LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Ross Miller, Chief Economist

January 1 marks the halfway point of FY 2022 and the budget news is good. GRF tax revenue received during the first half of the year was $580 million more than the Office of Budget and Management (OBM) estimate, while program expenditures from the GRF during that time were $354 million less than expected. The three largest tax sources, the sales and use tax, the personal income tax (PIT), and the commercial activity tax (CAT), powered tax revenues, between them generating $577 million more than expected for the year through December. Medicaid accounted for much of the favorable spending results for the half-year.

Ohio's unemployment rate fell from 5.1% in October to 4.8% in November, and nonfarm payroll employment increased by 12,200 (0.2%) for the month.

Through December 2021, GRF sources totaled $18.90 billion:

- Revenue from the sales and use tax was $212.2 million above estimate;
- PIT receipts were $296.4 million above estimate.

Through December 2021, GRF uses totaled $21.21 billion:

- Program expenditures were $353.8 million below estimate, led by GRF Medicaid spending, which was $298.8 million below estimate;
- Expenditures under the Health and Human Services and Justice and Public Protection program categories were below their respective estimates by $132.1 million and $118.0 million, but spending under the Primary and Secondary Education program category was above estimate by $277.9 million, due primarily to timing.

In this issue...

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$140,103	$130,000	$10,103	7.8%
Nonauto Sales and Use	$1,028,567	$947,900	$80,667	8.5%
Total Sales and Use	*$1,168,670*	*$1,077,900*	*$90,770*	*8.4%*
Personal Income	$994,453	$863,800	$130,653	15.1%
Commercial Activity Tax	$12,921	$10,500	$2,421	23.1%
Cigarette	$72,532	$69,600	$2,932	4.2%
Kilowatt-Hour Excise	$22,973	$19,100	$3,873	20.3%
Foreign Insurance	-$6	-$1,300	$1,294	99.5%
Domestic Insurance	$0	$1,400	-$1,400	-100.0%
Financial Institution	$4,959	-$6,900	$11,859	171.9%
Public Utility	$3	-$400	$403	100.8%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$5,553	$4,800	$753	15.7%
Liquor Gallonage	$4,776	$4,600	$176	3.8%
Petroleum Activity Tax	$2,203	$2,300	-$97	-4.2%
Corporate Franchise	-$18	$0	-$18	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,289,019**	**$2,045,400**	**$243,619**	**11.9%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$730	$629	$101	16.0%
Other Revenue	$4,882	$1,591	$3,291	206.9%
Total Nontax Revenue	**$5,613**	**$2,220**	**$3,393**	**152.8%**
Transfers In	**$6,746**	**$0**	**$6,746**	**---**
Total State Sources	**$2,301,378**	**$2,047,620**	**$253,758**	**12.4%**
Federal Grants	**$850,999**	**$864,895**	**-$13,896**	**-1.6%**
Total GRF Sources	**$3,152,377**	**$2,912,515**	**$239,862**	**8.2%**

*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 December 31, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 3, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$958,069	$930,500	$27,569	3.0%	$886,939	8.0%
Nonauto Sales and Use	$5,530,903	$5,346,300	$184,603	3.5%	$5,095,963	8.5%
Total Sales and Use	*$6,488,973*	*$6,276,800*	*$212,173*	*3.4%*	*$5,982,902*	*8.5%*
Personal Income	$4,915,968	$4,619,600	$296,368	6.4%	$5,070,702	-3.1%
Commercial Activity Tax	$949,470	$880,900	$68,570	7.8%	$775,275	22.5%
Cigarette	$415,026	$408,400	$6,626	1.6%	$430,119	-3.5%
Kilowatt-Hour Excise	$154,163	$152,100	$2,063	1.4%	$152,531	1.1%
Foreign Insurance	$182,939	$178,200	$4,739	2.7%	$176,497	3.7%
Domestic Insurance	$2,254	$1,600	$654	40.8%	$824	173.5%
Financial Institution	-$51,796	-$29,400	-$22,396	-76.2%	-$19,947	---
Public Utility	$69,934	$61,800	$8,134	13.2%	$50,779	37.7%
Natural Gas Consumption	$18,551	$19,700	-$1,149	-5.8%	$19,217	-3.5%
Alcoholic Beverage	$34,735	$31,500	$3,235	10.3%	$31,320	10.9%
Liquor Gallonage	$29,444	$28,300	$1,144	4.0%	$28,771	2.3%
Petroleum Activity Tax	$3,628	$4,000	-$372	-9.3%	$2,062	75.9%
Corporate Franchise	$520	$0	$520	---	$6,825	-92.4%
Business and Property	$0	$0	$0	---	$59	-100.0%
Estate	$5	$0	$5	---	$12	-62.5%
Total Tax Revenue	**$13,213,812**	**$12,633,500**	**$580,312**	**4.6%**	**$12,707,948**	**4.0%**
Nontax Revenue						
Earnings on Investments	$11,884	$9,485	$2,399	25.3%	$17,577	-32.4%
Licenses and Fees	$13,568	$11,753	$1,814	15.4%	$15,538	-12.7%
Other Revenue	$156,105	$90,356	$65,749	72.8%	$82,952	88.2%
Total Nontax Revenue	**$181,557**	**$111,595**	**$69,963**	**62.7%**	**$116,068**	**56.4%**
Transfers In	**$51,600**	**$30,362**	**$21,238**	**69.9%**	**$85,026**	**-39.3%**
Total State Sources	**$13,446,970**	**$12,775,457**	**$671,512**	**5.3%**	**$12,909,042**	**4.2%**
Federal Grants	**$5,455,825**	**$5,671,990**	**-$216,166**	**-3.8%**	**$6,572,187**	**-17.0%**
Total GRF SOURCES	**$18,902,794**	**$18,447,448**	**$455,347**	**2.5%**	**$19,481,229**	**-3.0%**

*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]

– Jean J. Botomogno, Principal Economist

Overview

FY 2022 GRF sources through December of $18.90 billion were $455.3 million (2.5%) over the estimate released by OBM. Strong positive variances of $580.3 million (4.6%) for GRF tax sources, $70.0 million (62.7%) for nontax revenue,[2] and $21.2 million (69.9%) for transfers in were partly offset by a negative variance of $216.2 million (3.8%) for federal grants.[3] 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 December 2021 and YTD through December in FY 2022, respectively.

GRF tax sources performed very well in the first half of FY 2022. The largest tax sources had positive variances, including the PIT, $296.4 million; the sales and use tax, $212.2 million; the CAT, $68.6 million; and the cigarette tax, $6.6 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 kilowatt-hour tax exceeded their respective estimates by $8.1 million, $4.7 million, $3.2 million, and $2.1 million. The financial institutions tax (FIT) posted net refunds totaling $51.8 million, exceeding the anticipated YTD total of $29.4 million, resulting in a negative variance of $22.4 million for this tax source.[4] In addition, the natural gas consumption tax had a notable shortfall of $1.1 million. GRF tax receipts in the second fiscal quarter were robust, resulting in a positive quarterly variance of $446.3 million (of the total YTD surplus of $580.3 million); and, of this second fiscal quarter's positive variance, an exceptionally strong performance of this category in December contributed $243.6 million, an amount 11.9% above the monthly estimate.

Total GRF sources for the month of December were $239.9 million (8.2%) above estimate. Nontax revenue exceeded projection by $3.4 million (152.8%) and OBM made transfers into the GRF of $6.7 million this month, though GRF income from this source was not anticipated. The positive variances were partially offset by a deficit of $13.9 million (1.6%) for

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[1] This report compares actual monthly and year-to-date 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.

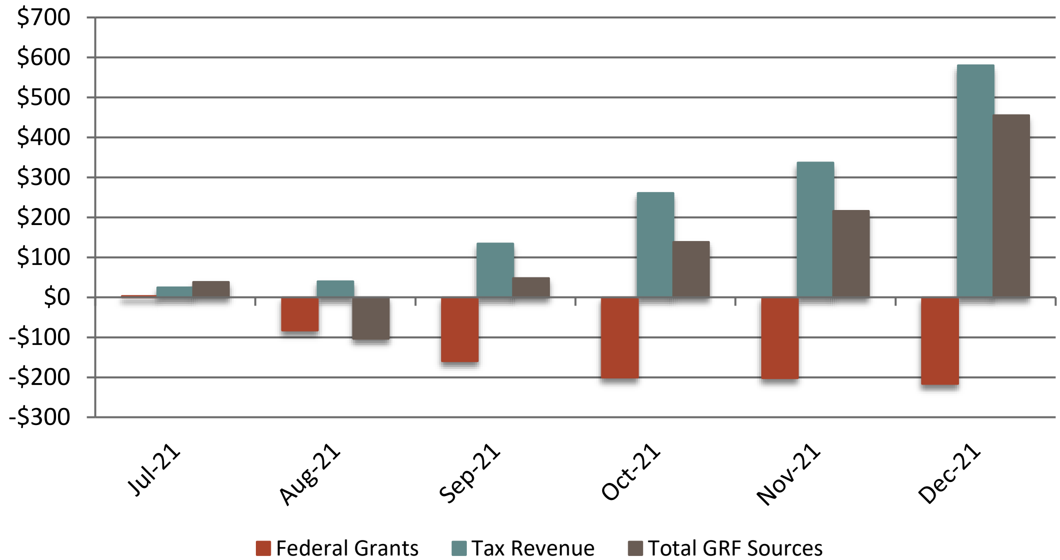
[2] More than half of the positive variance for this category was due to outsized payments by JobsOhio related to strong liquor profits.

[3] Federal grants are typically federal reimbursements for Medicaid and other human services programs. Through December, GRF Medicaid spending was $298.8 million below estimated expenditures, as caseloads have been generally below anticipated levels in FY 2022.

[4] 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. The YTD negative variance was primarily due to refunds totaling $44.5 million in November.

federal grants. December tax sources were buoyed by a positive variance of $130.7 million from the PIT. The sales and use tax exceeded expectations by $90.8 million, the cigarette tax by $2.9 million, and the CAT by $2.4 million. In addition, net revenue of $5.0 million for the FIT, when net refunds of $6.9 million were expected, led to a positive variance of $11.9 million for that tax. The domestic insurance tax experienced the only sizeable negative variance in December, a shortfall of $1.4 million. Chart 1, below, shows cumulative YTD variances of GRF sources through December in FY 2022.

Chart 1: Cumulative Variances of GRF Sources in FY 2022 (Variances from Estimates, $ in millions)



As shown in Table 2, YTD GRF sources were $578.4 million (3.0%) below such sources through December in FY 2021. This decline was largely due to federal grants, which fell by $1.12 billion (17.0%).[5] On the other hand, YTD GRF tax sources were $505.9 million (4.0%) above revenue through December in FY 2021. For the remaining GRF categories, nontax revenue rose $65.5 million, but transfers in fell $33.4 million. Growth for GRF tax sources was mainly due to revenue increases of $506.1 million for the sales and use tax and $174.2 million for the CAT, reflecting continuing economic recovery. In addition, the public utility tax, the foreign insurance tax, and the alcoholic beverage tax saw their receipts rise by $19.2 million, $6.4 million, and $3.4 million, respectively. Those increases were partially offset by revenue decreases of $154.7 million for the PIT (due to changes related to the filing of tax returns in 2020, as explained in more detail in the PIT section below), $31.8 million for the FIT, $15.1 million for the cigarette tax, and $6.3 million for the corporate franchise tax. (This tax was eliminated at the end of 2013, but the conclusion of certain audits resulted in unexpected revenue in FY 2021.)

[5] 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. As a result, FY 2022 federal grants will decline compared to the year-earlier period.

Sales and Use Tax

FY 2022 YTD GRF revenue from the sales and use tax of $6.49 billion was above estimate by $212.2 million (3.4%). Nearly all of the YTD positive variance was achieved in the fiscal second quarter, with both the auto and nonauto portions of the tax posting outstanding performances in the period. First-quarter receipts from the sales and use tax were just $0.2 million above OBM estimates. Compared to the first half of FY 2021, YTD revenue from this tax source was 8.5% higher.

Sales tax revenue has been elevated in FY 2022 for a number of reasons. As discussed in last month's edition of this publication, federal legislation authorized three different economic impact payments to taxpayers in April 2020, January 2021, and March 2021. Ohio residents' share of those payments totaled about $30 billion,[6] some of which was saved by consumers and is likely reflected in sales tax revenue in FY 2022. Another boost to disposable personal income came from the "advance child tax credit" payments from July to December 2021 included in the American Rescue Plan Act (ARPA).[7] Payments to Ohio residents were estimated to be between $0.5 billion and $0.6 billion per month in the first half of this fiscal year. Personal savings rates have gradually come down over several months, indicating consumers are spending funds they previously accumulated. In addition, the economy continues to expand, wages have been rising (which allow consumers not only to spend, but take on more debt), and unemployment rates have decreased in recent months. Finally, any sustained hike in inflation, which the economy has experienced in 2021, increases the value of taxable goods and services, which in turn increases sales 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.

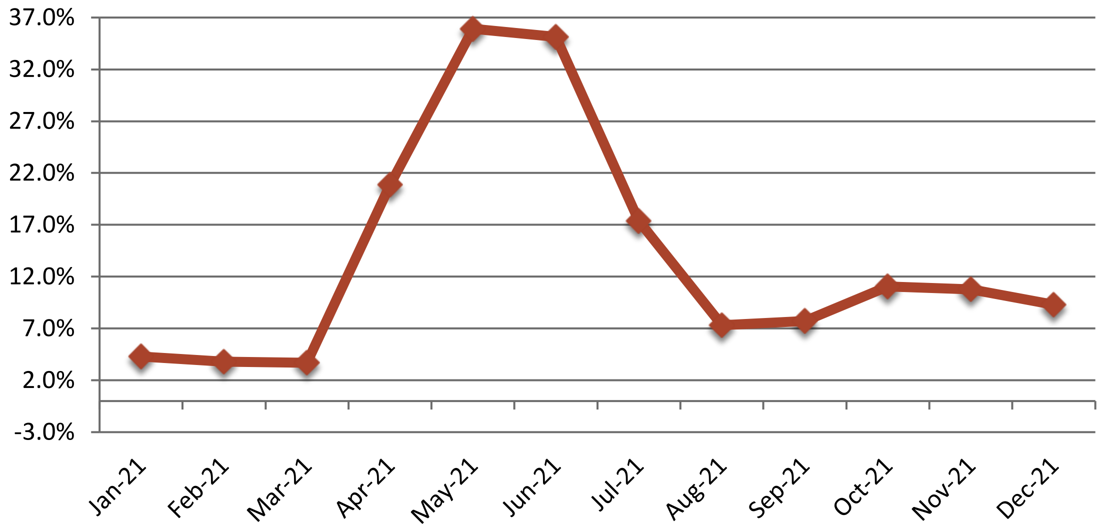
Nonauto Sales and Use Tax

For the YTD through December, this tax source totaled $5.53 billion, an amount $184.6 million (3.5%) above estimate, with nearly the entire surplus ($183.8 million) realized in the second fiscal quarter. FY 2022 revenue was also $434.9 million (8.5%) above revenue in the first half of FY 2021. December 2021 GRF receipts of $1.03 billion were above estimate by $80.7 million (8.5%) and $108.2 million (11.8%) above revenue in December 2020, another robust monthly 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 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 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 to about 9.3%, on average, in the last three months.

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

[7] 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.

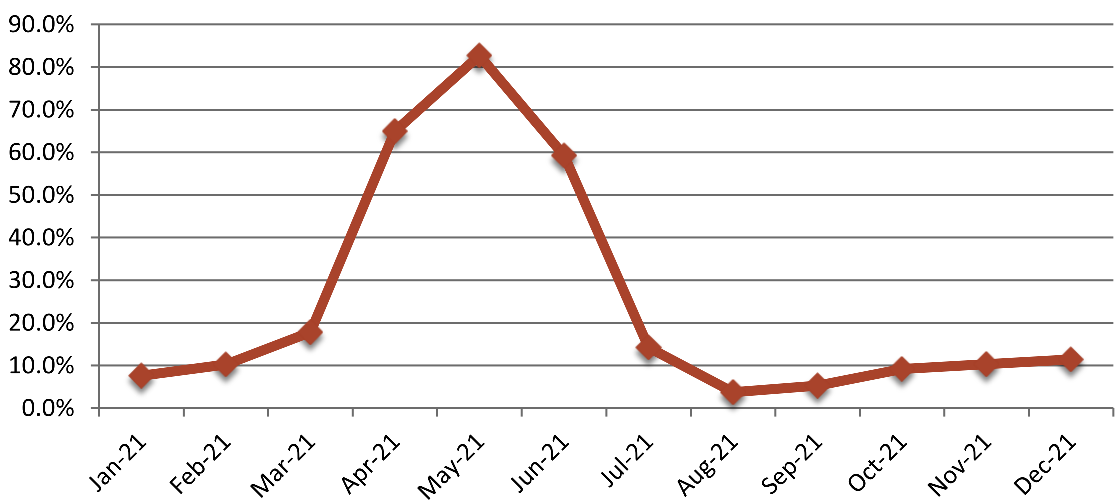
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

Through December, receipts from the auto sales and use tax totaled $958.1 million in FY 2022, an amount $27.6 million (3.0%) above estimate, with the entire overage coming in the second fiscal quarter. YTD revenue was also $71.1 million (8.0%) above revenue in the corresponding period in FY 2021. For the month of December, GRF revenue from this tax source was $140.1 million, $10.1 million (7.8%) above anticipated receipts and $8.0 million (6.1%) above revenue in December 2020. Chart 3, 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 growth of 11.4%, on average, in the last three months.

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



Auto sales tax revenue growth has been due to price increases, driven by auto parts shortages that have bedeviled the industry in 2021 and taut supply chains. Data provided by the Ohio Bureau of Motor Vehicles, in the table below, show an increase in total spending on passenger vehicles and trucks in the first half of FY 2022, compared to the corresponding period last year. Unit purchases of both new and used motor vehicles were down sharply from a year earlier, but average prices were considerably higher than in the year-earlier period, particularly for used vehicles, which account for the majority of titles issued and about 65% of the tax base. Though overall spending grew by 9.3% relative to the first six months of FY 2021,[8] lack of inventory at new vehicle dealerships resulted in a decrease in spending of 3.9% for new vehicles but an outsized growth of 20.5% in spending on previously owned vehicles.

New and Used Vehicles Titled			
YTD Through December	**Titles**	**Spending ($ in millions)**	**Average Price**
New Vehicles	162,869	$7,425	$45,590
Used Vehicles	810,871	$11,015	$13,584
Total	**973,740**	**$18,440**	**$18,937**
Growth from FY 2021			
New Vehicles	-14.6%	-3.9%	12.5%
Used Vehicles	-7.8%	20.5%	30.6%
Total	**-9.0%**	**9.3%**	**20.1%**

Personal Income Tax

Through December, FY 2022 GRF revenue from the PIT totaled $4.92 billion, $296.4 million (6.4%) 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,[9] 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).

[8] Growth in spending is larger than tax revenue growth, due in large part to the trade-in exemption on purchases of new vehicles in existing law.

[9] 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.

In December, PIT receipts to the GRF of $994.5 million were $130.7 million (15.1%) above estimate, and $163.8 million (19.7%) above such revenue in December 2021. Gross collections were $123.8 million above estimate, boosted by a positive variance of $89.3 million for employer withholding. The remaining components were also above projections, by a total of $34.6 million. A negative variance of $8.4 million for refunds was partially offset by a positive variance of $1.6 million for distributions to the LGF. Thus, GRF net income totaled $130.7 million more than expected for the month.

FY 2022 GRF receipts from the PIT were $154.7 million (3.1%) below such revenue in FY 2021 through December. 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.[10] 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 December, 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 $286.3 million above anticipated revenue, with positive variances of $171.5 million from employer withholding, $62.4 million from payments due with annual returns, $42.7 million from quarterly estimated payments, and $12.0 million from miscellaneous payments. Those positive variances were partially offset by a shortfall of $2.2 million for payments from trusts. YTD refunds were $16.7 million below projections, but LGF distributions were $6.6 million above estimate. Thus, the YTD positive variance for the GRF was $296.4 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	$171.5	3.6%	$301.0	6.5%
Quarterly Estimated Payments	$42.7	12.7%	-$95.2	-20.1%
Trust Payments	-$2.2	-10.3%	-$46.2	-70.8%
Annual Return Payments	$62.4	50.7%	-$540.1	-74.4%

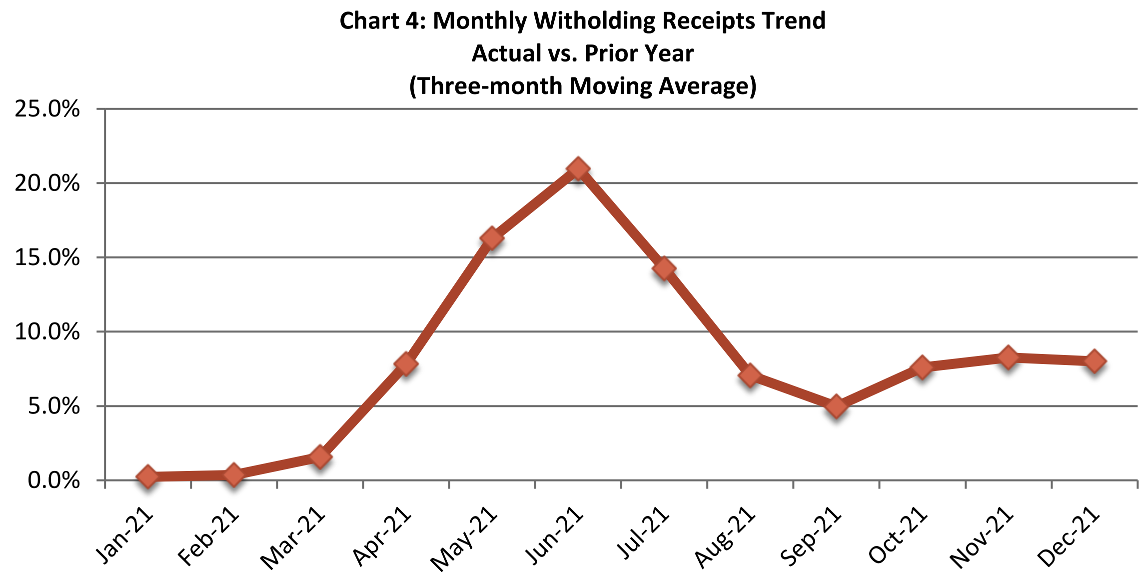
[10] Among measures designed to help consumers and businesses weather the impact of the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments during the period of the Governor's emergency declaration. In response to enactment of 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 (%)
Miscellaneous Payments	$12.0	35.4%	$11.9	35.0%
Gross Collections	$286.3	5.5%	-$368.6	-6.2%
Less Refunds	-$16.7	-4.2%	-$224.3	-37.0%
Less LGF Distribution	$6.6	2.8%	$10.4	4.5%
GRF PIT Revenue	**$296.4**	**6.4%**	**-$154.7**	**-3.1%**

Compared with the same period in FY 2021, gross collections fell $368.6 million in the first half of FY 2022. Employer withholding and miscellaneous payments were above their prior-year levels by $301.0 million and $11.9 million, respectively. However, revenue from annual returns, quarterly estimated payments, and trust payments fell $540.1 million, $95.2 million, and $46.2 million, respectively. FY 2022 refunds declined by $224.3 million relative to refunds in the year-earlier period, and LGF distributions were $10.4 million higher than in the corresponding period last year. Therefore, YTD PIT GRF revenue was $154.7 million less than receipts in FY 2021 through December.

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.[11] Thus, actual payroll growth in the last quarter was much stronger than shown in the chart.

[11] 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

CAT GRF revenue of $12.9 million in December was $2.4 million (23.1%) above estimate, but $3.8 million (22.5%) below revenue in the same month last year. The latest monthly performance brought the YTD positive variance for this tax source to $68.6 million (7.8%), up from $66.2 million through November. For the fiscal year, YTD GRF receipts were $949.5 million, $174.2 million (22.5%) above revenues in FY 2021 through December due to poor first-quarter receipts that year. (Low tax payments related to pandemic-related business closures and recession in spring 2020 showed up in that quarter because CAT 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. In the second fiscal quarter, revenue growth fell to 15.5% compared to the corresponding period last year. Quarterly revenue growth is likely to drop further in the third fiscal quarter.

Through December, gross collections totaled $1.17 billion, an increase of $172.0 million (17.2%) relative to gross collections in the first six months of FY 2021. Refunds were $48.9 million, a decrease of $34.3 million (41.2%) from FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $7.5 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 $145.2 million and $22.3 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 December in FY 2022, GRF revenue from the cigarette and other tobacco products (OTP) tax totaling $415.0 million was above estimate by $6.6 million (1.6%). This total included $359.1 million from the sale of cigarettes and $55.9 million from the sale of OTP. For the month of December, receipts from this source of $72.5 million were $2.9 million (4.2%) above estimate but $9.7 million (11.8%) below revenue in December 2020.

FY 2022 YTD revenue was $15.1 million (3.5%) below year-earlier revenue in FY 2021. OTP sales increased by $5.4 million (10.7%) while receipts from cigarette sales decreased $20.5 million (5.4%). 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.

Other Taxes

The kilowatt-hour tax generated $154.2 million for the GRF during the first six months of the fiscal year. This amount was $2.1 million (1.4%) above estimate and $1.6 million (1.1%) above revenue during the comparable months of FY 2021. The performance of the tax was due, in part to slightly higher than anticipated electricity consumption. The tax base generally is kilowatt-hours of electricity used, i.e., it generally does not depend on the price of electricity. Half of the allocation of GRF tax revenue to the Public Library Fund is debited against this tax for accounting purposes, thus good GRF tax revenue performance can make the GRF performance of this tax look relatively worse. YTD through December, total revenue from this tax was $274.4 million, up $8.2 million (3.0%) above total receipts in the first six months of FY 2021.

YTD through December, receipts from the public utility tax were $69.9 million, $8.1 million (13.2%) above estimate and $19.2 million (37.7%) higher than during July to December 2020. Most receipts from this tax are in the second month of each calendar quarter, with the largest receipts usually in May. Deliveries by natural gas utilities account for a large part of the total. The increase in revenues from the public utility tax appears mostly driven by pricing and not volumes of natural gas by all types of consumers.[12] Natural gas deliveries to consumers were down overall; though industrial consumption grew, consumption fell for residential and electric power sectors.

Receipts from the natural gas consumption tax were $18.6 million in the first half of this fiscal year, $1.1 million (5.8%) below estimate and $0.7 million (3.5%) below revenue in the year-earlier period. Payments in May account for nearly half of annual receipts from this tax in most years.

The foreign insurance tax generated $182.9 million during the first half of FY 2022, an amount $4.7 million (2.7%) above estimate and $6.4 million (3.7%) above receipts in the corresponding period in FY 2021. This tax is paid by insurance companies headquartered in other states based on premiums they receive to provide insurance covering risks located in

[12] The following are the four types of consumers: residential, commercial, industrial, and electric power generation.

Ohio. But, the revenue experience in the first six months generally reveals little about the full fiscal year experience from the tax as payments received so far represent advance payments based on previous-year tax liabilities before credits.

The domestic insurance tax (paid by insurance companies headquartered in Ohio) provided $2.3 million so far in FY 2022. That amount was $0.7 million (40.8%) above estimate and $1.4 million (173.5%) above revenue in the first six months of FY 2021. However, similarly to the foreign insurance tax, the first-half performance says little about the full-year experience: virtually all revenue from the tax is received in May and June each fiscal year.

Nontax Revenue

YTD GRF nontax revenue totaling $181.6 million was $70.0 million (62.7%) above estimate and $65.5 million (56.4%) above such revenue in the first six months of FY 2021. The year-over-year increase in revenue was primarily due to “other revenue,” which was $65.7 million (72.8%) above estimate. The large variance in “other revenue” was primarily due to excess payments from liquor profits from JobsOhio. OBM reported in October 2021 those payments exceeded projections by more than $50 million this fiscal year.[13]

Though FY 2022 earnings on investments were $2.4 million (25.3%) above estimate through December, they were $5.7 million (32.4%) below earnings recorded in the corresponding period last year, primarily due to low federal funds rates implemented by the Federal Reserve in the last year and a half.

[13] JobsOhio is a nonprofit corporation that operates and manages various economic development programs in Ohio. It is funded from the profits on sales of spirituous liquor, which JobsOhio receives through its long-term lease of the state’s liquor franchise. JobsOhio makes an annual payment to the state GRF, an amount that varies based on annual growth in liquor profits.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of December 2021
($ in thousands)
(Actual based on OAKS reports run January 4, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$1,248,253	$906,250	$342,003	37.7%
Higher Education	$212,750	$196,497	$16,253	8.3%
Other Education	$4,108	$3,968	$140	3.5%
Total Education	**$1,465,111**	**$1,106,716**	**$358,395**	**32.4%**
Medicaid	$1,242,883	$1,229,393	$13,490	1.1%
Health and Human Services	$150,493	$148,864	$1,628	1.1%
Total Health and Human Services	**$1,393,375**	**$1,378,257**	**$15,118**	**1.1%**
Justice and Public Protection	$252,893	$179,833	$73,060	40.6%
General Government	$37,902	$43,502	-$5,600	-12.9%
Total Government Operations	**$290,795**	**$223,334**	**$67,460**	**30.2%**
Property Tax Reimbursements	$19,913	$1,092	$18,821	1723.6%
Debt Service	$27,568	$27,770	-$203	-0.7%
Total Other Expenditures	**$47,481**	**$28,862**	**$18,619**	**64.5%**
Total Program Expenditures	**$3,196,762**	**$2,737,170**	**$459,592**	**16.8%**
Transfers Out	**$679**	**$0**	**$679**	**---**
Total GRF Uses	**$3,197,441**	**$2,737,170**	**$460,271**	**16.8%**

*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 December 31, 2021
($ in thousands)
(Actual based on OAKS reports run January 4, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$4,807,122	$4,529,183	$277,939	6.1%	$4,016,490	19.7%
Higher Education	$1,204,322	$1,230,634	-$26,312	-2.1%	$1,142,773	5.4%
Other Education	$52,956	$58,022	-$5,066	-8.7%	$41,339	28.1%
Total Education	**$6,064,400**	**$5,817,839**	**$246,561**	**4.2%**	**$5,200,602**	**16.6%**
Medicaid	$7,954,035	$8,252,813	-$298,778	-3.6%	$9,657,424	-17.6%
Health and Human Services	$772,033	$904,106	-$132,073	-14.6%	$731,732	5.5%
Total Health and Human Services	**$8,726,069**	**$9,156,919**	**-$430,850**	**-4.7%**	**$10,389,156**	**-16.0%**
Justice and Public Protection	$1,366,627	$1,484,666	-$118,039	-8.0%	$1,283,029	6.5%
General Government	$269,355	$307,407	-$38,051	-12.4%	$217,714	23.7%
Total Government Operations	**$1,635,982**	**$1,792,073**	**-$156,090**	**-8.7%**	**$1,500,743**	**9.0%**
Property Tax Reimbursements	$913,053	$922,665	-$9,612	-1.0%	$904,349	1.0%
Debt Service	$895,195	$899,026	-$3,831	-0.4%	$525,964	70.2%
Total Other Expenditures	**$1,808,248**	**$1,821,691**	**-$13,443**	**-0.7%**	**$1,430,312**	**26.4%**
Total Program Expenditures	**$18,234,698**	**$18,588,522**	**-$353,824**	**-1.9%**	**$18,520,813**	**-1.5%**
Transfers Out	**$2,973,621**	**$2,948,000**	**$25,621**	**0.9%**	**$435,225**	**583.2%**
Total GRF Uses	**$21,208,320**	**$21,536,522**	**-$328,202**	**-1.5%**	**$18,956,038**	**11.9%**

*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 January 5, 2022)

	Month of December 2021				Year to Date through December 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,181,370	$1,177,051	$4,319	0.4%	$7,575,399	$7,856,730	-$281,330	-3.6%
Non-GRF	$1,602,858	$2,008,807	-$405,948	-20.2%	$7,531,303	$8,146,229	-$614,926	-7.5%
All Funds	$2,784,229	$3,185,858	-$401,629	-12.6%	$15,106,702	$16,002,959	-$896,257	-5.6%
Developmental Disabilities								
GRF	$54,063	$51,219	$2,843	5.6%	$327,042	$327,124	-$82	0.0%
Non-GRF	$177,982	$191,363	-$13,381	-7.0%	$1,219,869	$1,250,798	-$30,929	-2.5%
All Funds	$232,045	$242,583	-$10,538	-4.3%	$1,546,911	$1,577,922	-$31,011	-2.0%
Job and Family Services								
GRF	$6,716	$256	$6,459	2521.5%	$45,496	$62,702	-$17,205	-27.4%
Non-GRF	$13,325	$36,067	-$22,742	-63.1%	$90,911	$86,035	$4,877	5.7%
All Funds	$20,040	$36,323	-$16,282	-44.8%	$136,408	$148,736	-$12,328	-8.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$734	$867	-$132	-15.3%	$6,098	$6,258	-$160	-2.6%
Non-GRF	$2,224	$5,547	-$3,323	-59.9%	$18,465	$25,231	-$6,766	-26.8%
All Funds	$2,959	$6,413	-$3,455	-53.9%	$24,563	$31,489	-$6,926	-22.0%
All Departments:								
GRF	**$1,242,883**	**$1,229,393**	**$13,490**	**1.1%**	**$7,954,035**	**$8,252,813**	**-$298,778**	**-3.6%**
Non-GRF	**$1,796,390**	**$2,241,784**	**-$445,394**	**-19.9%**	**$8,860,548**	**$9,508,293**	**-$647,745**	**-6.8%**
All Funds	**$3,039,273**	**$3,471,177**	**-$431,904**	**-12.4%**	**$16,814,584**	**$17,761,106**	**-$946,522**	**-5.3%**

*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 January 5, 2022)

	Month of December 2021				Year to Date through December 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,320,029**	**$2,664,044**	**-$344,015**	**-12.9%**	**$11,557,807**	**$12,110,085**	**-$552,278**	**-4.6%**
CFC†	$655,653	$722,269	-$66,616	-9.2%	$4,059,376	$4,241,369	-$181,993	-4.3%
Group VIII	$577,117	$657,993	-$80,876	-12.3%	$3,526,745	$3,701,038	-$174,294	-4.7%
ABD†	$240,256	$304,863	-$64,607	-21.2%	$1,517,417	$1,592,097	-$74,680	-4.7%
ABD Kids	$81,182	$83,125	-$1,943	-2.3%	$508,153	$499,008	$9,145	1.8%
My Care	$240,239	$244,191	-$3,952	-1.6%	$1,420,535	$1,424,971	-$4,436	-0.3%
P4P & Ins Fee†	$525,582	$651,603	-$126,020	-19.3%	$525,582	$651,603	-$126,020	-19.3%
Fee-For-Service	**$544,343**	**$599,347**	**-$55,004**	**-9.2%**	**$4,168,219**	**$4,493,120**	**-$324,901**	**-7.2%**
ODM Services	$318,554	$361,918	-$43,364	-12.0%	$2,061,276	$2,242,846	-$181,570	-8.1%
DDD Services	$225,818	$237,428	-$11,610	-4.9%	$1,494,027	$1,523,001	-$28,974	-1.9%
Hospital - HCAP&Other†	-$30	$0	-$30	-	$612,916	$727,273	-$114,357	-15.7%
Premium Assistance	**$110,515**	**$107,953**	**$2,562**	**2.4%**	**$617,379**	**$633,425**	**-$16,046**	**-2.5%**
Medicare Buy-In	$73,949	$71,426	$2,523	3.5%	$398,218	$415,016	-$16,798	-4.0%
Medicare Part D	$36,566	$36,527	$39	0.1%	$219,161	$218,409	$752	0.3%
Administration	**$64,386**	**$99,833**	**-$35,447**	**-35.5%**	**$471,178**	**$524,476**	**-$53,298**	**-10.2%**
Total	**$3,039,273**	**$3,471,177**	**-$431,904**	**-12.4%**	**$16,814,584**	**$17,761,106**	**-$946,522**	**-5.3%**

*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[14]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

GRF program expenditures totaled $18.23 billion for the first half of FY 2022. These expenditures were $353.8 million (1.9%) below OBM's estimate. This negative variance fell by $459.6 million in the month of December. All but two program categories had positive December variances, but Primary and Secondary Education had, by far, the largest at $342.0 million (37.7%). This variance was largely due to timing and should be offset by a negative variance in January. Primary and Secondary Education was above its YTD estimate at the end of December by $277.9 million (6.1%). Justice and Public Protection also had a significant positive variance for the month of December at $73.1 million (40.6%). This variance partially offset timing-related negative variances from previous months. Justice and Public Protection remained under estimate for the YTD by $118.0 million (8.0%). After relatively small positive variances for the month of December, Medicaid and Health and Human Services had the largest negative YTD GRF variances at $298.8 million (3.6%) and $132.1 million (14.6%), respectively.

In addition to program expenditures, total uses include transfers out. Transfers out totaled $2.97 billion YTD and had a positive YTD variance of $25.6 million (0.9%) at the end of December. Combining program expenditures and transfers out, total GRF uses for the first half of FY 2022 were $21.21 billion. These uses were $328.2 million (1.5%) below 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 December by $13.5 million (1.1%), but remained below their YTD estimate by $298.8 million (3.6%) at the end of December. Non-GRF Medicaid expenditures were below their monthly estimate, by $445.4 million (19.9%), and below their YTD estimate by $647.7 million (6.8%) at the end of December. Including both the GRF and non-GRF, all funds Medicaid expenditures were $431.9 million (12.4%) below estimate in December and $946.5 million (5.3%) below their YTD estimate at the end of December.

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

[14] 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.

majority of the variances in Medicaid expenditures. ODM had an all funds negative variance in December of $401.6 million (12.6%), which brought ODM's YTD negative variance to $896.3 million (5.6%) at the end of December. ODODD had a December all funds negative variance of $10.5 million (4.3%) and ended the month with YTD expenditures $31.0 million (2.0%) 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 December. Managed Care had the largest negative variance of $552.3 million (4.6%). According to ODM, this variance is partially due to payment timing for Managed Care services, as there was a delay in the deployment of new Managed Care rates. These payments will, however, be adjusted retroactively, and this will be reflected in expenditures in coming months. A portion of Managed Care's negative variance, both for the month of December and YTD, was caused by a $126.0 million negative variance in Pay for Performance and Health Insurance Provider Fee (P4P & Ins Fee). The $126.0 million net negative variance among these two categories included a $170.6 million negative variance in the Health Insurance Provider Fee, as well as a $44.6 million positive variance in Pay for Performance. The Health Insurance Provider Fee – a source of funding for the Marketplaces under the Affordable Care Act – is a tax by the federal government on certain entities that provide health insurance. This program was repealed by the federal Consolidated Appropriations Act, 2020. Pay for Performance is a program under which ODM calculates a performance payment for each participating Managed Care Plan, which is based on various performance measures analyzed by ODM.

Managed Care's largest negative variance was followed by Fee For Service's (FFS) negative variance of $324.9 million (7.2%) 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. Administration and Premium Assistance rounded out the negative YTD variances among all payment categories with negative variances of $53.3 million (10.2%) and $16.0 million (2.5%), respectively.

From the beginning of the COVID-19 pandemic in March 2020 through the end of 2021, caseloads have increased by approximately 24,700 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 four months of FY 2022. November ended with a small positive variance in caseloads of 2,400 cases (0.1%) above estimate, and December had a positive caseload variance of 4,900.

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.

Despite a small positive variance in December, this category has the second largest negative YTD variance at the end of December, at $132.1 million (14.6%). This negative variance comes primarily from ODJFS, which had a negative YTD variance of $89.4 million at the end of December.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $9.5 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $36.8 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $1.5 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $24.7 million. This ALI is used primarily to support county public children services agencies.
- A positive monthly variance of $7.7 million in ALI 600410, TANF State Maintenance of Effort, which decreased the negative YTD variance for this ALI to $9.0 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.
- A positive monthly variance of $8.6 million in ALI 600535, Early Care and Education, which decreased the negative YTD variance for this ALI to $4.2 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 December, this category was over estimate by $342.0 million (37.7%), which resulted in a positive YTD variance of $277.9 million (6.1%). December's positive variance was caused primarily by positive variances of $264.2 million in ALI 200502, Pupil Transportation, and $77.7 million in ALI 200550, Foundation Funding – All Students.

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. Payments are made twice a month for traditional districts and once a month for other schools. ODE started paying based on a new formula adopted in H.B. 110 in January. The first payment for traditional districts for January posted as an expenditure in December, resulting in this positive variance. In addition, the positive variance in ALI 200502 is offsetting negative variances in previous months.

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 December, this category was under estimate by $118.0 million (8.0%), a negative variance that fell in December by $73.1 million. The positive December variance was driven by positive variances of $47.9 million for the Department of Public Safety (DPS) and $14.8 million for the Ohio Public Defender Commission (PUB).

The monthly variance for DPS is primarily from a positive 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, but these expenditures were delayed until December.

PUB's positive monthly variance was primarily due to a positive variance of $14.7 million in ALI 019501, County Reimbursement, which offset negative variances in this ALI in previous months. 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.

Issue Updates

Department of Development Unveils Grant Programs to Support Brownfield Remediation and Site Revitalization

– Tom Wert, Senior Budget Analyst

On December 7, 2021, the Department of Development announced the guidelines and application processes for two grant programs aimed at restoring distressed real estate that were established in H.B. 110. Under the Brownfield Remediation Program, local governments, land reutilization corporations, and other entities are eligible for grants of up to $10.0 million to cover brownfield assessment and cleanup costs. Allowable activities include brownfield site acquisition, demolition, and infrastructure improvements that restore the property to productive use. H.B. 110 provides a total of $350.0 million over the biennium to support the program. Of this amount, $1.0 million is reserved during FY 2022 for projects in each of Ohio's 88 counties. Any amounts remaining from the county set-aside portion at the end of FY 2022, will be available in FY 2023 to projects in any county on a first-come, first-served basis. Grant recipients, other than recipients of funding from the county set-aside portion, must provide 25% matching funds.

Grants under the Building Demolition and Site Revitalization Program will be awarded to designated lead entities in counties to cover costs to acquire real estate, abate hazardous materials, demolish buildings, and other similar activities required to redevelop commercial and residential buildings and surrounding properties that are not brownfields. The designated lead entity may be a land reutilization corporation or other entity designated by a board of county commissioners. H.B. 110 provides a total of $150.0 million for this program. Of that amount, $44.0 million ($500,000 per county) is set aside for projects in each county. The remaining $106.0 million of grant funding will be available to designated lead entities on a first-come, first-served basis. Grant recipients must provide a 25% match for any project costs in excess of the county set-aside amount.

Funding to support these grants is provided through the Brownfield Remediation Fund (Fund 5YE0) and the Building Demolition and Site Revitalization Fund (Fund 5YF0). To capitalize the programs, H.B. 110 required cash transfers from the GRF of $350.0 million to Fund 5YE0 and $150.0 million to Fund 5YF0.

Department of Development Launches $10.0 Million Grant Program to Help Meat Processors Expand Capacity

– Shannon Pleiman, Senior Budget Analyst

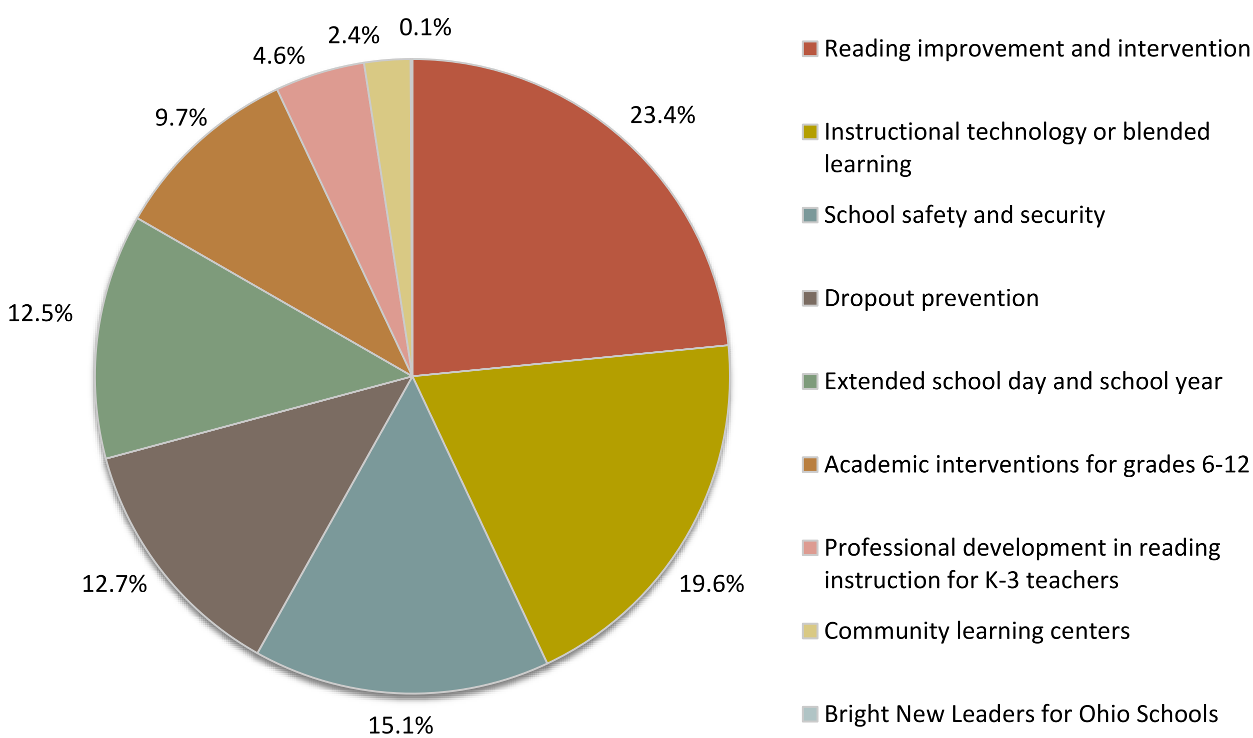
On December 2, 2021, the Department of Development, in collaboration with the Department of Agriculture, launched a $10.0 million grant program aimed at expanding the production capacity of the meat processing industry in Ohio. The program was created under H.B. 110. Eligible meat processors may apply for grants of up to $250,000 to improve processing efficiencies, expand or construct processing facilities, support food safety certification, or assist in obtaining cooperative interstate shipment status. Specifically, grants will be used to reimburse meat processing facilities for the following eligible costs: (1) new or upgraded machinery or technology products, (2) personnel training, (3) facility construction or expansion for confinement, processing, or refrigeration, (4) food safety certification, and (5) cooperative interstate shipment program costs. In order to be eligible for the grant, the meat processing facility has to be a for-profit entity that is operational as of July 1, 2021. Grants will be awarded on a first-come, first-served basis. Funding for this grant is supported by a transfer of $10.0 million from the GRF to the Meat Processing Investment Program Fund (Fund 5XX0).

ODE Reports School Use of Economically Disadvantaged Funds in FY 2020 and FY 2021

– Sarah Darnell, Budget Analyst

In December 2021, ODE issued its biennial report on the use of economically disadvantaged funds allocated to public schools through the state foundation formula. The report describes the initiatives on which school districts, community schools, and STEM schools reported spending the funds, which provide over $400 million each year in support of additional resources and opportunities for economically disadvantaged students. The chart below shows the relative popularity of each of the nine initiatives for which the funds are permitted to be used. The percentages in the chart represent the prevalence with which the initiatives were identified by districts and schools in reports to ODE. Percentages are for the FY 2020-FY 2021 biennium; usage generally remained stable from year to year.

Percentage Share of Economically Disadvantaged Funds Initiatives Used FY 2020-FY 2021



Reading improvement and intervention was the most commonly used initiative, at 23.4% of all initiatives reported. Schools used their funds to develop reading initiatives, hire additional intervention specialists, purchase materials, and provide professional development for reading teachers.

The next most common initiative, at 19.6% of initiatives reported, was instructional technology or blended learning, including costs associated with bringing technology into the classroom, as well as distance learning with or without the aid of an instructor or aide being present.

The third most popular initiative was school safety and security, at 15.1%. Schools reported using the funds for various measures to keep students, teachers, staff, and visitors safe, including security personnel, equipment or supplies, and costs for professional development. Costs for nursing or health services are also permitted if those services are provided to all students within a building.

Many schools combined initiatives to maximize opportunities for students. The most common combination of initiatives involved extended school day, reading improvement, professional development, school safety and security measures, and community learning centers. For example, a district might pay for security during extended hours and provide resources such as tutors during that time. Another combination might involve a summer reading program (under an extended school day and school year initiative), reading improvement and intervention services, and professional development in reading instruction for teachers in grades K-3.

Controlling Board Approves Funding for Cribs for Kids

– Jacquelyn Schroeder, Senior Budget Analyst

On December 13, 2021, the Controlling Board approved a $620,000 request from the Ohio Department of Health (ODH) to contract with Cribs for Kids, Inc. to provide safe sleep survival kits and educational materials to Ohio families. Through this contract, a total of 6,800 safe sleep survival kits will be provided, at no cost, to eligible families. In order to be eligible, a family must have an income below 185% of the federal poverty guidelines for 2021 ($40,626 for a family of three). In addition, the mother must be at least 32 weeks pregnant or have an infant less than one year old.[15] Each survival kit includes a portable crib, a fitted sheet, a sleep sack, a Sleep Baby Safe and Snug board book, and educational materials. The Cribs for Kids survival kits encourage parents to follow safe sleep recommendations, otherwise known as the "ABCs of Safe Sleep" – Alone, on their Backs, and in a Crib. Sleep-related deaths are among the most preventable causes of infant mortality. In Ohio, about 140 infants die each year due to unsafe sleep environments. The goal of the Cribs for Kids Program is to reduce this number by targeting those infants most at-risk.

ODH began offering survival kits in 2015 as a result of the enactment of S.B. 276 of the 130th General Assembly. S.B. 276 established an infant safe sleep screening procedure for hospitals and birthing centers to use to determine if an infant has a safe crib in which to sleep

[15] Details regarding eligibility are available on several Cribs for Kids local partners' websites.

at the infant's residence. If the hospital or birthing center determines that a safe crib is not available, the facility must make a good faith effort to arrange for the acquisition of one at no cost to the family. To meet this requirement a facility may: obtain a safe crib for the family using its own resources, obtain assistance from government entities or others to procure a safe crib or to provide funds to purchase one, or refer the parent or caregiver to a government or other entity, including the Cribs for Kids Program, to obtain a safe crib free of charge.

Cribs for Kids, Inc. is a nonprofit organization that provides safe sleep services throughout the nation. The organization partners with a variety of entities, including local health departments, health care providers, and community programs, in each state to deliver these services.

Governor's Ohio Human Trafficking Task Force Releases 2021 Biennial Report

– Maggie West, Senior Budget Analyst

On November 30, 2021, the Governor's Ohio Human Trafficking Task Force announced the release of its 2021 biannual report. The report summarizes the 2019-2020 accomplishments of the task force's nine member agencies[16] as they relate to the development of comprehensive policies to prevent trafficking, serving survivors, and prosecuting offenders. In addition to providing an update on its progress towards enhancing the state's anti-trafficking policies, the report specifically details efforts and accomplishments in the following areas:

- Preventing and responding to exploitation of children;
- Human trafficking awareness and transportation;
- Reaching survivors in state-run facilities;
- Improving outcomes for child victims of trafficking;
- Promoting Restorative Justice models;
- Understanding human trafficking prevalence in Ohio;
- Medicaid eligibility for foreign national victims;
- Supporting regional anti-trafficking response efforts; and
- Providing training and technical assistance.

The task force was first created in 2012 by Governor Kasich's Executive Order 2012-06K, in which he charged specific state agencies with coordinating statewide efforts to combat human trafficking, including identifying and rescuing victims, creating a coordinated law enforcement system to investigate and prosecute related crimes, and to provide services and treatment to victims. Executive Order 2021-02D issued by Governor DeWine in January 2021 continues the operation of the task force and largely formalizes several structural changes that had occurred over time. Most notably, the new order expands the task force's membership to

[16] Departments of Agriculture, Education, Health, Job and Family Services, Medicaid, Mental Health and Addiction Services, Public Safety, Youth Services, and the Ohio State Cosmetology and Barber Board.

include five additional state agencies,[17] bringing the total to 14, and charges the State Anti-Trafficking Coordinator, housed within the Ohio Department of Public Safety's Office of Criminal Justice Services, with leading the task force. Over the years, the task force has leveraged various federal grants including $1.2 million in 2017 from the U.S. Department of Justice's Improving Outcomes for Child and Youth Victims of Human Trafficking grant program.

For 2021 through 2022, the expanded task force will focus on three main priority areas as modelled after the U.S. Department of State's "3P" framework: Prevention, Protection, and Prosecution.

OFCC Completed Facility Plans for Nine School Districts in FY 2021

– Jason Glover, Budget Analyst

During FY 2021, the Ohio Facilities Construction Commission (OFCC) completed projects that fully addressed the facilities needs of nine school districts. As shown in the following table, the total master facility plan costs of these projects, as assessed by OFCC, was $483.7 million. Of that total, the state share was $192.8 million (40%) and the local share was $290.8 million (60%).

FY 2021 Completed School Facility Plans

District	County	Total Plan Costs	State Share	State Share %
Brunswick City School District	Medina	$50,322,457	$18,619,309	37%
Canal Winchester Local School District	Franklin	$60,657,440	$18,803,807	31%
Carlisle Local School District	Warren	$42,178,974	$28,681,702	68%
Fostoria City School District	Seneca	$46,715,413	$41,576,718	89%
Licking Heights Local School District	Licking	$30,588,978	$6,729,575	22%
New Bremen Local School District	Auglaize	$13,690,406	$6,297,587	46%
North Olmsted City School District	Cuyahoga	$74,896,067	$8,987,528	12%
Tallmadge City School District	Summit	$64,870,995	$14,271,619	22%
Winton Woods City School District	Hamilton	$99,746,853	$48,875,958	49%
	Total	**$483,667,583**	**$192,843,802**	**40%**

Source: Ohio Facilities Construction Commission

[17] Departments of Commerce, Developmental Disabilities, Rehabilitation and Correction, Transportation, and the State Medical Board of Ohio.

Overall, OFCC disbursed $273.4 million for school facilities assistance projects in FY 2021, over 92% ($252.5 million) of which was spent on the Classroom Facilities Assistance Program (CFAP) projects. The remainder, $20.9 million, primarily supported OFCC's Exceptional Needs Program ($12.3 million), which addresses the facilities needs of a specific building rather than the entire facilities needs of a district, as well as the Vocational Facilities Assistance Program (VFAP) for joint vocational school districts (JVSDs, $7.4 million), facilities assistance for independent STEM schools ($0.9 million), and high performing community schools ($0.3 million). S.B. 4 and S.B. 310, both of the 133rd General Assembly, appropriate a total of $600 million for classroom facilities assistance projects for the FY 2021-FY 2022 capital biennium, supported through the sale of bonds.

Through the end of FY 2021, OFCC reports they have completed projects that fully addressed the facilities needs in 49% of districts statewide, including 307 school districts and 15 JVSDs. Another 14% of districts, including 94 school districts and one JVSD, have buildings in the design or construction phase or had some work performed through another OFCC program and 16% of districts, including 93 school districts and 11 JVSDs, have been offered funding but have deferred the offer, allowed it to lapse because they were unable to raise the required local share, or are in the process of seeking the required local share. The remaining 21% of districts, including 115 school districts and 22 JVSDs, have not yet been offered CFAP or VFAP funding.

OhioMHAS Awards $4.5 Million for Behavioral Health Center of Excellence

– Ryan Sherrock, Economist

On November 18, 2021, OhioMHAS awarded $4.5 million to the Voinovich School of Leadership and Public Service to coordinate a new center of excellence (COE) focusing on behavioral health. The COE will function as a centralized and consistent behavioral health resource that is readily available to all Ohio organizations and individuals, including community providers and state and local entities. COE efforts will focus on mental health promotion (i.e., reinforcing elements that contribute to individual health and resilience and strengthening community mental health assets) and early intervention to prevent substance abuse or dependency. These efforts will be done with an emphasis on cultural competency and accessibility. In its role as coordinator, the Voinovich School will establish an advisory team that includes relevant stakeholders, develop best practices to improve behavioral health outcomes, provide ongoing training and technical assistance to community programs and practitioners, and disseminate any developed resources and materials. Initial partners will include county alcohol, drug addiction and mental health services boards; faith-based organizations; prevention agencies; schools; and community service organizations. Besides providing technical assistance, the Voinovich School will also provide some monetary support in the form of grants to local programs and providers to support key COE priorities. Specifically, the Voinovich School will use about $3.0 million to establish a hub for prevention science and to award these grants. Priorities include helping communities identify local prevention needs and solutions; enhancing multi-sector efforts to support Ohio's children, adults, and families; advancing the use of prevention science for mental, emotional, and behavioral health prevention and promotion; and growing and supporting Ohio's prevention workforce. The funds to support the COE come from federal COVID-19 relief block grant funds.

Federal Funds Appropriated for Great Lakes Water Quality Projects

–Jamie Doskocil, Fiscal Supervisor

On November 22, 2021, the Controlling Board approved a request from the Lake Erie Commission (LEC) to increase their FY 2022 total appropriation by $205,000 to distribute two federal grants for Great Lakes nutrient reduction and stream restoration projects. For that purpose, appropriation item 780603, LEC Federal Grants, increased from $50,000 to $255,000 for FY 2022.

In FY 2019, LEC received a $2.5 million grant from the U.S. Environmental Protection Agency (USEPA) for partial implementation of Ohio's Domestic Action Plan to reach the 40% nutrient reduction target in the Great Lakes Water Quality Agreement. Because of delays caused by the COVID-19 pandemic and certain workload increases related to the H2Ohio program, approximately $130,000 of that grant was not obligated in FY 2021 and was carried over to FY 2022 in this request.

The remainder of the appropriation increase is attributable to a new $75,000 federal grant from USEPA that will be sub-granted in full to the West Creek Conservancy, a nonprofit land conservancy serving the Greater Cleveland area. The grant will fund data collection and development of a concept plan for the Brandywine Creek project area within the Cuyahoga River "Area of Concern" to assist in addressing the beneficial use impairments including degradation of fish populations, benthos, and loss of fish habitat.

In the 1980s, the United States and Canada identified 43 highly degraded shoreline areas along the Great Lakes, four of which were in Ohio. These areas were deemed Areas of Concern or AOCs. Over time, several AOCs have been delisted, meaning that they have met certain restoration targets. The Ashtabula River AOC was delisted in August 2021 after nearly $70 million in cleanup and restoration investments. This is Ohio's first delisted AOC and the nation's sixth. Ohio currently has three remaining active AOCs: Maumee AOC, Cuyahoga River AOC, and Black River AOC. The Brandywine Creek is a tributary of the Cuyahoga River.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

– Philip A. Cummins, Senior Economist

Overview

The national economy continues to expand, though nonfarm payroll employment growth slowed in December. Nationwide unemployment fell in December to its lowest level since February 2020. Industrial production continued to increase through November. Inflation-adjusted gross domestic product (real GDP) nationwide rose at a 2.3% annual rate in the third quarter. Inflation by various measures rose to the most rapid rates in decades. Monetary policy remains very expansionary, but the Federal Reserve, the nation's central bank, is reducing the amount of this support.

Ohio's nonfarm payroll employment rose 12,200 in November. The state's unemployment rate for the month was 4.8%, lowest since April 2021. Ohio's GDP grew at an annualized rate of 0.9% in the third quarter of 2021, after growing more rapidly in the previous four quarters. The state's personal income grew at a 1.0% annual rate in the third quarter of 2021, following a decrease in the second quarter. Ohio unit sales of homes increased by 5.5% in November compared to the same month a year earlier. Ohio's population decreased by an estimated 10,570 (0.09%) people between July 2020 and July 2021.

The National Economy

With the economy strengthening and inflation elevated, the nation's central bankers decided in December that monetary policy needs to be less accommodative.[18] The Federal Reserve has been buying Treasury and U.S. government agency mortgage-backed securities to inject liquidity into these markets. Beginning in November, the central bank reduced the amounts of securities purchased under this program, from a monthly total of $120 billion to $105 billion. At this rate of reduction each month, the program would have phased out next June. In December, the central bankers decided that more rapid reduction in support for these markets is appropriate, at a rate that will eliminate this program in March if continued. The Federal Reserve's short-term interest rate target range was kept unchanged at zero to 0.25%, its level since March 2020, but the central bankers expected to raise this target in 2022 by 0.25 to 1.00 percentage point.

In December, total nonfarm payroll employment nationwide rose 199,000. The average unemployment rate in the U.S. declined to 3.9%.[19] These changes are shown in charts 5 and 6.

The increase in total nonfarm payroll jobs in December was the smallest monthly change in 2021. Employment gains in the previous two months were revised upward by a total

[18] Accommodative monetary policy uses low interest rates to stimulate economic growth by enough to reduce unemployment or keep it from rising.

[19] Both series are seasonally adjusted.

of 141,000, and the increase in all of 2021 was the largest annual gain in history at 6.4 million.[20] Total nonfarm payrolls in December remained 3.6 million (2.3%) below the all-time peak in February 2020. The U.S. Bureau of Labor Statistics reported employment gains in December in several major industry groups including leisure and hospitality; professional and business services; manufacturing; construction; and transportation and warehousing.

December's unemployed totaled 6.3 million persons, down from 10.8 million a year earlier and 23.0 million at the recession peak in April 2020. The unemployment rate in December was the lowest since February 2020, when the nationwide rate was 3.5%. The labor force participation rate, the share of the population considered to be of working age (16 and older) that either has a job or is actively seeking work, was at 61.9% in November and December 2021, highest since the 2020 recession but below the recent peak of 63.4% in January and February 2020. The lower participation rate last month equates to 3.9 million people who are not in the labor force, neither working nor looking for jobs.

Other measures show labor markets were tight in November. Job openings nationwide, at 10.6 million, remained near historic highs. The number of employees voluntarily quitting their jobs during the month, at 4.5 million, was the highest in records kept since 2000.

The nation's industrial production rose 0.5% in November after a 1.7% increase in October. Gains were widespread among industries, as production recovered from declines in September and October attributed in part to the impact of Hurricane Ida. The index for manufacturing output rose 0.7% in November to the highest level since January 2019. Factory production remained 7% below the all-time peak for the index in 2007. Motor vehicle assemblies rebounded in October and November from a reduced third quarter assembly rate. The industrial production index for defense and space equipment has climbed 22% since the end of 2019, to the highest level of the post-World War II era.

Real GDP growth in the 2021 third quarter, at a 2.3% annual rate, was the slowest since the 2020 recession. An upsurge in COVID-19 cases and product shortages resulting from supply-chain backups appear to have been factors in the slowdown. Production by private goods-producing industries fell at a 5.5% rate in the third quarter; growth of private service-providing industry output slowed to a 3.9% rate. The pace of growth may have strengthened in last year's fourth quarter, based on available indicators. Real consumer spending through November was up, compared with the third quarter, at about a 6% annual rate. However, light motor vehicle unit sales fell in December and in last year's fourth quarter. The dollar value of investment spending for new capital equipment and construction increased but may have trailed inflation in those sectors. Oil drilling activity, counted in GDP as part of business investment, is growing strongly.[21] The Federal Reserve Bank of Atlanta's GDPNow projection, based on various monthly economic releases, is for a 6.7% annual rate of real GDP growth in the 2021 fourth quarter.

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[20] In percentage terms, nonfarm payroll job gains were larger in several years including the early 1940s, when the U.S. was mobilizing for World War II and America's labor market was far smaller than it is now.

[21] Activity indicated by active drilling rigs: rigcount.bakerhughes.com/na-rig-count.

The consumer price index (CPI) for all items rose 0.8% in November to 6.8% higher than a year earlier, the largest 12-month increase since 1982. Most components increased in the latest two months. Price increases for gasoline, shelter, food, and new and used motor vehicles accounted for about three-fourths of November's monthly change. Excluding food and energy, the CPI rose 0.5% in November to 4.9% higher than a year ago, the largest 12-month increase since 1991.

A related inflation measure closely watched by the Federal Reserve, the personal consumption expenditures price index, was 5.7% higher in November than a year earlier. Excluding food and energy prices, the index rose 4.7% in the 12 months to last November.

The Ohio Economy

Ohio's unemployment rate was 4.8% in November, down from 5.1% in October and lowest since April 2021. The state's unemployment rate in November 2020 was 5.6%. Ohio's unemployment rate in November was 0.6 percentage point above the U.S. unemployment rate of 4.2%. The U.S. unemployment rate was 4.6% in October and 6.7% in November 2020. The number of unemployed workers in the state totaled 275,000 in November, 14,000 fewer than in October, and 45,000 fewer than in November of last year.

Ohio's nonfarm payroll employment, seasonally adjusted, added 12,200 jobs in November from October's revised total to 5,391,100. Job gains were reported in the private service-providing sector (+8,100), goods-producing industries (+3,200), and government (+900). Job gains were largely in leisure and hospitality; construction; professional and business services; trade, transportation, and utilities; and federal government. Losses occurred in educational and health services, financial activities, mining and logging, and state government.

During the past 12 months, nonfarm payroll employment was up by 98,800. The increase in employment occurred in the private service-providing sector (+77,400), mostly in leisure and hospitality; trade, transportation, and utilities; professional and business services; and information. Job gains in goods-producing industries (+12,800) were largely led by increases in construction and nondurable goods manufacturing with decreases in durable goods manufacturing and mining and logging. Government employment was up by 8,600, largely due to job gains in state and local governments.

Ohio's employment and unemployment are shown in the accompanying charts. Payroll employment, shown in Chart 5, grew about half as much in Ohio in 2021 through November (+2.1%) as in the nation (+4.4%). The statewide unemployment rate in Ohio was lower than that of the nation at the start of last year but more recently has been higher, as shown in Chart 6.

Among the 12 metropolitan areas in Ohio, the Cincinnati metropolitan area had the strongest nonfarm payroll employment growth during the year ending in November at 3.6%, while the Mansfield metropolitan area had the weakest with a 1.0% decline. In November, unemployment rates among Ohio's 12 metropolitan areas ranged between 3.0% and 4.4%. Both the Columbus and Cincinnati metropolitan areas had the lowest unemployment rates in November, each at 3.0%. In comparison, in November of 2020 unemployment rates in the Columbus and Cincinnati metropolitan areas were 4.2% and 4.4%, respectively. The Youngstown-Warren-Boardman metropolitan area had the highest unemployment rate in the state in November at 4.4%, a decline from 6.0% in November a year earlier. Nonfarm payroll employment and unemployment data for metropolitan areas are not seasonally adjusted.

The state's real GDP grew at an annualized rate of 0.9% in the third quarter of 2021, Ohio's weakest growth since the 2020 recession. Ohio's GDP growth in the third quarter was lower than U.S. real GDP growth in the quarter at 2.3%. Ohio's growth was largely led by finance and insurance; professional, scientific, and technical services; and government and government enterprises. Goods production shrank. Ohio's third quarter growth ranked 31st among the 50 states. Among the neighboring states, Ohio's GDP growth was slower than that for Pennsylvania (2.2%) and Kentucky (1.1%), but greater than in Indiana (0.2%), Michigan (-0.3%), and West Virginia (-0.6%).

Ohio personal income grew at a 1.0% annual rate in the in the third quarter of 2021 following a decrease at a 27.7% annual rate in the second quarter. Ohio's personal income growth in the third quarter was driven by increases in earnings and in property income (dividends, interest, and rent), largely offset by lower transfer receipts (from unemployment compensation, pandemic-related economic impact payments, and other programs). Ohio's growth ranked 39th in the nation (from highest growth to lowest). Nationwide, the average state personal income grew at a 2.6% annual rate in the third quarter of 2021, up from a 20.2% rate of decline in the second quarter.

The number of existing homes sold in Ohio increased by 5.5% in November compared to November 2020, according to the Ohio Realtors trade group. The average statewide sales price of homes sold in November was $240,211, an increase of 10.1% compared to the same month in 2020. From January through November, the number of existing homes sold rose by 5.3% compared to the corresponding months in 2020.The average sales prices of homes sold in Ohio during the first 11 months in 2021 was $239,744, or an increase of 12.8% compared to the corresponding period in 2020.

Ohio's population decreased by 10,570 (0.09%) people between July 1, 2020, and July 1, 2021, according to U.S. Census Bureau estimates, to slightly below 11.8 million. The number of deaths in the state exceeded the number of births during the period by 15,811. Estimated net migration (i.e., the number of people moving to the state minus the number of people moving from Ohio to other places) was 3,956, as net migration to the state from other countries exceeded net migration out of Ohio to other states. During the same period, the U.S. total population increased by 392,665 (0.1%) people, to about 331.9 million. U.S. population growth in the latest year was the slowest since the founding of the nation according to historical decennial censuses since 1790 and annual estimates from the Census Bureau begun in 1900. During the 20th century, the slowest U.S. population growth occurred from 1918 to1919, at the end of World War I and during the influenza pandemic. In 2021, Ohio's population remained 7th largest among the 50 states and the District of Columbia, representing about 3.5% of the U.S. population. Between July 1, 2020, and July 1, 2021, Ohio had 10.9 births and 12.3 deaths per 1,000 residents while the U.S. had 10.8 births and 10.4 deaths per 1,000 residents.

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

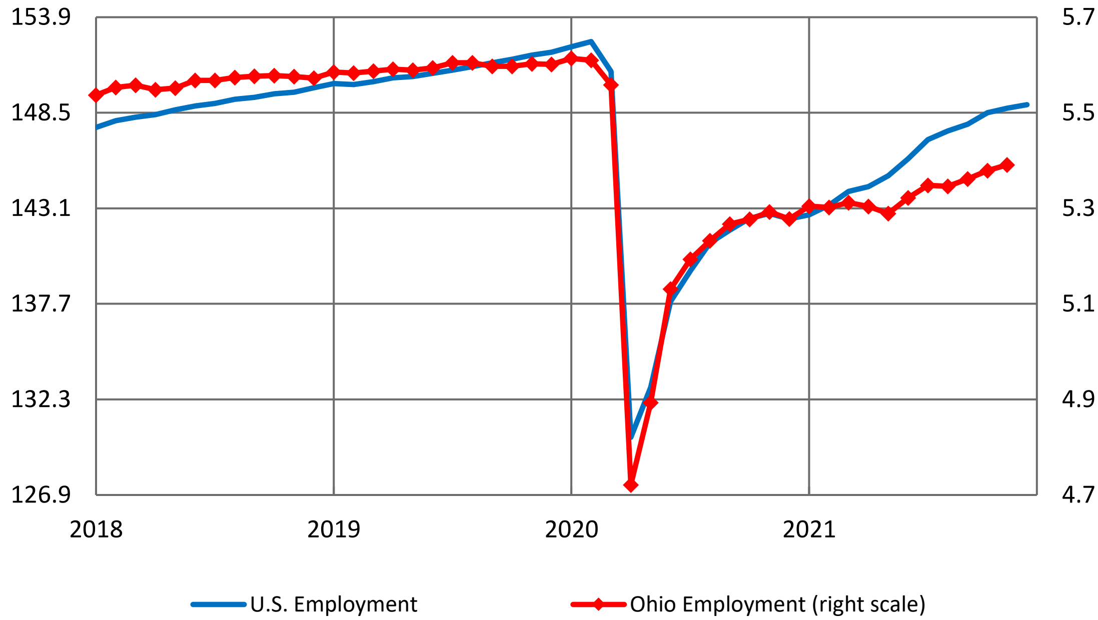

Chart 6: U.S. and Ohio Unemployment Rates % of Labor Force