasing the same bundle of goods over time.

Note: Relative importance percentages may not sum to totals due to rounding.

[18] Growth rates quoted in this sentence are annual growth rates, whereas the percentages in the rest of the paragraph reflect monthly growth.

[19] The commodities category includes tangible items purchased by consumers; the services category measures all services included in the monthly CPI survey.

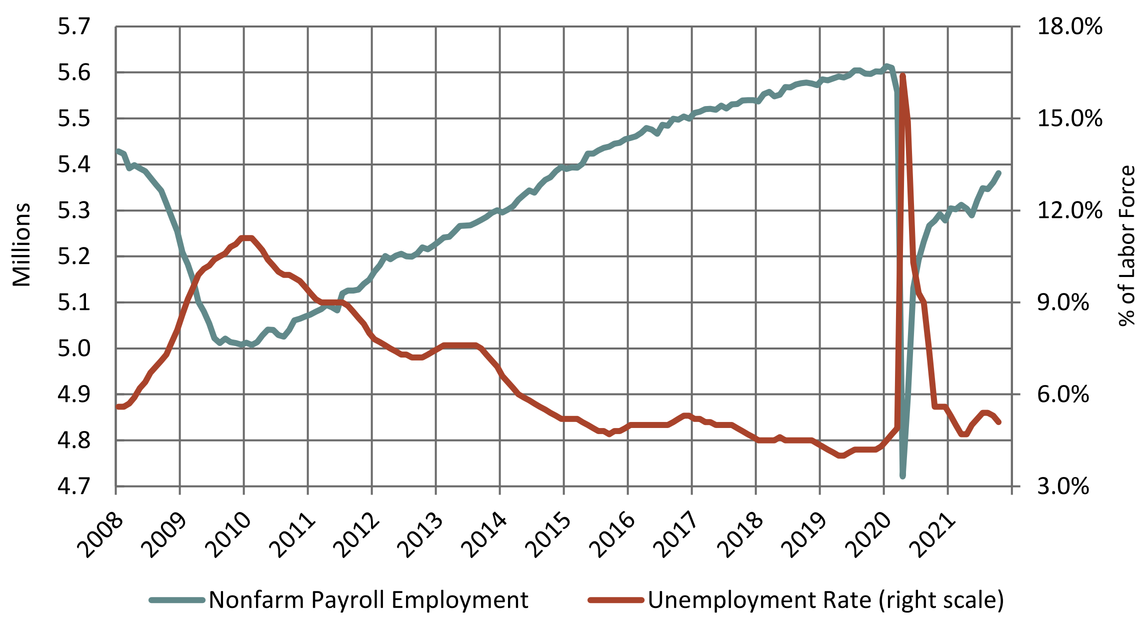
[20] CPI data are collected from a sample of merchants whose establishments are in urban areas and from others. These geographic categories cover approximately 93% of the U.S. population.

The Ohio Economy

Nonfarm payroll employment in Ohio increased by a seasonally adjusted 20,100 (+0.4%) jobs in October 2021, including 18,100 (+0.5%) new positions in the private-service sector, 1,900 (+0.2%) jobs in the goods-producing sector, and a net 100 (+0.0%) added government employees. The state's seasonally adjusted unemployment rate decreased by 0.2 percentage point in October, to 5.1%, Ohio's lowest unemployment rate since May. Chart 7 displays nonfarm payroll employment and the state unemployment rate.

During October, seasonally adjusted employment rose most rapidly in the leisure and hospitality industry (+8,200, 1.6%) as compared with that of other industry groups. Employment in the trade, transportation, and utilities sector was also up during October (+6,600, 0.6%). Monthly job growth among employers in professional and business services (+1,300, 0.2%) was just below the industry's average rate of growth during the last year. Among goods-producing businesses, employment rose in manufacturing (+1,500, 0.2%),[21] construction (+300, 0.1%), and mining and logging (+100, 1.2%) in October. Total government employment was at its highest seasonally adjusted level in October since March 2020.

Chart 7: Ohio Employment and Unemployment



In October, the state's labor force[22] expanded by over 14,800; during the month, total employment rose while both the number of unemployed persons and the unemployment rate dropped. Ohio's employment to population ratio was 58.1% in October, up from a pandemic-era low of 50.0% in April 2020 but well below the 60.8% in January 2020.

[21] Among manufacturing firms, durable goods manufacturers shed 100 workers, while nondurable manufacturers added 1,600 workers statewide.

[22] An individual is counted as in the labor force if he or she is either employed or has actively looked for work during the most recent four weeks.

During November, the U.S. Bureau of Economic Analysis (BEA) released its annual estimates of per capita personal income (PCPI) by county.[23] In 2020, residents of eight counties in Ohio (Clermont, Cuyahoga, Delaware, Geauga, Hamilton, Medina, Union, and Warren) received an average income above the national average of $59,510. Thanks in part to the robust federal stimulus plans enacted during 2020, year-over-year growth in PCPI was generally greater among rural counties. The Ohio counties with the most rapid PCPI growth in 2020 were Fayette (+15.5%), Morgan (+11.8%), and Adams (+11.5%). Average statewide PCPI was estimated to be $53,641.

Housing unit sales dipped modestly in October 2021, compared with a year earlier, though home prices continued to increase in most areas of the state, according to Ohio Realtors. During October, the number of housing units sold decreased 1.4% from October 2020, and the average sale price of a house was up 8.2%, to roughly $240,500. YTD totals show a very strong housing market in CY 2021. Between January and October, the total number of housing units sold increased 5.1% in 2021 compared with the previous year. The total dollar volume of housing transactions in the year eclipsed $34 billion during October, up 18.8% from 2020.[24]

Economic activity in the Cleveland Federal Reserve District ticked up during the most recent survey period, following progressively slowing growth in previous months.[25] Despite robust labor demand across industries and modestly higher total employment, many sources reported level or declining staff levels due to the firms'' inability to retain or attract workers. Both labor and nonlabor input prices rose during the survey period; most contacts expected nonlabor costs to continue to rise into 2022. Additionally, 65% of contacts said they increased the prices of their products over the last two months. Demand for manufactured goods was solid, as firms reported that supply chain disruptions led some customers to substitute different products. During the survey period, demand for residential real estate remained elevated and demand for nonresidential space continued to rebound. Lenders remained generally upbeat, noting that deposits increased and delinquency rates for consumer and commercial loans remained low. Firms in the professional and business services market reported robust demand, as companies continue to find favorable business opportunities. Freight demand remained strong, and industry contacts signaled that demand during the holiday season would likely outpace the industry's current capacity, hampered by driver and equipment shortages.

[23] Personal income, as measured by the BEA, is receipts from all sources including wages, salaries, rental income, proprietor's income, dividend and interest income, and transfer receipts. Transfer receipts are primarily payments to individuals from government sources, e.g., Social Security, Medicare, and unemployment compensation.

[24] Ohio Realtors data includes housing transactions processed through the Multiple Listing Services portal and covers new and existing residential single family homes and condo/co-op properties.

[25] The Federal Reserve Bank of Cleveland includes all of Ohio, eastern Kentucky, western Pennsylvania, and the northern panhandle of West Virginia. Information in the latest report was collected on or before November 19, 2021.