LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2022 **Issue: July 2022**

Highlights

– Jean J. Botomogno, Principal Economist

June GRF tax revenue was $179.7 million above the estimate published by the Office of Budget and Management (OBM) in 2021, due to strong performances by the sales and use tax and the personal income tax (PIT). The favorable June experience capped a strong year overall for revenue, with FY 2022 GRF sources ending the year $4.06 billion (11.1%) above estimate. Revenue from the PIT was exceptionally strong and ended the year $1.85 billion above estimate. Receipts from the sales tax and the commercial activity tax (CAT) were also robust, though combined revenue from the remaining GRF taxes was below their combined estimates by $25.4 million. Overall, total tax revenue ended the fiscal year $2.74 billion above estimate and $1.69 billion above FY 2021 tax receipts. Additionally, federal grants were above estimate by $1.28 billion.

On the spending side of the budget, total GRF uses ended the year $679.1 million above estimate. The overall favorable fiscal situation meant there was no need for planned transfers into the GRF in June, and the Budget Stabilization Fund (BSF) was not used during the year.

Simplified GRF Cash Statement, as of June 30, 2022
($ in millions)

Beginning Cash Balance	**$4,721.52**
Plus Actual Revenues, Transfers In, and Receivables	$40,660.14
Less Actual Expenditures and Transfers Out	$38,834.62
Ending Cash Balance	**$6,547.04**
Year-end Encumbrances	$883.54
Unobligated Ending Cash Balance	**$5,663.50**
BSF Balance	**$2,706.16**
Combined GRF and BSF Unobligated Ending Balance	**$8,369.66**

Ohio's unemployment rate dropped to 3.9% in May 2022, down from 5.4% a year ago, while nonfarm payroll employment increased by 4,800 in May, to 121,400 (2.3%) higher than a year earlier.

Through June 2022, GRF sources totaled $40.66 billion:

- PIT receipts were $1.85 billion above estimate;
- Sales and use tax revenue was $714.8 million above estimate;
- CAT receipts were $196.1 million above estimate.

Through June 2022, GRF uses totaled $38.83 billion:

- Program expenditures were $580.4 million above estimate, due to GRF Medicaid expenditures, which were $1.12 billion above estimate;
- Expenditures for the remaining categories were below their respective estimates, including Justice and Public Protection ($139.8 million), Primary and Secondary Education ($122.7 million), and Health and Human Services ($125.4 million).

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Next Issue: September 2022
Have a great summer!

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of June 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 5, 2022)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$179,078	$157,500	$21,578	13.7%
Nonauto Sales and Use	$987,085	$884,100	$102,985	11.6%
Total Sales and Use	*$1,166,163*	*$1,041,600*	*$124,563*	*12.0%*
Personal Income	$1,032,901	$982,800	$50,101	5.1%
Commercial Activity Tax	$11,545	$14,900	-$3,355	-22.5%
Cigarette	$130,335	$138,500	-$8,165	-5.9%
Kilowatt-Hour Excise	$16,584	$16,400	$184	1.1%
Foreign Insurance	$12,311	-$7,500	$19,811	264.2%
Domestic Insurance	$299,083	$308,900	-$9,817	-3.2%
Financial Institution	$29,364	$26,400	$2,964	11.2%
Public Utility	$8,079	$3,400	$4,679	137.6%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$3,065	$5,700	-$2,635	-46.2%
Liquor Gallonage	$4,906	$5,000	-$94	-1.9%
Petroleum Activity Tax	$2,802	$1,400	$1,402	100.1%
Corporate Franchise	$19	$0	$19	---
Business and Property	$133	$100	$33	32.7%
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,717,290**	**$2,537,600**	**$179,690**	**7.1%**
Nontax Revenue				
Earnings on Investments	$18,158	$7,523	$10,635	141.4%
Licenses and Fees	$560	$741	-$182	-24.5%
Other Revenue	$913	$1,310	-$397	-30.3%
Total Nontax Revenue	**$19,631**	**$9,574**	**$10,057**	**105.0%**
Transfers In	**$0**	**$319,653**	**-$319,653**	**-100.0%**
Total State Sources	**$2,736,920**	**$2,866,827**	**-$129,907**	**-4.5%**
Federal Grants	**$1,055,364**	**$769,603**	**$285,762**	**37.1%**
Total GRF Sources	**$3,792,285**	**$3,636,430**	**$155,855**	**4.3%**

*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 June 30, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 5, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$1,948,990	$1,860,100	$88,890	4.8%	$1,856,618	5.0%
Nonauto Sales and Use	$11,080,574	$10,454,700	$625,874	6.0%	$10,334,014	7.2%
Total Sales and Use	*$13,029,564*	*$12,314,800*	*$714,764*	*5.8%*	*$12,190,632*	*6.9%*
Personal Income	$10,752,165	$8,899,200	$1,852,965	20.8%	$10,201,335	5.4%
Commercial Activity Tax	$1,995,538	$1,799,400	$196,138	10.9%	$1,666,759	19.7%
Cigarette	$884,587	$905,200	-$20,613	-2.3%	$926,884	-4.6%
Kilowatt-Hour Excise	$291,440	$303,900	-$12,460	-4.1%	$298,216	-2.3%
Foreign Insurance	$328,385	$321,700	$6,685	2.1%	$324,421	1.2%
Domestic Insurance	$312,610	$325,700	-$13,090	-4.0%	$309,716	0.9%
Financial Institution	$202,770	$215,000	-$12,230	-5.7%	$226,375	-10.4%
Public Utility	$156,311	$135,000	$21,311	15.8%	$124,664	25.4%
Natural Gas Consumption	$69,019	$68,000	$1,019	1.5%	$70,055	-1.5%
Alcoholic Beverage	$61,742	$61,000	$742	1.2%	$59,874	3.1%
Liquor Gallonage	$57,936	$57,000	$936	1.6%	$57,637	0.5%
Petroleum Activity Tax	$9,276	$8,000	$1,276	15.9%	$3,891	138.4%
Corporate Franchise	$721	$0	$721	---	$5,955	-87.9%
Business and Property	$404	$200	$204	101.9%	$413	-2.2%
Estate	$58	$0	$58	---	$62	-6.7%
Total Tax Revenue	**$28,152,524**	**$25,414,100**	**$2,738,424**	**10.8%**	**$26,466,889**	**6.4%**
Nontax Revenue						
Earnings on Investments	$52,792	$35,001	$17,791	50.8%	$56,995	-7.4%
Licenses and Fees	$99,240	$69,700	$29,540	42.4%	$88,423	12.2%
Other Revenue	$401,201	$114,424	$286,777	250.6%	$108,850	268.6%
Total Nontax Revenue	**$553,233**	**$219,126**	**$334,108**	**152.5%**	**$254,268**	**117.6%**
Transfers In	**$57,085**	**$350,016**	**-$292,931**	**-83.7%**	**$97,791**	**-41.6%**
Total State Sources	**$28,762,842**	**$25,983,241**	**$2,779,600**	**10.7%**	**$26,818,948**	**7.2%**
Federal Grants	**$11,897,309**	**$10,614,906**	**$1,282,402**	**12.1%**	**$12,727,184**	**-6.5%**
Total GRF SOURCES	**$40,660,150**	**$36,598,148**	**$4,062,003**	**11.1%**	**$39,546,132**	**2.8%**

*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

On June 30, 2022, Ohio closed the books on a fiscal year during which GRF tax revenue substantially outperformed estimates. The three largest tax sources yielded higher revenues in FY 2022, which is a remarkable outcome given that FY 2021 receipts were buoyed by several federal stimulus programs and, in the case of the PIT, modified tax filing deadlines that resulted in two years of annual payments submitted during FY 2021.

For FY 2022 as a whole, GRF sources of $40.66 billion were $4.06 billion (11.1%) above OBM estimates, with GRF tax sources above projections by $2.74 billion (10.8%). In addition, nontax revenue had a surplus of $334.1 million (152.5%) due to unique treatment of certain federal stimulus funds.[2] On the other hand, yearly transfers in posted a shortfall of $292.9 million (83.7%), as strong tax revenue canceled the need for two anticipated transfers to the GRF in June 2022. Separately, federal grants had a positive variance of $1.28 billion (12.1%). GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, transfers in, and federal grants, which are related to spending for Medicaid and other human services programs. Tables 1 and 2 show GRF sources for the month of June and for FY 2022 through June, respectively.

The strong performance of GRF tax sources in FY 2022 was largely due to robust positive variances of $1.85 billion for the PIT and $714.8 million for the sales and use tax. Among the other major tax sources, the CAT was above its estimate by $196.1 million while the cigarette tax was below its estimate by $20.6 million. Several smaller taxes surpassed their estimates, including the public utility tax ($21.3 million), the foreign insurance tax ($6.7 million), the petroleum activity tax (PAT, $1.3 million), the natural gas consumption tax ($1.0 million), the liquor gallonage tax ($0.9 million), the alcoholic beverage tax ($0.7 million), and the corporate franchise tax (CFT, $0.7 million).[3] Those positive variances were partly offset by deficits from the domestic insurance tax ($13.1 million), the kilowatt-hour tax ($12.5 million), and the financial institutions tax (FIT, $12.2 million). Chart 1, below, shows cumulative YTD variances of GRF sources through June in FY 2022.

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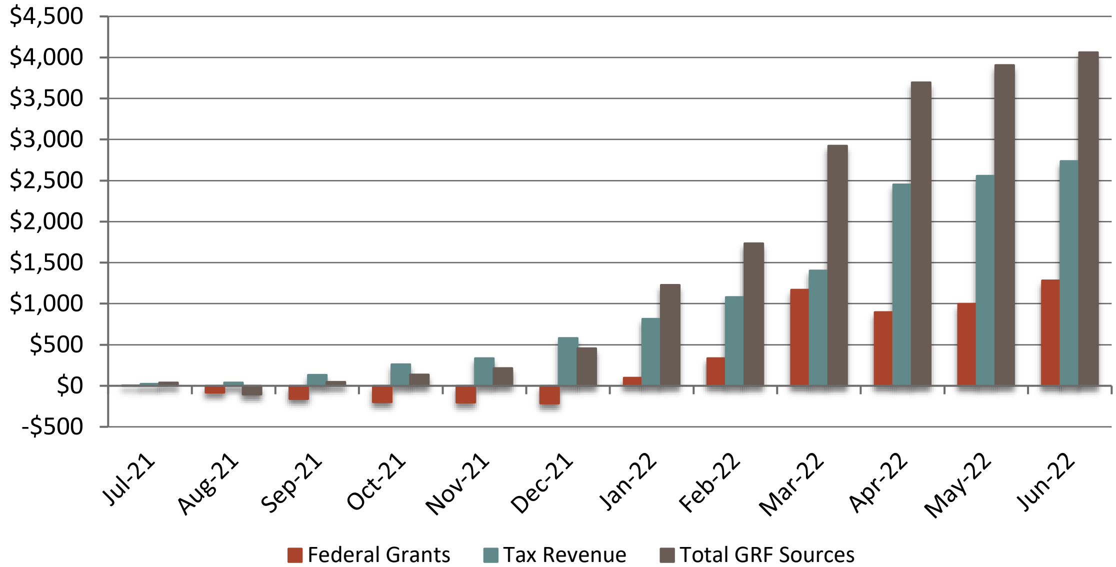
[1] This report compares actual monthly and year-to-date (YTD) GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than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

[2] More than half of the YTD, nontax revenue was from recoveries/ISTV, almost all of which was booked in January. The payments were from COVID-19 relief funds received from the federal government through the state Coronavirus Relief Fund (Fund 5CV1). ISTVs are intrastate transfer vouchers used for making payments. A smaller source of increased YTD nontax revenue was related to fees associated with surplus lines insurance.

[3] Though GRF receipts are no longer anticipated because H.B. 510 of the 129th General Assembly eliminated the CFT at the end of 2013, adjustments to tax filings in previous years continue to affect this tax source.

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



Except for the transfers in shortfall mentioned earlier, all other GRF categories were above expectations for the month of June 2022, including tax sources ($179.7 million), nontax revenue ($10.1 million), and federal grants ($285.8 million). The two largest tax sources, the sales and use tax and PIT, were above their respective estimates in June by $124.6 million and $50.1 million, respectively. All other taxes had a combined positive variance of $5.0 million. Among these remaining taxes, the foreign insurance tax had a notable positive variance of $19.9 million in June, while the domestic insurance and cigarette taxes posted negative monthly variances of $9.8 million and $8.2 million, respectively.

Growth of GRF sources relative to FY 2021 was concentrated in tax sources, which grew $1.69 billion (6.4%). Federal grants decreased $829.9 million (6.5%), largely attributed to a $1.17 billion decrease in the share of federal reimbursements for Medicaid, which rose in FY 2021 due to COVID-19-related federal legislation. Transfers in also decreased, by $40.7 million (41.6%), but nontax revenue increased by $299.0 million (117.6%) because federal legislation permitted OBM to reallocate unused COVID-19-related funding among other state agencies.

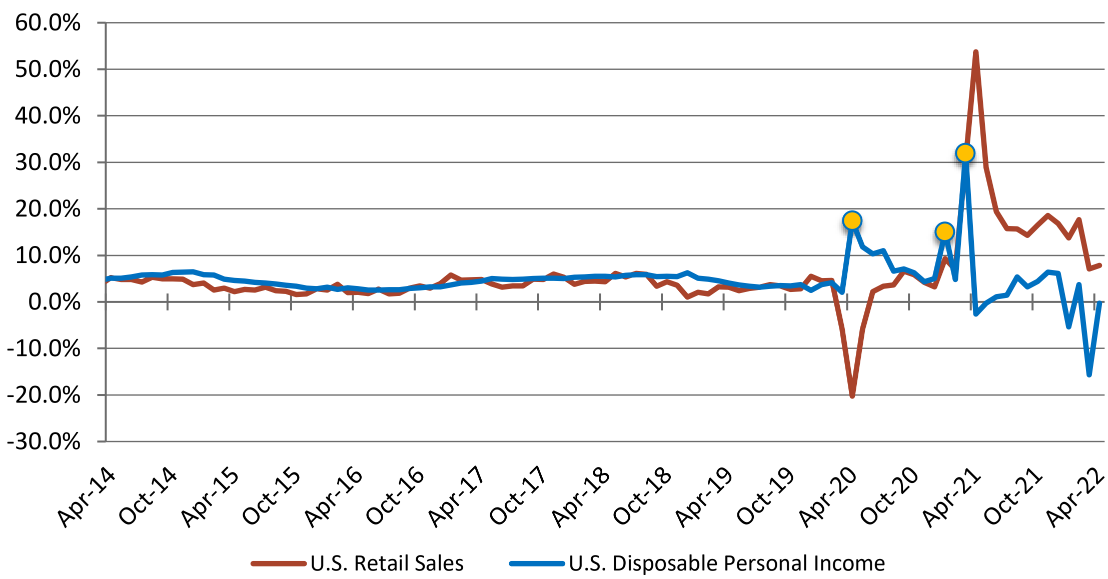
The growth in GRF tax sources was almost entirely due to revenue increases for the three largest tax sources, which has been a consistent pattern most of the fiscal year. The increase in PIT revenue was due to both higher wages and substantial remittances by taxpayers at the April 2022 filing deadline, as explained in more detail in the PIT section below. Sales and use tax revenue has been underpinned by several federal income support programs since the spring of 2020, but their impact tapered off by the latter months of FY 2022. The CAT receipts during this fiscal year surged ahead of prior-year collections, as the gross receipts tax was boosted by elevated inflation levels over the past 12 months.

Sales and Use Tax

The sales and use tax had a strong year in FY 2022. For the fiscal year, revenue from this GRF source totaled $13.01 billion. This amount was $714.8 million (5.8%) above OBM estimate, with robust results from both the auto sales tax and the nonauto sales tax. GRF receipts were also $838.9 million (6.9%) above sales and use tax revenue in FY 2021. Through the first half of

FY 2022 (July to December 2021), revenue from this tax source was 8.4% above revenue in the corresponding period in FY 2021, but disposable income (i.e., "after-tax" income) declined in three of the first four months of calendar year (CY) 2022. The declines were almost inevitable, as the months were compared against income in a prior year when the federal government issued COVID-19-related tax rebate checks. Nevertheless, nationwide statistics show that retail sales remain elevated through April 2022. As seen in Chart 2, U.S. retail sales usually correlate with disposable income but that link was weakened during the COVID-19 pandemic as federal income support programs boosted sales beyond levels that would otherwise be predicted by consumers' after-tax income. The support programs included three "economic impact payments" sent by the Internal Revenue Service (IRS) from April 2020 to March 2021 (denoted by gold dots in Chart 2). Another boost to disposable personal income came from the monthly "advance child tax credit" payments, which the IRS delivered from July 2021 to December 2021.

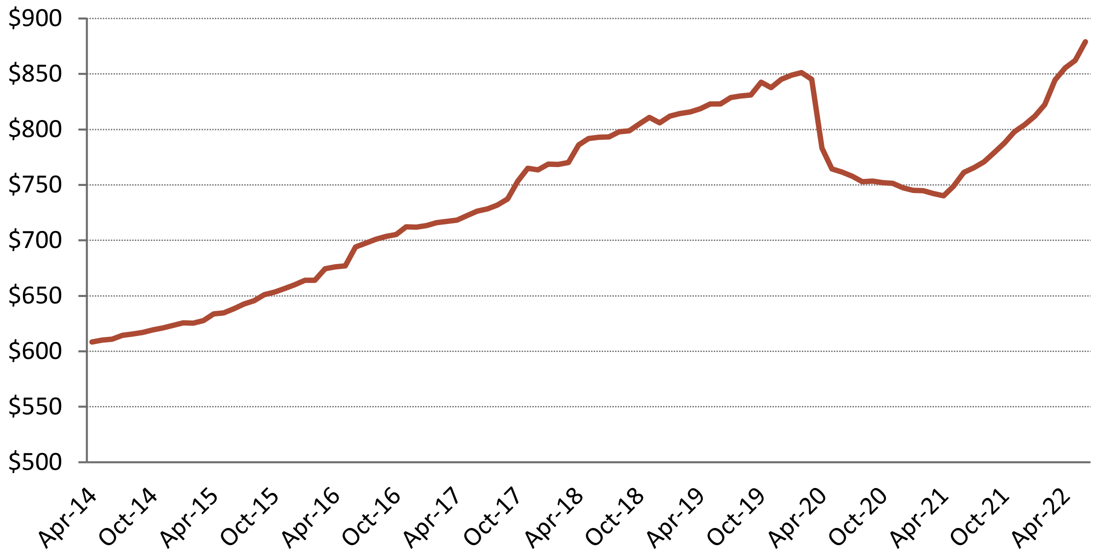
Chart 2: U.S. Retail Sales vs. U.S. Disposable Personal Income
(Percentage Change from One Year Ago)



For the month of June, sales and use tax revenue to the GRF of $1.17 billion was $124.6 million (12.0%) above estimate, with strong performances again from both portions of the tax. Compared to receipts last year in the same month, revenue from this tax source was higher by $59.1 million (5.3%) in June 2022.

The sales and use tax was buoyed by robust consumer spending on taxable goods in FY 2022 and was supported by an unusual set of circumstances. Household incomes increased from prepandemic levels and a low interest rate environment combined with rapidly appreciating home values enabled many homeowners to refinance their mortgage at lower rates in 2020 and 2021. Prior to FY 2022, consumer borrowing, as measured by outstanding credit card loans and other revolving debt plans (see Chart 3), declined at the onset of the pandemic, reaching a low-water mark in April 2021. Since that time, consumer borrowing swiftly increased and eclipsed the prepandemic high by April 2022. Sales and use tax receipts grew 14.1% in FY 2021 and still another 6.9% in FY 2022, but the tailwinds that fostered that uncommon growth are unlikely to continue into the next fiscal year.

Chart 3: U.S. Consumer Loans for Credit Cards and Other Revolving Plans ($ in billions)

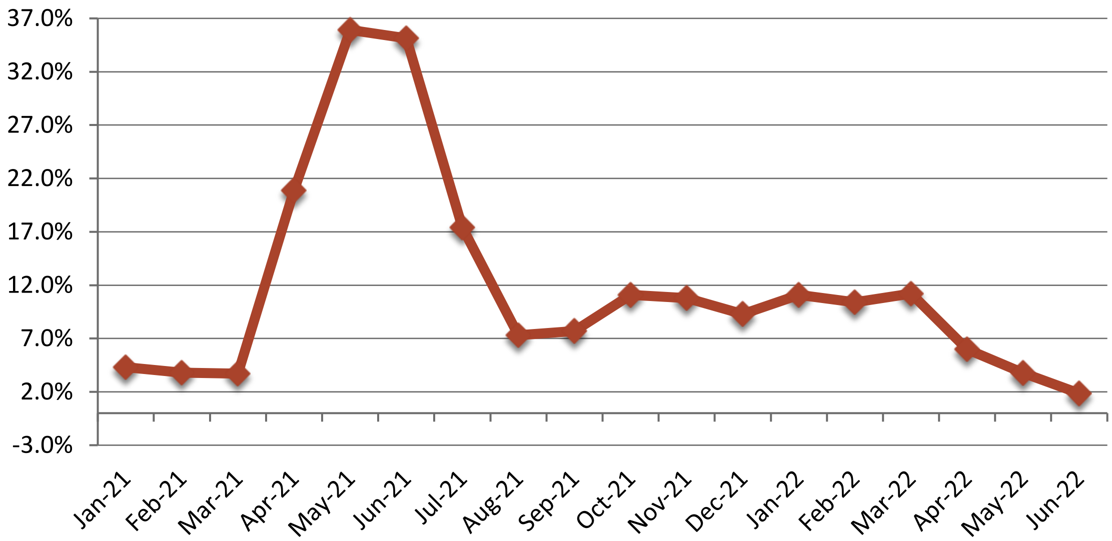


For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

Nonauto Sales and Use Tax

FY 2022 GRF revenue totaled $11.08 billion, an amount $625.9 million (6.0%) above estimate and $746.6 million (7.2%) above FY 2021 receipts. June GRF receipts of $987.1 million were $103.0 million (11.6%) above estimate and $54.6 million (5.9%) above revenue in June 2021. 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 4, below, provides year-over-year growth in nonauto sales and use tax collections since January 2021. Growth was modest at the start of CY 2021 but strengthened in the second calendar quarter as tax revenue compared favorably to depressed levels in the year-earlier period, then slowed to a more modest level, about 1.9% on average in the last three months, less than full-year growth of 7.2% through June 2022.

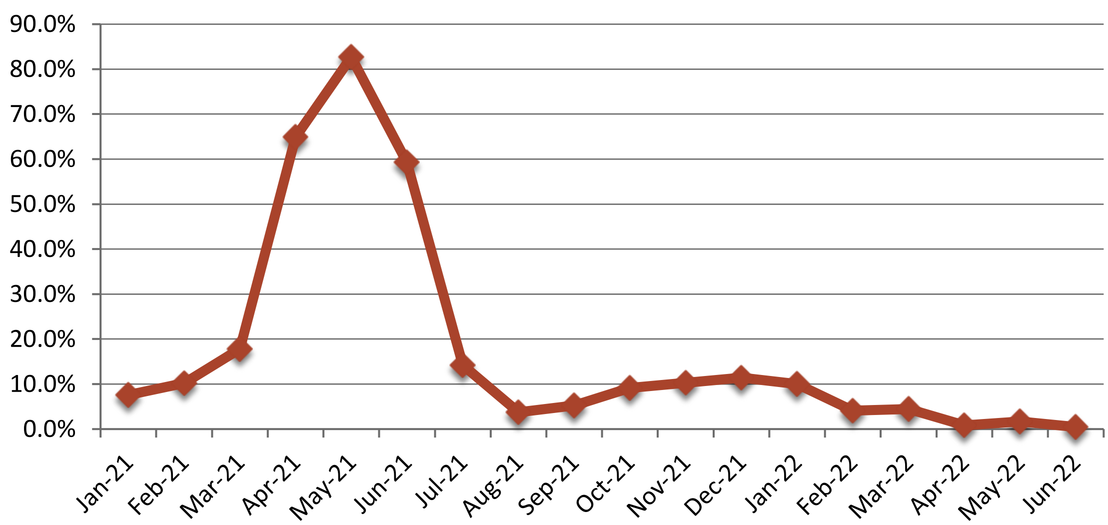
Chart 4: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

The auto sales and use tax had another good year. Through June, FY 2022 receipts totaled $1.95 billion, an amount $88.9 million (4.8%) above estimate and $92.4 million (5.0%) above revenue in the corresponding period in FY 2021. A year ago, auto sales and use tax revenue were up 23.5% in FY 2021, after the pandemic-related woes subsided. So, when compared against FY 2020 receipts of $1.50 billion, FY 2022 revenue is nearly 30% above those collections.

Chart 5: Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



For the month of June, GRF revenue from this tax source was $179.1 million, $21.6 million (13.7%) above estimate and $4.5 million (2.6%) above such receipts in June 2021. Chart 5, above, shows year-over-year growth in auto sales and use tax collections. It begins with a surge in receipts during the spring of CY 2021 relative to the weakened prior-year baseline that was affected by pandemic-related revenue declines. The latter months of CY 2021 reflect strong growth before tapering off at the outset of CY 2022 and further flattening out by the end of FY 2022. The trend seen in Chart 5 is comparable to that of the nonauto sales and use tax in Chart 4.

New and Used Vehicles Titled			
FY 2022	**Titles**	**Spending ($ in millions)**	**Average Price**
New vehicles	328,488	$15,289	$46,543
Used vehicles	1,573,444	$22,376	$14,221
TOTAL	**1,901,932**	**$37,664**	**$19,803**
Growth from FY 2021			
New vehicles	-16.4%	-5.4%	13.1%
Used vehicles	-11.9%	14.8%	30.4%
TOTAL	**-12.7%**	**5.6%**	**21.0%**

The increase in the Ohio auto tax base relative to FY 2021 reflected a robust increase in prices, as vehicle spending was up 5.6%. The base expansion occurred despite a 12.7% decrease in the number of passenger vehicles and trucks sold,[4] according to data provided by the Ohio Bureau of Motor Vehicles (BMV) shown above. During FY 2022, the purchases of new vehicles and used motor vehicles decreased by double-digit margins. However, spending on vehicles grew over that same period, but the gains were not widespread. Spending on used motor vehicles rose nearly 15% while new vehicle spending decreased by about 5%. Used vehicle sales reflect a larger share of the marketplace, so overall vehicle spending grew by 5.6%. Prices soared during FY 2022, climbing about 13% for new vehicles and 30% for used vehicles, as compared with the previous year. According to BMV data, the average price of a new vehicle exceeded $46,000 while the average used vehicle cost more than $14,000. Both outcomes are record levels according to BMV data.

Personal Income Tax

FY 2022 revenue from the PIT to the GRF totaled $10.75 billion, an amount $1.85 billion (20.8%) above the estimate and $550.8 million (5.4%) above FY 2021 revenue. The second largest GRF tax source had an unprecedented fiscal year, as the revenue growth occurred in a

[4] Data on motorcycles and other titled motor vehicles are not included.

year when tax brackets were consolidated, rates were reduced, and prior withholding receipts were refunded to taxpayers as part of the tax plan enacted in 2021. A separate aspect makes the FY 2022 revenue increase extraordinary: it is compared against a fiscal year that benefitted from annual tax return receipts from two different filing deadlines. The tax year (TY) 2020 returns were due in July 2020 and TY 2021 returns were due in May 2021. The normal filing schedule resumed in FY 2022, as TY 2021 returns were due by April 2022. That recent April filing period yielded the largest single month positive variance in the history of the state income tax. Although PIT receipts were already bolstered by higher than anticipated wage growth, the tax remittances accompanying annual returns suggest remarkable growth in nonwage income. Detailed statistics from TY 2021 returns are not yet available, but the U.S. Treasury reporting indicates that Ohio was not alone in its "April surprise." Two years of a rapidly appreciating stock market and rising house prices likely resulted in outsized capital gains income in April.

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,[5] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 76% of gross collections in FY 2022). Larger or smaller than expected refunds (which decrease gross collections) could also greatly affect the monthly performance of the tax.

For the month of June, gross collections were $62.5 million (5.7%) above estimate, driven by positive variances of $43.5 million for quarterly estimated payments and $26.3 million for employer withholding. Other miscellaneous payments were also above their anticipated level by $1.0 million. On the other hand, payments due with annual returns were $7.3 million below projections. Trust payments also finished the month with a $1.0 million negative variance. Refunds and distributions to the LGF were above their respective estimated levels in June by $10.7 million and $1.7 million. Overall, GRF revenue was $50.1 million above estimate for the month.

FY 2022 GRF receipts from the PIT were $550.8 million (5.4%) above such revenue in FY 2021. The year-over-year PIT revenue growth is largely attributable to gains in employer withholding, as receipts increased 8.1% despite a 3% cut to withholding rates occurring two months into FY 2022. As mentioned earlier, FY 2021 had two separate annual tax filing deadlines, which increased revenue from annual returns by $719.0 million, due to the delayed TY 2020 filings. For that reason, FY 2022 receipts in this category were below the prior year's collections.

For FY 2022 through June, revenues from each component of the PIT relative to estimates and revenue received in FY 2021 are detailed in the table below. FY 2022 gross collections were $1.47 billion above anticipated revenue. Every single component was above the OBM estimate. As seen in the table, payments due with annual returns, employer withholding, and quarterly estimated payments were above their respective projections by

[5] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. When tax filings are not delayed, quarterly estimated payments are generally due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

$736.5 million, $494.3 million, and $183.0 million. Refunds were $424.0 million below their estimate, but that was partially offset by LGF distributions being above estimate by $45.6 million. Thus, the fiscal year's positive variance for the GRF was $1.85 billion.

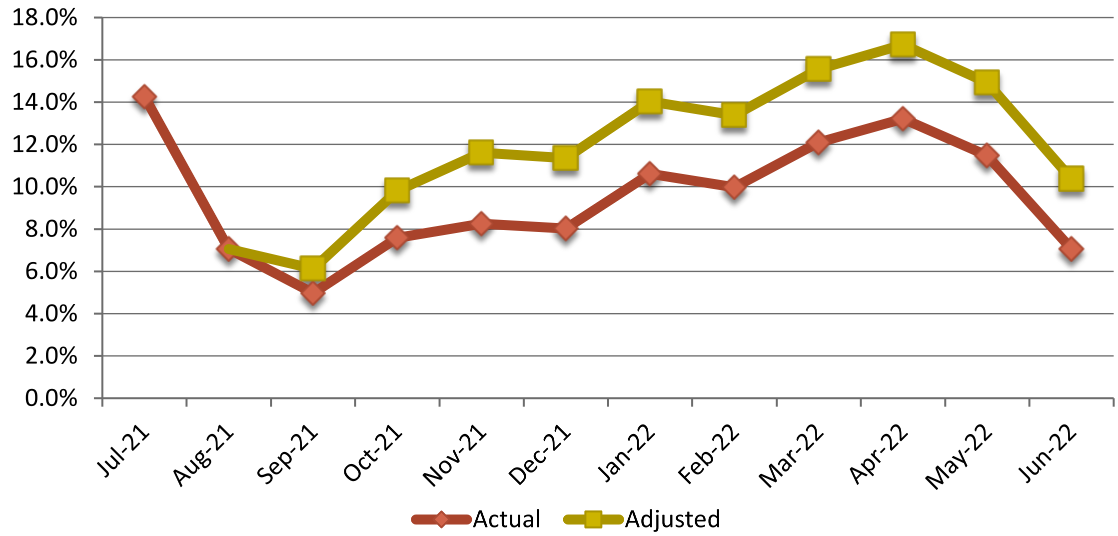
Compared to the corresponding period in FY 2021, gross collections grew $717.4 million in FY 2022, driven by increases of $744.8 million from employer withholding and $26.5 million from miscellaneous payments. FY 2022 refunds and LGF distributions were higher than those in FY 2021 by $132.9 million and $33.7 million, respectively. Therefore, growth in PIT GRF revenue totaled $550.8 million relative to receipts in FY 2021.

FY 2022 PIT Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Changes from FY 2021	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$494.3	5.0%	$774.8	8.1%
Quarterly Estimated Payments	$183.0	18.9%	-$17.5	-1.5%
Trust Payments	$34.0	32.3%	-$10.1	-6.7%
Annual Return Payments	$736.5	65.8%	-$56.4	-2.9%
Miscellaneous Payments	$26.8	31.1%	$26.5	30.7%
Gross Collections	$1,474.6	12.2%	$717.4	5.6%
Less Refunds	-$424.0	-15.4%	$132.9	6.0%
Less LGF Distribution	$45.6	10.1%	$33.7	7.3%
GRF PIT Revenue	$1,853.0	20.8%	$550.8	5.4%

Year-over-year growth in withholding receipts during FY 2022 was limited for the final ten months because of a 3.0% reduction in withholding rates effective September 1, 2021. The reduction was in response to income tax rate cuts for nonbusiness income enacted in H.B. 110. Due to this policy change, the growth in FY 2022 withholding receipts does not fully reflect the strength in the underlying tax base.

The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts in FY 2022 and estimated withholding receipts adjusted for the September 2021 withholding tax rate cut. Payrolls are estimated to have increased about 10.4%, on average, in the last three months. Year-over-year growth in withholding receipts peaked at 16.7% earlier in the final fiscal quarter. Ohio's unemployment rate hovered around 4.0% for the latter part of FY 2022. In general, the withholding receipts have strong months in December and January (e.g., due to temporary employment or year-end bonus income), so some of that seasonality is reflected in the chart. Regardless, the withholding tax base grew faster than the historical norm over most of the year.

Chart 6: Monthly Witholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)

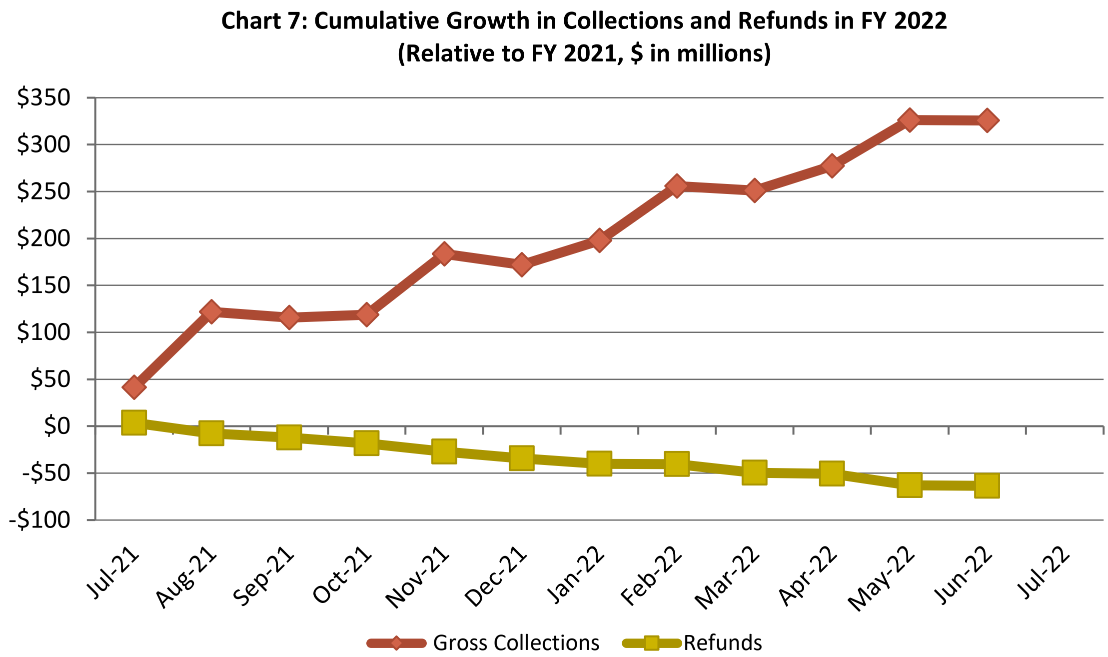


Commercial Activity and Petroleum Activity Taxes

June 2022 GRF revenue from the CAT was $11.5 million, an amount $3.4 million (22.5%) below estimate but $0.2 million (1.5%) above revenue in June 2021. Despite the shortfall in June, the CAT ended FY 2022 with a positive variance of $196.1 million (10.9%). CAT receipts were uplifted by higher inflation that emerged during FY 2022. (CAT tax payments are generally based on gross receipts in the previous calendar quarter.)

FY 2022 GRF revenue was also $328.8 million (19.7%) above such revenue in FY 2021. As shown in the chart below, the increase in GRF revenue in FY 2022 was primarily driven by growth in the tax base rather than fewer tax credits and refunds claimed against the CAT.[6] Gross collections totaling $2.46 billion were $325.8 million (15.3%) above last year's gross collections. On the other hand, refunds and credits were $97.6 million, $63.5 million (39.4%) below those items in FY 2021. So, the decrease in refunds and credits (which reduce gross collections) only partially explains the increase in GRF revenue compared to FY 2021. Most of the revenue growth in collections was due to an expansion of the tax base, while about one-fourth was attributable to the reduction in tax credits and refunds.

[6] A number of Ohio's business tax credits can be claimed against more than one type of tax, but many are claimed against the CAT, which is imposed on the privilege of doing business in Ohio.



Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). Through June, Fund 7047 and Fund 7081 received $305.2 million and $47.0 million, respectively. Disbursements from the funds to school districts and other local governments were $84.5 million and $7.6 million, respectively. Those distributions are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are generally transferred back to the GRF, though excess cash in Fund 7047 and Fund 7081 was not used to make an anticipated transfer of $212.8 million to the GRF in June.[7]

The PAT is applied to receipts from the sale or exchange of motor fuel at a rate of 0.65% on a motor fuel supplier's adjusted gross receipts, with the majority of the revenue deposited in the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0). PAT GRF revenue was $9.3 million in FY 2022, an amount $1.3 million (15.9%) above estimate and $5.4 million (138.4%) above FY 2021 GRF receipts.

In FY 2022, all funds revenue (net of refunds) from the PAT amounted to $82.9 million, with $74.2 million deposited in Fund 5NZ0. The tax has nearly rebounded to its prepandemic level, as all funds revenue was $82.5 million in FY 2020. PAT receipts declined precipitously in FY 2021 to $42.3 million because the COVID-19 pandemic affected transportation spending; motor fuel sales via business closures, home confinement, and work-from-home policies of employers; and prices for motor fuel of all types.

[7] At the end of FY 2022, cash balances in Fund 7047 and Fund 7081 totaled $493.2 million and $133.6 million, respectively.

Cigarette and Other Tobacco Products Tax

FY 2022 revenue from the cigarette and other tobacco products (OTP) tax totaling $884.6 million was below estimate by $20.6 million (2.3%). This total included $772.3 million from the sale of cigarettes and $112.2 million from the sale of OTP. For the month of June, receipts from this source of $130.3 million were $8.2 million (5.9%) below estimate and $6.9 million (5.1%) below revenue in June 2021.

FY 2022 revenue was also $42.3 million (4.6%) below FY 2021 revenue. OTP sales increased by $11.4 million (11.3%) while receipts from cigarette sales decreased $53.7 million (6.5%). The increase in OTP revenue is primarily due to growth in OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base grows with price increases.

On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace. The COVID-19 pandemic temporarily upended historical trends in the first half of FY 2021, as revenue from cigarette sales increased during that time. However, cigarette tax receipts appear to have reverted to prepandemic trend in FY 2022. The tax on cigarettes is based on unit sales rather than value.

Utility-related Taxes

Utility-related taxes include the public utility tax, the natural gas distribution or MCF tax, and the kilowatt-hour tax. Receipts from these taxes are credited to the GRF. However, half the share of GRF total tax revenue transferred to the Public Library Fund (PLF) is debited against the kilowatt-hour tax for accounting purposes (the other half is debited against the nonauto sales and use tax). Changes in consumption and prices are generally the main determinants of revenue from utility-related taxes.

The public utility tax is imposed on the gross intrastate receipts of some utilities. Companies subject to the tax pay 4.75% of gross receipts, except for pipeline companies which pay 6.75%.[8] Revenues from this tax totaled $156.3 million in FY 2022, $21.3 million (15.8%) more than the estimate and $31.6 million (25.4%) above FY 2021 revenue. Taxes paid by natural gas companies account for most tax receipts from the public utility tax. Receipts from pipelines have grown in recent years. Other classes of utilities that pay this tax include waterworks, water transportation, and heating. Companies that pay the public utility tax do not pay the CAT.

The natural gas consumption tax, also known as the natural gas distribution or MCF tax, is levied based on the quantity of natural gas distributed to end users in Ohio. The tax is charged at rates ranging from 2¢ to 15.93¢ per MCF (thousand cubic feet), depending on the amount distributed to each end user.[9] Receipts from this tax were $69.0 million in FY 2022, $1.0 million (1.5%) above the estimate but $1.0 million (1.5%) below receipts the previous year.

[8] Exemptions include receipts from sales to the federal government or to other public utilities for resale and receipts billed on behalf of other entities by natural gas companies.

[9] Exemptions include natural gas distributed to the federal government and natural gas both produced and consumed by an end user that does not flow through a natural gas company's pipelines.

The kilowatt-hour tax is levied on electric distribution companies with end users in Ohio. The tax rate depends on the volume of electricity used by the customer. In FY 2022, the GRF received $291.4 million from the kilowatt-hour tax. This amount was $12.5 million (4.1%) below estimate and $6.8 million (2.3%) lower than receipts in FY 2021. Total collections (all funds receipts) from the tax in FY 2022 were $538.8 million, which was $12.1 million (2.3%) higher than FY 2021 total collections. As noted earlier, half the share of GRF total tax revenue transferred to the PLF is debited against the kilowatt-hour tax. In FY 2022, the PLF received 1.70% of revenues from all GRF taxes.

Foreign and Domestic Insurance Taxes

Insurance taxes are levied on premiums collected by insurance companies and are deposited in the GRF. The domestic insurance tax is paid by insurance companies whose headquarters are in Ohio while the foreign insurance tax is paid by insurance companies whose headquarters are located outside of the state. The large majority of the revenue is deposited in the GRF, while a small portion is dedicated to the state Fire Marshal Fund (Fund 5460). Combined revenue from the insurance taxes was $675.2 million in FY 2022, of which $641.0 million was deposited in the GRF and $34.2 million was deposited in Fund 5460.

The GRF received $312.6 million from the domestic insurance tax in FY 2022, an amount $13.1 million (4.0%) below estimate but $2.9 million (0.9%) more than receipts in FY 2021. The increase in receipts from the domestic insurance tax was largely due to an increase in taxes paid by health insuring corporations and Medicaid managed care organizations. Net revenue from this tax this fiscal year was influenced in part by increases in refunds.[10]

Foreign insurance tax receipts totaled $328.4 million. That amount was $6.7 million (2.1%) above estimate and $4.0 million (1.2%) above FY 2021 revenue. Unlike Medicaid managed care organizations that are all domestic insurers, the performance of the foreign insurance tax is directly related to increased premiums received from property and casualty, life and health, and other insurers.

Corporate and Financial Institutions Taxes

The FIT is levied on the “total Ohio equity capital” of financial institutions, which includes a firm’s common stock, perpetual preferred stock, surplus, retained earnings, treasury stock, and unearned employee stock ownership plan shares. Annual FIT tax returns are due in October, but estimated payments are made in January, March, and May. The reconciliation between estimated payments and final tax liability generally results in net refunds between July and December. The reconciliation resulted in a combined negative variance of $22.4 million (76.2%) in the first half of FY 2022. In the second half of FY 2022, estimated payments totaled $254.6 million, an amount $10.2 million (4.2%) above estimate. For the entire fiscal year, GRF receipts from the FIT of $202.8 million were $12.2 million (5.7%) below estimate and $23.6 million (10.4%) below receipts in FY 2021. Overall, gross collections increased for FY 2022. However, refunds and credits also increased, by a larger amount than the increase in collections, when compared to FY 2021.

[10] Domestic insurance refunds in FY 2022 were $6.4 million higher than refunds in FY 2021.

Regarding the CFT, GRF receipts were not anticipated from this tax because H.B. 510 of the 129th General Assembly eliminated the tax at the end of 2013, but adjustments to tax filings in previous years continue to affect this tax source. These adjustments provided net revenue of just $0.7 million this fiscal year, much lower than the $5.9 million in revenue due to the conclusion of certain audits in FY 2021.

Alcoholic Beverage and Liquor Gallonage Taxes

Combined revenue for the two taxes totaled $119.7 million in FY 2022, an amount $1.7 million (1.4%) above estimate for the fiscal year and $2.2 million (1.8%) above combined revenue in FY 2021.

The alcoholic beverage tax applies to sales of beer, malt beverages, wine, and mixed alcoholic beverages. All beverages brewed or fermented from malt products and containing at least 0.5% alcohol by volume are included in the tax base. The tax is levied on a per-container rate depending on the type of beverage sold and tax rates vary greatly. Revenue is deposited in the GRF. For FY 2022, GRF revenue from the alcoholic beverage tax was $61.7 million, an amount $0.7 million (1.2%) above estimate. FY 2022 revenue was also $1.9 million (3.1%) above that of the prior year. The bases for the alcoholic beverage tax are split into beer/malt beverages and wine/mixed beverages. In FY 2022, revenue from the malt beverages category was $40.8 million, a decrease of $2.4 million (5.5%) from FY 2021 collections; revenue from the wine and mixed beverages category was $21.0 million, an increase of $4.2 million (25.2%) from FY 2021.

The liquor gallonage tax is levied at the rate of $3.38 per gallon of spirituous liquor. This is the equivalent of $0.67 per standard 750 milliliter bottle. Revenue is deposited in the GRF. Revenue from the liquor gallonage tax was $57.9 million during FY 2022, $0.9 million (1.6%) above estimated revenue and $0.3 million (0.5%) above receipts in FY 2021.

On the whole, alcoholic beverage sales have continued to shift from beer, wine, and mixed beverages and towards spirituous liquor, largely a result of changes in consumer preferences. Over the last ten years, the share of combined revenue for all alcoholic beverages coming from the liquor tax slowly rose from roughly 40% to about 48% in FY 2022. That increase has come primarily at the expense of tax revenue from the sales of beer and malt beverages.

Nontax Revenue

FY 2022 GRF nontax revenue totaling $553.2 million was $334.1 million (152.5%) above estimate and $299.0 million (117.6%) above such revenue in FY 2021. The year-over-year increase in revenue was primarily due to the “other revenue” category, which was $286.8 million (250.6%) above estimate, as a result of a large variance for liquor payments, and also outsized revenue from intrastate transfer vouchers (ISTVs, used for making payments between state agencies). OBM reported in October 2021 that payments from liquor profits from JobsOhio exceeded projections by more than $50 million this fiscal year; recoveries/ISTVs exceeded anticipated revenue by about $226 million in FY 2022, almost all of which was booked in January.[11]

[11] They covered base pay and overtime for corrections officers paid by the Department of Rehabilitation and Correction for service during the period June 7, 2020, to October 25, 2020. These services were substantially dedicated to mitigating or responding to the COVID-19 public health emergency. The payment was from COVID-19 relief funds received from the federal government through the state Coronavirus Relief Fund (Fund 5CV1).

Though FY 2022 earnings on investments were $17.8 million (50.8%) above estimate, they were $4.2 million (7.4%) below earnings recorded last year, primarily due to low federal funds rates implemented by the Federal Reserve in the last year and a half through March 2022 (in an effort to combat recent record-level inflation, the Federal Reserve started increasing federal funds rates in the last few months).

Transfers In

Transfers into the GRF were $57.1 million in FY 2022, an amount $292.9 million (83.7%) below estimated transfers. Anticipated June 2022 transfers in totaling $319.7 million was not made by OBM. Those estimated transfers would have included excess CAT revenue of $212.8 million[12] and $100.0 million in transfers from rotary funds.

[12] Over $500 million in excess CAT revenue has accrued to Fund 7047 and Fund 7081 in the last three fiscal years, but no transfers in have been made to the GRF in the three-year span.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of June 2022
($ in thousands)
(Actual based on OAKS reports run July 5, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$341,457	$391,401	-$49,944	-12.8%
Higher Education	$187,628	$188,338	-$710	-0.4%
Other Education	$3,312	$4,719	-$1,407	-29.8%
Total Education	**$532,397**	**$584,459**	**-$52,062**	**-8.9%**
Medicaid	$1,408,460	$1,098,171	$310,289	28.3%
Health and Human Services	$119,007	$73,359	$45,648	62.2%
Total Health and Human Services	**$1,527,466**	**$1,171,530**	**$355,937**	**30.4%**
Justice and Public Protection	$193,306	$189,190	$4,116	2.2%
General Government	$28,761	$37,195	-$8,434	-22.7%
Total Government Operations	**$222,067**	**$226,385**	**-$4,319**	**-1.9%**
Property Tax Reimbursements	$4,429	$30,806	-$26,377	-85.6%
Debt Service	$87,636	$87,757	-$121	-0.1%
Total Other Expenditures	**$92,065**	**$118,563**	**-$26,498**	**-22.3%**
Total Program Expenditures	**$2,373,995**	**$2,100,937**	**$273,058**	**13.0%**
Transfers Out	**$139**	**$5,200**	**-$5,061**	**-97.3%**
Total GRF Uses	**$2,374,134**	**$2,106,137**	**$267,997**	**12.7%**

*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 June 30, 2022
($ in thousands)
(Actual based on OAKS reports run July 5, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$8,211,255	$8,333,987	-$122,732	-1.5%	$7,883,063	4.2%
Higher Education	$2,417,559	$2,448,654	-$31,095	-1.3%	$2,368,511	2.1%
Other Education	$87,161	$95,413	-$8,252	-8.6%	$71,097	22.6%
Total Education	**$10,715,975**	**$10,878,053**	**-$162,078**	**-1.5%**	**$10,322,671**	**3.8%**
Medicaid	$17,079,327	$15,956,268	$1,123,059	7.0%	$18,094,379	-5.6%
Health and Human Services	$1,519,875	$1,645,230	-$125,356	-7.6%	$1,381,340	10.0%
Total Health and Human Services	**$18,599,202**	**$17,601,498**	**$997,704**	**5.7%**	**$19,475,719**	**-4.5%**
Justice and Public Protection	$2,652,803	$2,792,595	-$139,792	-5.0%	$2,387,018	11.1%
General Government	$499,389	$574,216	-$74,827	-13.0%	$421,789	18.4%
Total Government Operations	**$3,152,193**	**$3,366,811**	**-$214,618**	**-6.4%**	**$2,808,807**	**12.2%**
Property Tax Reimbursements	$1,818,202	$1,835,900	-$17,698	-1.0%	$1,805,991	0.7%
Debt Service	$1,474,769	$1,497,710	-$22,941	-1.5%	$1,216,805	21.2%
Total Other Expenditures	**$3,292,971**	**$3,333,610**	**-$40,640**	**-1.2%**	**$3,022,796**	**8.9%**
Total Program Expenditures	**$35,760,340**	**$35,179,972**	**$580,368**	**1.6%**	**$35,629,993**	**0.4%**
Transfers Out	**$3,074,283**	**$2,975,600**	**$98,683**	**3.3%**	**$464,960**	**561.2%**
Total GRF Uses	**$38,834,623**	**$38,155,572**	**$679,051**	**1.8%**	**$36,094,953**	**7.6%**

*September 2021 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2021.
Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on July 5, 2022)

	Month of June 2022				Year to Date through June 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,345,510	$1,045,301	$300,209	28.7%	$16,315,537	$15,178,541	$1,136,996	7.5%
Non-GRF	$1,682,895	$1,643,687	$39,208	2.4%	$14,982,291	$16,961,785	-$1,979,494	-11.7%
All Funds	$3,028,405	$2,688,988	$339,417	12.6%	$31,297,828	$32,140,326	-$842,498	-2.6%
Developmental Disabilities								
GRF	$56,080	$52,021	$4,059	7.8%	$666,264	$665,448	$816	0.1%
Non-GRF	$187,331	$195,532	-$8,201	-4.2%	$2,783,141	$2,639,645	$143,496	5.4%
All Funds	$243,411	$247,553	-$4,142	-1.7%	$3,449,405	$3,305,094	$144,312	4.4%
Job and Family Services								
GRF	$6,224	$36	$6,188	17067.4%	$87,146	$100,967	-$13,822	-13.7%
Non-GRF	$13,755	$36,067	-$22,312	-61.9%	$170,114	$230,301	-$60,188	-26.1%
All Funds	$19,979	$36,103	-$16,124	-44.7%	$257,259	$331,269	-$74,009	-22.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$646	$813	-$167	-20.6%	$10,381	$11,311	-$930	-8.2%
Non-GRF	$2,508	$7,704	-$5,196	-67.4%	$37,907	$53,869	-$15,962	-29.6%
All Funds	$3,154	$8,517	-$5,363	-63.0%	$48,288	$65,180	-$16,892	-25.9%
All Departments:								
GRF	**$1,408,460**	**$1,098,171**	**$310,289**	**28.3%**	**$17,079,327**	**$15,956,268**	**$1,123,059**	**7.0%**
Non-GRF	**$1,886,488**	**$1,882,990**	**$3,499**	**0.2%**	**$17,973,453**	**$19,885,601**	**-$1,912,147**	**-9.6%**
All Funds	**$3,294,948**	**$2,981,160**	**$313,788**	**10.5%**	**$35,052,781**	**$35,841,868**	**-$789,088**	**-2.2%**

*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 July 5, 2022)

	Month of June 2022				Year to Date through June 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,449,581**	**$2,118,177**	**$331,403**	**15.6%**	**$23,971,224**	**$24,721,685**	**-$750,460**	**-3.0%**
CFC†	$824,866	$840,928	-$16,062	-1.9%	$8,344,306	$9,035,494	-$691,188	-7.6%
Group VIII	$706,560	$664,576	$41,984	6.3%	$7,381,739	$7,666,268	-$284,529	-3.7%
ABD†	$289,961	$263,007	$26,954	10.2%	$3,091,236	$3,251,553	-$160,317	-4.9%
ABD Kids	$97,001	$89,986	$7,015	7.8%	$1,038,446	$1,038,494	-$47	0.0%
My Care	$238,707	$259,681	-$20,974	-8.1%	$2,815,211	$2,993,274	-$178,062	-5.9%
P4P & Ins Fee†	$292,485	$0	$292,485	---	$1,300,287	$736,603	$563,684	76.5%
Fee-For-Service	**$625,860**	**$631,543**	**-$5,683**	**-0.9%**	**$8,788,689**	**$8,650,333**	**$138,356**	**1.6%**
ODM Services	$386,650	$389,144	-$2,494	-0.6%	$4,694,029	$4,671,217	$22,812	0.5%
DDD Services	$239,211	$242,399	-$3,188	-1.3%	$3,344,773	$3,195,642	$149,131	4.7%
Hospital - HCAP&Other†	$0	$0	$0	---	$749,886	$783,473	-$33,587	-4.3%
Premium Assistance	**$117,510**	**$120,519**	**-$3,010**	**-2.5%**	**$1,306,048**	**$1,340,572**	**-$34,525**	**-2.6%**
Medicare Buy-In	$77,260	$72,616	$4,644	6.4%	$852,077	$846,413	$5,664	0.7%
Medicare Part D	$40,250	$47,903	-$7,653	-16.0%	$453,970	$494,159	-$40,189	-8.1%
Administration	**$101,998**	**$110,921**	**-$8,924**	**-8.0%**	**$986,820**	**$1,129,279**	**-$142,459**	**-12.6%**
Total	**$3,294,948**	**$2,981,160**	**$313,788**	**10.5%**	**$35,052,781**	**$35,841,868**	**-$789,088**	**-2.2%**

*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[13]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $35.76 billion in FY 2022, $580.4 million (1.6%) over the estimate released by OBM at the beginning of the fiscal year. This positive variance was driven by GRF Medicaid expenditures, which had a positive annual variance of $1.12 billion (7.0%) due to a decision to use more GRF than non-GRF sources in FY 2022 as compared with the estimates. All other program categories had negative variances for the year, including Justice and Public Protection ($139.8 million, 5.0%), Health and Human Services ($125.4 million, 7.6%), Primary and Secondary Education ($122.7 million, 1.5%), and General Government ($74.8 million, 13.0%).

In addition to program expenditures, total uses include transfers out. Transfers out totaled $3.07 billion and had a positive variance of $98.7 million (3.3%) for the fiscal year. This variance was primarily due to transfers authorized in bills enacted subsequent to H.B. 110 and thus not in the estimates.

Combining program expenditures and transfers out, total GRF uses for FY 2022 were $38.83 billion. These uses were $679.1 million (1.8%) above estimate. YTD variances are shown in the preceding Table 4, while Table 3 shows monthly variances. Both GRF and non-GRF variances in Medicaid and the GRF variances in a few other categories are discussed below.

State agencies encumbered $883.5 million in GRF appropriations for expenditure in FY 2023. The "**Encumbrances**" section of this report provides additional information on FY 2022 year-end encumbrances.

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 June by $310.3 million (28.3%) and above their annual estimate by $1.12 billion (7.0%). The continuation of the public health emergency and its associated higher federal reimbursement rate has continued to bring more federal revenue into the GRF and resulted in the federal share in GRF being over estimate for the fiscal year. Non-GRF Medicaid expenditures were above their monthly estimate by $3.5 million (0.2%) but below their annual estimate by $1.91 billion (9.6%). This large negative annual variance is in part due to the Ohio Department of Medicaid's (ODM's) decision to shift some non-GRF spending into the GRF during FY 2022. ODM did not access the Health and Human Services Fund (Fund 5SA4) in FY 2022. The budget estimates include $900.0 million in FY 2022 for Fund 5SA4 appropriation line item (ALI) 651689, Medicaid

[13] 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.

Health and Human Services. Including both the GRF and non-GRF, all funds Medicaid expenditures were $313.8 million (10.5%) above estimate in June but $789.1 million (2.2%) below the estimate for the fiscal year as a whole.

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all funds variance in June of $339.4 million (12.6%) but an annual negative variance of $842.5 million (2.6%). ODODD had a June all funds negative variance of $4.1 million (1.7%) but ended the fiscal year with annual expenditures $144.3 million (4.4%) above estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their monthly estimates for three of the four major payment categories in June and below their annual estimates for a different group of three of the four categories at the end of the fiscal year. The Managed Care annual negative variance of $750.5 million (3.0%) was the largest followed by the Administration negative variance of $142.5 million (12.6%) and the Premium Assistance negative variance of $34.5 million (2.6%). ODM made close to $300.0 million in supplemental public health emergency hospital payments to managed care plans in June which contributed to the positive variance in the Managed Care category for the month. The Managed Care annual variance is largely a combination of $569.0 million in recoupments in April from the managed care risk corridor, an early disbursement in March of managed care quality-incentive payments that were originally estimated to be disbursed in FY 2023, and lower than anticipated managed care rates, which took effect in January. Under the risk corridor, ODM and the managed care plans agree to share losses or profits due to unanticipated changes in spending related to the public health emergency. Additionally, by disbursing incentive payments early, Ohio could receive the higher federal reimbursement rate associated with the public health emergency. The Administration variance came from anticipated operational costs being delayed until FY 2023. Certain operational costs associated with the implementation of OhioRISE (Ohio Resilience through Integrated Systems and Excellence) are being moved to FY 2023 due to the new staggered implementation timeline. OhioRISE is a specialized managed care program for youth with complex behavioral health and multisystem needs. Finally, the Premium Assistance variance was a result of the continuation of the higher federal reimbursement rate, which resulted in significantly lower than projected rates for Medicare Part D.

The Fee for Service (FFS) payment category saw a positive annual variance of $138.4 million (1.6%). Part of the positive variance is a result of the $372.2 million in total relief payments in March to nursing facilities, hospice providers, residential care facilities, and intermediate care facilities for individuals with intellectual disabilities. The funding for these payments was authorized by H.B. 169 of the 134th General Assembly and was not included in the budget estimates that are based on H.B. 110. H.B. 169 specifies that these relief payments were to be used towards providing additional compensation to direct care staff at those facilities.

From the beginning of the COVID-19 pandemic in March 2020 through the end of June 2022, caseloads have increased by approximately 22,300 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 five months of FY 2022. Beginning with December 2021, however, recent months have had positive caseload variances, with June's positive variance of 112,097 cases (3.4%) bringing the FY 2022 average monthly caseload to approximately 22,962 cases (0.8%) above estimate. Above estimate caseloads for CY 2022 have been influenced by the continuation of the federally declared public health emergency, which was predicted to end at the end of CY 2021 when caseload estimates were developed in July 2021. The federally declared emergency has instead continued into CY 2022, as has the suspension of routine redeterminations of eligibility.

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.

This category ended the year under estimate by $139.8 million (5.0%). DRC dominated this variance with a negative annual variance of $101.1 million. The next largest negative annual variance was $25.3 million in the Department of Public Safety (DPS). Most other agencies in this category also had negative variances for the fiscal year.

DRC's negative annual variance is mainly due to negative variances of $70.4 million in ALI 501321, Institutional Operations, and $27.9 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons. DRC encumbered $90.7 million in ALI 501321 and $33.6 million in ALI 505321 for expenditure in FY 2023.

All of the GRF ALIs in DPS's budget were either on or under estimate for FY 2022. The two largest negative variances were in ALI 768425, Justice Program Services, ($8.6 million) and ALI 761403, Recovery Ohio Law Enforcement, ($7.1 million). ALI 768425 is used primarily for the administration and distribution of grants from the Office of Criminal Justice Services. ALI 761403 is used primarily for the support of narcotics task forces in the state.

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.

A significant positive monthly variance of $45.6 million (62.2%) in this category in June was not enough to offset the negative variances in prior months. The category ended the fiscal year $125.4 million (7.6%) under estimate. The monthly and annual variances were dominated by ODJFS, which had a positive variance of $47.3 million in June and a negative variance of $61.2 million for all of FY 2022. All other agencies in this category also had negative annual variances, including most significantly the Department of Health and OhioMHAS, which had annual negative variances of $27.2 million and $22.7 million, respectively.

Significant variances for ALIs in the ODJFS budget include:

- A positive monthly variance of $4.2 million in ALI 600523, Family and Children Services, which decreased the negative annual variance for this ALI to $26.2 million. This ALI is used primarily to support county public children services agencies.
- A positive monthly variance of $26.3 million in ALI 600450, Program Operations, which decreased the negative annual variance for this ALI to $19.6 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A small negative monthly variance in ALI 600528, Adoption Services, which combined with other negative monthly variances throughout the year resulted in a negative annual variance of $5.3 million. This ALI is used to support families who adopt children with special needs.
- A positive monthly variance of $4.8 million in ALI 600410, TANF State Maintenance of Effort, which decreased the negative annual variance for this ALI to $4.6 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

ODJFS encumbered $142.9 million for expenditure in FY 2023.

Most ALIs in the Department of Health's budget were under estimate for the fiscal year, including ALIs 440459, Help Me Grow, and 440474, Infant Vitality, which were under estimate by $11.7 million and $5.5 million, respectively. ALI 440459 supports a family support program offered to pregnant women and new parents. Over $11.0 million of the FY 2022 appropriation for this ALI was encumbered for provider payments to be expended in FY 2023. ALI 440474 is used for programs designed to decrease infant mortality in Ohio.

Significant variances in OhioMHAS's budget include:

- A negative annual variance of $11.9 million in ALI 336421, Continuum of Care Services. This ALI is used to fund local boards of alcohol, drug addiction, and mental health as well as to support various earmarks.
- A negative annual variance of $6.1 million in ALI 336504, Community Innovations. This ALI is used for a variety of community programs that support OhioMHAS's mission.
- A negative annual variance of $6.0 million in ALI 336422, Criminal Justice Services. This ALI is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system.
- A positive annual variance of $7.8 million in ALI 336412, Hospital Services. This ALI is used to support the operating costs of state mental health hospitals.

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education (ODE), except for property tax reimbursement and Medicaid spending. The category ended the fiscal year with a negative variance of $122.7 million (1.5%). ODE encumbered $133.8 million for expenditure in FY 2023.

Significant variances in ODE's budget include:

- A negative annual variance of $51.1 million in ALI 200502, Pupil Transportation. This ALI primarily pays the transportation portion of the school funding formula as well as a separate formula for special education transportation.
- A negative annual variance of $28.3 million in ALI 200550, Foundation Funding – All Students. This ALI is the main source of state support for public schools, including those operated by traditional school districts, joint vocational school districts, and community and science, technology, engineering, and mathematics (STEM) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools.
- A negative annual variance of $18.3 million in ALI 200540, Special Education Enhancements. This ALI is used primarily to support special education for preschool students and special education offered by county boards of developmental disabilities.
- A negative annual variance of $10.2 million in ALI 200408, Early Childhood Education. This ALI supports early childhood education programs targeted toward children from lower income families.
- A negative monthly variance of $20.5 million in ALI 200478, Industry-Recognized Credentials High School Students, for the month of June that more than offset a positive monthly variance in May resulting in an annual negative variance of $8.8 million. This ALI supports programs that encourage high school students to earn industry-recognized credentials.

General Government

This program category includes all GRF spending for general government programs, except for debt service. Five agencies make up the bulk of the estimated expenditures for this category for FY 2022: the Ohio Department of Transportation (ODOT, 15.3%), the Department of Development (DEV, 12.9%), the Department of Natural Resources (DNR, 11.0%), the Department of Agriculture (AGR, 10.6%), and the Department of Taxation (TAX, 10.1%). Twenty-two other agencies make up the remaining 40.1% of estimated spending.

This category ended the year under estimate by $74.8 million (13.0%). Most agencies had negative annual variances, with ODOT and DEV having the largest negative variances of $36.8 million and $16.0 million, respectively.

ODOT's negative annual variance was mainly due to a negative variance of $32.8 million in ALI 775470, Public Transportation – State. This ALI is primarily used for subsidies and grants to transit systems throughout the state. Most of DEV's ALIs had negative annual variances in FY 2022. The largest was $7.8 million in ALI 195503, Local Development Projects. This ALI is earmarked for a variety of local development projects.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In April, this category had a positive variance of $167.6 million (42.3%), which has been offset by negative variances of $127.3 million (37.8%) in May and $26.4 million (85.6%) in June, resulting in a negative variance of $17.7 million (1.0%) for the fiscal year.

Transfers Out

Cash transfers out of the GRF to other state funds were above estimate by $98.7 million (3.3%) for the fiscal year.

The positive annual variance in transfers out primarily includes:

- $85.0 million transferred to the Investing in Ohio Fund (Fund 5XM0) that was authorized by H.B. 397 of the 134th General Assembly and not included in the estimates;
- $9.2 million transferred to the Board of Elections Reimbursement and Education Fund (Fund 5FG0) that was authorized in S.B. 9 and S.B. 11 of the 134th General Assembly and not included in the estimates; and
- $8.3 million transferred to the Ohio Incumbent Workforce Job Training Fund (Fund 5HR0) in August that was authorized in Section 259.80 of H.B. 110 but not included in the estimates.

These positive variances were partially offset by a transfer of $2.4 million to the OAKS Support Organization Fund (Fund 5EB0) that was estimated to occur in January but did not take place. In addition, instead of a transfer of $5.2 million to the Major Information Technology Purchases Fund (Fund 4N60) that was estimated to occur in June, a transfer of $2.8 million was made to Fund 4N60 in October.

Encumbrances

As of June 30, 2022, state agencies encumbered a total of $883.5 million in GRF appropriations for expenditure in FY 2023. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they lapse. An agency may encumber appropriations for purposes other than operating expenses beyond the five-month period if approval is obtained from the Director of Budget and Management. Encumbrances for some grant and aid payments are encumbered for several months or sometimes years.

The table below summarizes the encumbrances by the fiscal year of the original appropriation. As seen from the table, the majority of the encumbrances were originally appropriated in FY 2022. However, small encumbrances remain from as early as FY 2011.

FY 2022 Year-end Encumbrances by Fiscal Year for Which Appropriations Were Originally Made		
Fiscal Year	**Amount ($ in thousands)**	**Percentage of Total**
2011-2018	$744	0.1%
2019	$1,452	0.2%
2020	$27,236	3.1%
2021	$98,010	11.1%
2022	$756,098	85.6%
TOTAL	**$883,540**	**100.0%**

The encumbrance amounts vary greatly from agency to agency. As shown in the following table, DEV had the largest encumbrance amount at $144.3 million, 16.3% of the total. ODJFS is second with an encumbrance of $142.9 million (16.2%), ODE is third with an encumbrance of $133.8 million (15.1%), and DRC is fourth with an encumbrance of $127.7 million (14.4%). The next three agencies with the largest encumbrances are ODOT at $62.4 million (7.1%), the Department of Higher Education (DHE) at $56.1 million (6.4%), and ODM at $53.0 million (6.0%). Forty other agencies encumbered the remaining $163.4 million (18.5%).

FY 2022 Year-end Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Development	$144,329	16.3%
Job and Family Services	$142,881	16.2%
Education	$133,809	15.1%
Rehabilitation and Correction	$127,657	14.4%
Transportation	$62,379	7.1%
Higher Education	$56,144	6.4%
Medicaid	$52,976	6.0%
Other	$163,365	18.5%
TOTAL	**$883,540**	**100.0%**

Department of Development

DEV encumbered $144.3 million for expenditure in FY 2023. Of that amount $95.0 million (65.8%) was in ALI 195456, Local Roads. This appropriation was made in H.B. 687 of the 134th General Assembly and became effective on June 14, 2022. The next largest encumbrance was in ALI 195503, Local Development Projects, with an encumbrance of $10.5 million (7.3%). ALI 195503 is earmarked for various development programs, the largest encumbrances are for the GRIT Program and the housing of pregnant mothers. Both ALIs 195499, BSD Federal Programs Match, and 195455, Appalachia Assistance, had outstanding encumbrances of $10.3 million (7.1%). The encumbrances in 195499 were mainly for state matching funds for the Manufacturing Extension Partnership Program. The encumbrances in 195455 were for programs targeting the Appalachian region of Ohio.

Ohio Department of Job and Family Services

ODJFS encumbered $142.9 million for expenditure in FY 2023. Encumbrances in four ALIs account for $118.7 million (83.0%) of the total. These ALIs are: (1) 600523, Children and Families Subsidy, at $49.1 million, (2) 600450, Program Operations, at $32.9 million, (3) 655523, Medicaid Program Support – Local Transportation, at $21.8 million, and (4) 655522, Medicaid Program Support – Local, at $14.8 million.

Funds encumbered in ALI 600523 will be used mainly for assistance to county public children services agencies, including a workforce campaign and assistance with children who require services from multiple systems. Funds encumbered in ALI 600450 will be used for a variety of administrative costs. Funds encumbered in ALIs 655523 and 655522 will mainly be used for the remaining state share of Medicaid subsidies to county departments of job and family services. ALI 655523 pays the state's share of Medicaid costs for local transportation services, and ALI 655522 pays the state's share of Medicaid costs for local administrative services.

Ohio Department of Education

ODE encumbered $133.8 million for expenditure in FY 2023. Four ALIs with significant encumbrances are: (1) 200550, Foundation Funding – All Students, at $57.1 million, (2) 200408, Early Childhood Education, at $18.6 million, (3) 200437, Student Assessment, at $15.8 million, and (4) 200502, Pupil Transportation, at $15.0 million. These four ALIs account for $106.5 million (79.6%) of ODE's total encumbrances. The remaining $27.4 million was encumbered in various other ALIs.

Funds encumbered in ALIs 200550 and 200502 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Funds encumbered in ALI 200437 will be used to pay contractors for costs related to the state's standardized tests. Funds encumbered in ALI 200408 will be used to pay providers for early childhood education services to children from lower income families.

Department of Rehabilitation and Correction

DRC encumbered $127.7 million for expenditure in FY 2023, of which $90.7 million (71.0%) occurred in ALI 501321, Institutional Operations, and another $33.6 million (26.3%) in

ALI 505321, Institution Medical Services. Funds were encumbered in 501321 for a mix of purchased personal services, supplies, maintenance, repairs, equipment, materials, and other expenditures at DRC and institutions. Funds encumbered in 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Ohio Department of Transportation

ODOT encumbered $62.4 million for expenditure in FY 2023. Most of this encumbrance ($51.7 million) was in ALI 775470, Public Transportation – State, which is used primarily for competitive grants for public transit systems across the state. An additional $7.4 million was encumbered in ALI 777471, Airport Improvements – State, to provide grants to public airports in Ohio for pavement maintenance and obstruction removal.

Department of Higher Education

DHE encumbered $56.1 million for expenditure in FY 2023. The majority of the total was encumbered in ALIs 235438, Choose Ohio First Scholarship, at $45.5 million and 235599, National Guard Scholarship Program, at $3.9 million to pay the state's obligations to scholarship recipients. Another $3.3 million was encumbered in ALI 235563, Ohio College Opportunity Grant; these funds will be used for need-based financial aid.

Ohio Department of Medicaid

ODM encumbered a total of $53.0 million for expenditure in FY 2023, including $36.2 million in ALI 651525, Medicaid/Health Care Services, and $16.7 million in ALI 651425, Medicaid Program Support – State. ALI 651525 is the primary GRF funding source for Ohio Medicaid. Funds encumbered in this ALI will be used for subsidy payments to Medicaid providers. Funds encumbered in ALI 651425 will be used to pay ODM's outstanding personal services and contract expenses for administering the Medicaid program in Ohio.

Issue Updates

FY 2022 Operating and Capital Expenditures Total $90 Billion

Melaney Carter, Director

In FY 2022, the state of Ohio incurred a total of $90.05 billion in operating and capital expenditures. As seen from Table A, $84.95 billion (94.3%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $3.71 billion (4.1%) and $1.08 billion (1.2%), respectively. The remaining $317.9 million (0.4%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

Table A. FY 2022 Operating and Capital Expenditures by Budget		
Budget	Amount	% of Total
Main Operating	$84,947,542,357	94.3%
Transportation	$3,705,607,242	4.1%
Capital	$1,078,910,743	1.2%
Workers' Compensation	$317,945,970	0.4%
TOTAL	**$90,050,006,313**	**100.0%**

Table B shows FY 2022 expenditures by the account category used in the state's accounting system. As seen from Table B, Subsidies and Shared Revenue is the largest spending area. In FY 2022, 85.7% ($30.64 billion) of total GRF expenditures were distributed as subsidies. These include payments to Medicaid service providers, schools, colleges and universities, local governments, and various other entities. Across all funds, this category's expenditures totaled $62.05 billion (68.9%).

The vast majority of the expenditures incurred under the Capital Item category – $3.26 billion (3.6%) across all funds – supported the construction and maintenance of roads and bridges in the state as well as the construction and renovation of public K-12 schools and colleges and universities. Capital Item expenditures are mainly funded by bond proceeds. FY 2022 debt service payments totaled $339.7 million (1.0%) for the GRF and $1.78 billion (2.0%) across all funds.

For FY 2022, state payroll costs (including both salaries and fringe benefits) amounted to $5.46 billion (6.1%) across all funds, of which $2.51 billion was supported by the GRF. In addition to Payroll, spending that is commonly referred to as the state government's operating expenses also includes expenditures incurred under the Purchased Personal Services, Supplies and Maintenance, and Equipment categories. For FY 2022, the state government's operating expenses totaled $9.76 billion across all funds, of which $3.53 billion came from the GRF. In percentage terms, these amounts represent 10.8% and 9.9% of the respective totals.

Table B. FY 2022 Operating and Capital Expenditures by Account Category				
Account Category	GRF Only	% of Total	All Funds	% of Total
500 - Payroll	$2,506,909,193	7.0%	$5,463,197,296	6.1%
510 - Purchased Personal Services	$456,955,701	1.3%	$1,891,710,809	2.1%
520 - Supplies and Maintenance	$547,684,392	1.5%	$2,221,293,506	2.5%
530 - Equipment	$18,808,135	0.1%	$184,831,375	0.2%
550 - Subsidies and Shared Revenue	$30,644,242,683	85.7%	$62,048,279,636	68.9%
560 - Goods and Services for Resale	$0	0.0%	$106,349,080	0.1%
570 - Capital Items	$39,727,333	0.1%	$3,256,975,132	3.6%
590 - Judgments, Settlements and Bonds	$53,622,607	0.1%	$70,114,093	0.1%
591 - Debt Service	$339,732,284	1.0%	$1,778,567,271	2.0%
595 - Transfers and Non-Expense	$1,152,657,931	3.2%	$13,028,688,115	14.5%
TOTAL	**$35,760,340,260**	**100.0%**	**$90,050,006,313**	**100.0%**

Ohio Department of Natural Resources Awards $3 Million for H2Ohio Initiatives in the Ohio River Basin

– Jared Cape, LSC Fellow

On May 10, 2022, DNR awarded nearly $3 million for nine wetland projects under the state's ongoing H2Ohio Initiative to help improve water quality in the Ohio River Basin. Specifically, these projects will create wetlands, restore wetlands on soils favorable to their growth, and enhance water quality at existing wetlands and floodplains. Project awards ranged from nearly $136,000 to $500,000. All projects are to be completed by June 30, 2024. More details on the projects are described in the table below.

This is the second round of funding for Ohio River Basin projects under H2Ohio. DNR awarded approximately $4.3 million to ten projects under the first round, which focused on mitigating nutrient loading and improving water quality in the Ohio River and its tributaries. Under this round of funding, public and nonprofit entities were invited to apply for funding ranging from $50,000 to $500,000. Matching funds were not required. Eligible projects included those that: (1) created wetlands, (2) restored and enhanced existing wetlands, floodplains, streams, and forested riparian buffers, (3) provided storm flow storage, (4) reduced erosion and nutrient loading, (5) abated acid mine drainage problems, and (6) improved water quality. Since H2Ohio's launch in 2019, DNR has implemented more than 80 natural infrastructure projects across both the Lake Erie and Ohio River watersheds involving over 11,000 acres of ecosystem restoration.

The H2Ohio Fund (Fund 6H20) was created under H.B. 166 of the 133rd General Assembly and is used for various water quality improvement programs under the departments of Agriculture and Natural Resources and the Environmental Protection Agency. The fund was initially capitalized by a cash transfer of $172.0 million from the FY 2019 GRF surplus. Under H.B. 110, the fund received an additional cash transfer of $132.0 million from the FY 2021 GRF surplus.

2022 Ohio River Basin Wetland Grant Program Awards Under H2Ohio			
County	**Applicant**	**Project Description**	**Award Amount**
Franklin	Columbus & Franklin County Metro Parks	Wetland creation and floodplain restoration	$500,000
Pickaway	Appalachia Ohio Alliance	Wetland and floodplain restoration	$490,000
Butler	MetroParks of Butler County	Streambank stabilization	$488,938
Delaware	Preservation Parks of Delaware County	Wetland and floodplain restoration	$400,000
Montgomery	Centerville-Washington Park District	Wetland creation and streambank restoration	$309,720
Athens	Hocking River Commission	Wetland restoration	$230,613
Wayne	Western Reserve Land Conservancy	Wetland creation	$220,000
Clark	Tecumseh Land Trust	Wetland and floodplain restoration	$198,037
Mahoning	Mill Creek Metropolitan Park District	Stream, floodplain, and wetland restoration; wetland creation	$136,177
		TOTAL	**$2,973,485**

Department of Development Awards Nearly $15.0 Million Under Second Round of Meat Processing Grant Program

– Shannon Pleiman, Senior Budget Analyst

On June 1, 2022, DEV, in collaboration with AGR, awarded nearly $15.0 million in the second round of grant funding under the Meat Processing Grant Program. Overall, 75 livestock and poultry producers in 45 counties received awards,[14] ranging from $17,625 to $250,000, the maximum award under the program. This second round of awards was funded from cash that Ohio received through the federal American Rescue Plan Act (ARPA) and was authorized for use under the program by the Controlling Board on April 4, 2022.

The program was created under H.B. 110 to improve processing efficiencies, expand or construct processing facilities, support food safety certification, or assist in obtaining cooperative interstate shipment status. The 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) costs related to a processor's participation in the cooperative interstate shipment program. The first round of awards occurred in February, when $10.0 million was awarded to 40 livestock and poultry producers in 29 counties. Funding for the first round was supported by a one-time transfer of $10.0 million from the GRF to the Meat Processing Investment Program Fund (Fund 5XX0).

Criminal Justice Services Awards $3.6 Million in Ohio Drug Law Enforcement Fund Grants

– Maggie West, Senior Budget Analyst

On May 17, 2022, the Office of Criminal Justice Services (OCJS), a division of DPS, awarded $3.6 million in Ohio Drug Law Enforcement Fund grants to 41 drug task forces across the state. The goals of the grant program include providing safety measures and meeting the needs of local communities through innovative criminal justice programs and reducing the impact of drug traffickers, pharmaceutical diversion, and other organized criminal activity on Ohio communities through multijurisdictional collaboration. Grants can also be used to support local work to help drug overdose victims and their families through education, support, and treatment options.

The grants are expected to support task force activities in 67 counties. Grant awards in this cycle range from approximately $7,546 to $166,481, with an average award of $87,805. A complete list of the awards (PDF) can be found on DPS's website, under News: publicsafety.ohio.gov.

The grant period begins on July 1, 2022, and each recipient is required to provide a local match of at least 25% of the task force's total project operating costs in the time period covered by the grant. The grant money is distributed from the Drug Law Enforcement Fund (Fund 5ET0), which receives its revenue from $3.40 of the $10 court fee that is required to be assessed for all offenders who are convicted of, or plead guilty to, a moving traffic violation.

[14] See the announcement, including a table of awards under the Meat Processing Grant Program (PDF), on the Governor's website: governor.ohio.gov. More information about the Meat Processing Grant Program is available on the Department of Development's website: development.ohio.gov.

Ohio Receives $5.0 Million from a Multistate Settlement with the Makers of TurboTax

– Jessica Murphy, Budget Analyst

On May 4, 2022, the Ohio Attorney General announced that it had agreed to a $141.0 million multistate settlement with Intuit Incorporated, the creator of TurboTax. Ohio's portion of the settlement totals $5.0 million. The settlement resolves claims that the company engaged in unfair and deceptive practices in violation of consumer protection laws in the marketing, advertising, promotion, and sale of online tax preparation products. The settlement was led by New York and Tennessee with support from the attorneys general of Florida, Illinois, New Jersey, North Carolina, Pennsylvania, Texas, and Washington. All 50 states and the District of Columbia agreed to the settlement.

Of the $141.0 million, nearly 99% ($138.25 million) will be used for the purpose of providing restitution to nearly 4.5 million consumers that were impacted by Intuit's alleged misconduct nationwide. The remaining 1% ($2.5 million) will be used to administer the settlement fund. The share allocated to each state is generally based on their percentage of the total population of these consumers. Ohio's $5.0 million allocation will be distributed to 163,367 eligible consumers. Consumers are expected to receive a direct payment of approximately $30 for each year that they erroneously paid for filing services. Payments will be made automatically by the settlement distributor.

Eligible consumers are those who used TurboTax's "Free Edition" for tax years 2016 through 2018 and paid to file even though they were eligible to file for free using the Internal Revenue Service (IRS) Free File program offered through TurboTax. Allegedly, Intuit knew that consumers were confused between the IRS Free File program and TurboTax Free Edition, and the company's focus on the use of the word "free" in marketing its products ultimately steered consumers toward its paid products instead. Intuit made no admission of liability as part of the settlement. The company has agreed to abide by certain standards to address the issues discovered in the investigation, including no longer participating in the IRS Free File program.

Pediatric Behavioral Health Initiative

– Wendy Risner, Division Chief

On May 16, 2022, the Governor announced the launch of the Pediatric Behavioral Health Initiative. The initiative dedicates a total of $84 million to community organizations to increase access to care and to expand capacity for children's behavioral health needs statewide. The funds will be used to build or establish new behavioral health centers or inpatient facilities or to renovate or expand existing facilities. The recipients and the amounts allocated are listed in the table below. H.B. 168 of the 134^{th} General Assembly appropriated the funds for the initiative from cash received through the State Fiscal Recovery Fund of ARPA.

Pediatric Behavioral Health Initiative Recipients	
Recipient	**FY 2022**
Dayton Children's Hospital	$25,000,000
ProMedica Russell J. Ebeid Children's Hospital	$17,000,000
University Hospitals Rainbow Babies & Children's	$15,000,000
Cincinnati Children's Hospital Medical Center	$10,000,000
Akron Children's Hospital	$7,000,000
Appalachian Children's Coalition: Integrated Services for Behavioral Health	$6,450,000
Appalachian Children's Coalition: Hopewell Health Centers	$3,550,000
TOTAL	**$84,000,000**

According to the U.S. Centers for Disease Control and Prevention, about one in five children have a mental, emotional, or behavioral health disorder such as anxiety or depression, attention deficit/hyperactivity, autism spectrum disorder, or disruptive behavior disorder. However, only about 20% of these children receive specialized mental health care due to a number of factors, including lack of access and providers. This Initiative seeks to address access issues. OhioMHAS has also funded other initiatives to help strengthen or support the behavioral health workforce. These efforts include awarding $5.0 million in federal funds to 115 community behavioral health centers to enable these centers to provide retention bonuses to staff who performed duties during the COVID-19 public health emergency.

OhioMHAS Receives $3.3 Million Federal 988 Capacity Grant

– Wendy Risner, Division Chief

In May 2022, OhioMHAS announced that it received a $3.3 million federal grant to build 988 lifeline call center capacity and to improve the state's response to 988 calls, chats, and texts. Specifically, funds must be used for a variety of activities including the following: to expand the ability of call centers to respond to spikes in call volumes during a disaster or other traumatic event, to ensure that call centers collect and report monthly contact data, to develop a plan to respond to chat and text contacts, to ensure the crisis workforce receives training for high-risk population,; and to expand the workforce to respond to an anticipated increase in call volume due to 988 implementation. The grants are administered by the federal Substance Abuse and Mental Health Services Administration (SAMHSA). In total, SAMHSA made $105.0 million available to states and territories for these efforts. Ohio received the seventh largest grant – only California, Texas, New York, Florida, Illinois, and Michigan received larger amounts.

Federal legislation (the National Suicide Hotline Designation Act of 2020) requires states to transition from the current ten-digit National Suicide Prevention Lifeline (NSPL) number to the three-digit 988 number by July 16, 2022. Currently, SAMHSA is responsible for NSPL, which is a confidential 24/7 telephone line that connects individuals in crisis with trained counselors across the United States. The service provides referrals to local treatment facilities, support groups, and community-based organizations. With the 988 transition, states are required to take a more active role in the administration of the hotline. To facilitate this process, most states were awarded a 988 planning grant. OhioMHAS received a $360,000 grant in January 2021 and has had numerous meetings with various interested parties to support implementation in Ohio. On January 21, 2022, OhioMHAS submitted their final implementation plan, which outlines the goals and timelines associated with this transition.[15]

DHE Awards $2 Million for Brain Health Research, Completing Third Frontier Research Incentive Awards for FY 2022-FY 2023

– Jason Glover, Budget Analyst

In May 2022, DHE announced Case Western Reserve University (CWRU) will receive $1.0 million in each of FY 2022 and FY 2023 in Third Frontier Research Incentive awards for research related to the issue of brain health. According to DHE, CWRU will partner with the Cleveland Clinic to explore various lifestyle interventions, such as exercise and nutrition, that may prevent or slow the progression of neurological diseases and disorders, including dementia. The study's goal is to identify new indicators of neurological disease that will be useful in developing diagnostic tests that assess risk before disease onset. With CWRU's grant, DHE completed the process of awarding Third Frontier Research Incentive funds for the FY 2022-FY 2023 biennium. Overall, DHE awarded a total of $14.7 million to ten public and private universities for research on a variety of issue areas. Of this amount, (1) $5.0 million supports research on improving water quality related to harmful algal blooms, (2) $3.0 million supports collaborative research, including the $2.0 million for CWRU to research brain health, (3) $2.0 million supports research for reducing infant mortality, (4) $1.9 million supports research on spinal cord issues, (5) $1.5 million supports research on cybersecurity programs and initiatives, and (6) $1.3 million supports research on opiate addiction issues. The awards range from about $118,000 to $2.5 million in each fiscal year. The recipients and award amounts are listed in the table below for each type of research issue.

The Third Frontier Research Incentive Program aims to strengthen academic research capabilities at Ohio's universities in areas that contribute to economic growth. The program rewards institutions' successes in attracting external research funds by fractionally matching those external funds obtained during the previous year. The awards are supported by the proceeds of Third Frontier bonds.

[15] OhioMHAS 988 Implementation documents, which can be accessed by conducting a keyword "988 Implementation" search on OhioMHAS' website: mha.ohio.gov.

Third Frontier Research Incentive Awards for Selected Issues, FY 2022-FY 2023			
Institution	FY 2022	FY 2023	Total
Water Quality Research			
The Ohio State University	$2,500,000	$2,500,000	$5,000,000
Collaborative Research			
Case Western Reserve University	$1,000,000	$1,000,000	$2,000,000
The Ohio State University	$365,000	$365,000	$730,000
Kent State University	$118,408	$118,408	$236,816
Infant Mortality Research			
Cleveland State University	$371,738	$585,649	$957,387
The Ohio State University	$130,532	$249,650	$380,182
Bowling Green State University	$195,330	$164,701	$360,031
Mount St. Joseph University	$302,400	$0	$302,400
Spinal Cord Research			
Case Western Reserve University	$575,643	$608,501	$1,184,144
The Ohio State University	$249,281	$249,537	$498,818
University of Dayton	$124,824	$124,826	$249,650
Cyber Security Research			
University of Cincinnati	$750,000	$750,000	$1,500,000
Opiate Addiction Research			
University of Toledo	$348,310	$296,634	$644,944
Miami University	$278,750	$278,750	$557,500
Case Western Reserve University	$124,736	$0	$124,736
TOTAL – Research Awards	**$7,434,952**	**$7,291,656**	**$14,726,608**

ODE Rolls Out Afterschool Child Enrichment Educational Savings Account Program

– James Clark-Stewart, Economist

On April 11, 2022, ODE began accepting applications for Afterschool Child Enrichment (ACE) educational savings accounts. These accounts provide, upon the annual request of a parent or guardian, a qualifying student with $500 for each of FY 2022 and FY 2023 to cover costs for various afterschool education and enrichment activities, such as field trips, afterschool classes and tutoring, and creative arts programs. A student is eligible for the program if the student is at least six years old and under 18 years old and the student's family income is at or below 300% of the federal poverty level. The funds in the account may be used to purchase services from a registered provider offering qualifying services. According to ODE, about 6,400 accounts have been opened and about 600 service providers have registered to participate as of June 22, 2022. ODE and the vendor operating the program (see below) are advertising the savings accounts through various activities, including:

- Social media outreach to families and potential providers;
- Distribution of an informational video, a frequently asked questions (FAQ) document, and website text that other organizations can use on their websites;
- Distribution of a program flyer in award letters for Autism or Jon Peterson Special Needs scholarships and to nonpublic schools participating in the EdChoice and Cleveland scholarship programs to share with families; and
- Collaborations with county departments of job and family services and food service providers.

The ACE Educational Savings Account Program was established in H.B. 110 in an effort to address learning losses resulting from the pandemic. H.B. 110 appropriates $50 million for the program in FY 2022 and $75 million in FY 2023 using federal COVID-19 school relief funds allocated for state activities and reappropriates the unused balance of the appropriation at the end of FY 2022 for the same purpose in FY 2023. H.B. 110 also required ODE to contract with a vendor to administer the program. In March 2022, ODE received Controlling Board approval to contract with Merit International, Inc., for this purpose. ODE will pay the contractor up to 3% of each year's appropriation for the program, equating to up to $1.5 million for FY 2022 and up to $2.25 million for FY 2023.

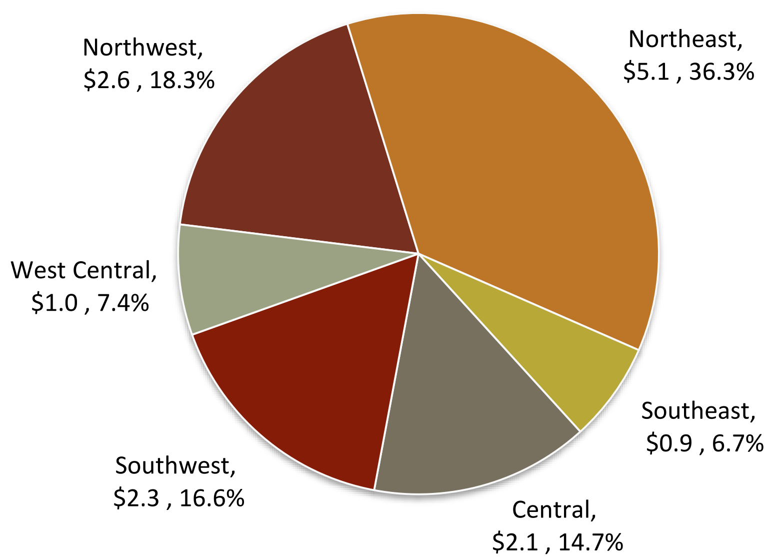
ODE and DHE Award $14.2 Million in Grants to Colleges and Universities to Expand Tutoring for K-12 Students

– Andrew C. Ephlin, Budget Analyst

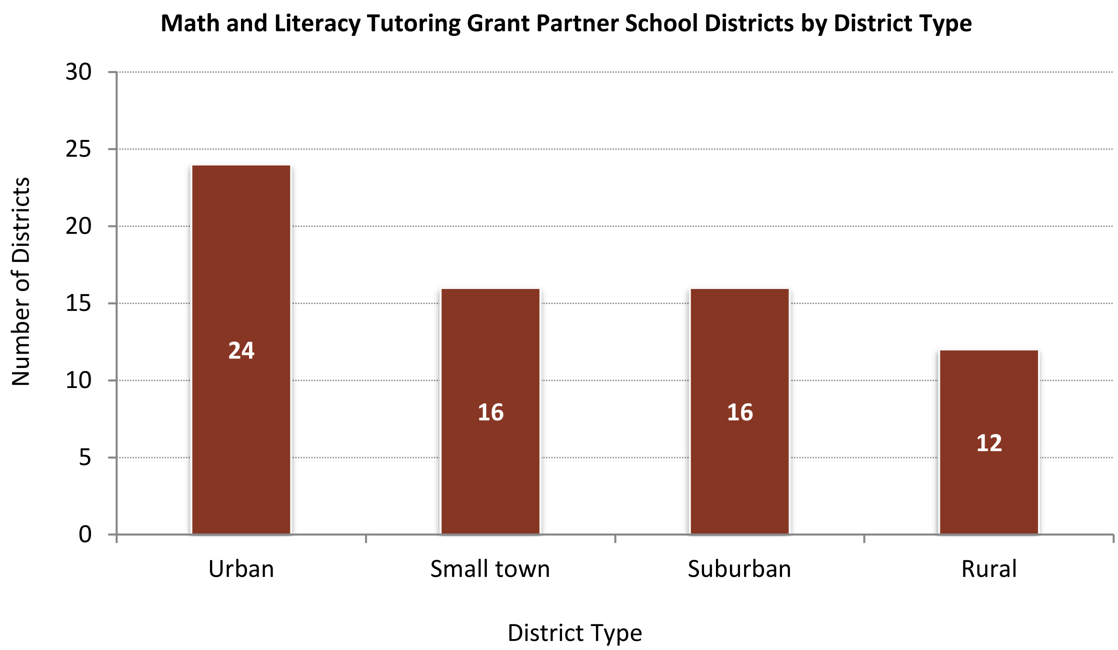
On May 27, 2022, ODE, in partnership with DHE, awarded a total of $14.2 million in federally funded competitive grants to 30 lead colleges and universities with teacher preparation programs to create or expand mathematics and literacy tutoring programs for K-12 students. The 30 lead institutions are partnering with school districts and other public and nonpublic schools in their respective regions to provide 33 programs offering "high-dosage" tutoring, defined as more than three days per week or at least 50 hours over 36 weeks. ODE cited data from the Annenburg Institute at Brown University that indicates such tutoring can produce large learning gains. Each institution applied for funds to provide tutoring in mathematics, literacy, or both. The majority of funded programs will provide both math and literacy tutoring services, with 25 (76%) offering both, five (15%) offering just math, and three (9%) only literacy. Overall, grant awards range from approximately $150,000 to $700,000 and average $429,000. The grants are funded by a portion of the $70 million in federal COVID-19 school relief funds for state activities from ARPA that were earmarked in H.B. 169 of the 134th General Assembly for learning loss and academic recovery efforts.

The first chart below summarizes the grant awards by the region where each tutoring program will be located. As the chart indicates, the northeast and northwest regions received the largest amounts of funding, at $5.1 million for 13 programs and $2.6 million for five programs, respectively. The southwest region received the next largest amount, at $2.3 million for six programs, followed by the central ($2.1 million for four programs), west central ($1.0 million for two programs), and southeast ($0.9 million for three programs) regions.

Math and Literacy Tutoring Grant Awards by Region ($ in millions)



The programs will operate within 68 school districts (some districts have more than one funded program); eight community or STEM schools; and five nonpublic schools. The school district partners represent a mix of geographic and demographic areas. The chart below illustrates the number of partner districts by district type. As the chart shows, urban school districts predominate the list, at 24 (35.3%), followed by districts in small town (16, 23.5%), suburban (16, 23.5%), and rural (12, 17.6%) areas.



Recipients may use their grants for a number of activities and supplies, including training on high-dosage instructional strategies, curriculum and materials, tutor stipends and travel reimbursements, tutor background checks, support services, and program operating costs. The grants must be spent by September 30, 2024. For additional information about the grants, see ODE's Statewide Mathematics and Literacy Tutoring Grant documentation, which can be accessed by conducting a keyword "Math and Literacy" search on the ODE website: education.ohio.gov.

Tracking the Economy

– *Eric Makela, Economist*

– *Philip A. Cummins, Senior Economist*

Overview

Inflation at four-decade highs this year sapped purchasing power and confidence of consumers and businesses and raised questions about the longevity of the economy's expansion. Commodity prices have tumbled recently, apparently at least in part reflecting concerns about recession or economic slowdown. Supply chain disruptions and demand-supply imbalances continue in the wake of the pandemic. Russia's war on Ukraine is disrupting world grain and energy markets. The Federal Reserve, the nation's central bank, is intent on bringing inflation under control and projects sizable further increases in short-term interest rates. Longer-term interest rates climbed sharply in this year's first half, though rates recently have eased somewhat from June peaks. U.S. employment grew again in June and unemployment remained low. Job openings were numerous through May but less so than earlier in the year. Inflation-adjusted gross domestic product (real GDP) contracted at a 1.6% annual rate in the 2022 first quarter and may be down again in the second quarter, based on monthly data on various GDP components. Total industrial production growth slowed in May as factory output (74% of the total) declined.

In Ohio, nonfarm payroll employment rose every month this year through May, and statewide unemployment fell in May to 3.9% of the labor force, lowest since 2019. The state as of April had seven job openings to every four persons counted as unemployed. The state's real GDP contracted in the year's first quarter at a 1.8% annual rate. Personal income in Ohio, measured in nominal dollars (i.e., with no inflation adjustment), rose in the first quarter at a 5.1% annual rate as earnings from work rose strongly while transfer payments fell.

Forecasts published last month for growth of United States and Ohio income variables are compared with predictions from May 2021 in a section at the end of this month's Tracking the Economy. The latter predictions were in part the basis for LBO's tax revenue forecasts for the state's main operating budget. And the more recent predictions were generally for faster income growth, which helps to explain, in part, why the state's tax revenue exceeded estimate by such healthy amounts in FY 2022.

The National Economy

The Federal Open Market Committee (FOMC), the monetary policy setting group within the nation's central bank, in June announced the largest single-day federal funds rate increase since November 1994. It raised the range for federal funds by 0.75 percentage point to 1.50%-1.75%. The FOMC is also continuing implementation, begun in June, of a plan to reduce the central bank's holdings of Treasury securities and agency debt and agency mortgage-backed securities. In its press release (PDF) after the June meeting, the FOMC reiterated its goal of maximum employment and 2% inflation. It noted recent rapid inflation related to the pandemic and high prices for energy. It cited external factors, including the Russian invasion of Ukraine that is exacerbating inflation and constraining economic activity, and COVID-19-related lockdowns in China that are worsening supply chain disruptions. FOMC members indicated that they expect to raise the target for the federal funds rate by an additional 1.50 to 2.25 percentage points by year end, and most expect a further increase in 2023. A Federal Reserve

Bank of Atlanta tool, which uses market inputs to graph implied future federal funds rates, shows increases through late this year.[16]

Total nonfarm payroll employment increased again in June, by 372,000, and the nation's unemployment rate remained low at 3.6%. Trends in employment and unemployment, reported by the U.S. Bureau of Labor Statistics (BLS), are shown in Chart 8 and Chart 9.

Nonfarm payrolls in June remained about 0.5 million (0.3%) below the peak in February 2020, ahead of the huge pandemic-related job losses in March and April. But private-sector employment in total had fully recovered as of June, reaching a level 0.1 million above the previous peak 28 months earlier. Employment was 0.9 million higher than in February 2020 in professional and business services, 0.8 million higher in transportation and warehousing, and 0.1 million higher in information (publishing, telecommunications, data processing). But the number of jobs was 1.3 million lower than in February 2020 in leisure and hospitality, 0.2 million lower in health care, and 0.1 million lower in social assistance. Employment with governments remained lower than in February 2020, with most of the reductions since then at local governments.

In June, 5.9 million people were counted as unemployed, equal to 3.6% of the labor force for the fourth consecutive month. These measures of unemployment were near their February 2020 levels, 5.7 million and 3.5%. The number unemployed for more than six months totaled 1.3 million in June 2022, remaining 0.2 million higher than in February 2020. Labor force participation, the share of the working-age population (age 16 and over) that is either employed or actively seeking work, was 62.2% in June, 1.2 percentage points lower than in February 2020. This shortfall amounts to approximately 3.2 million people. In June, 0.6 million people not in the labor force were prevented from looking for work due to the pandemic, based on a BLS survey.

The number of job openings nationwide fell in April and May, to 11.3 million, 5% lower than the all-time peak in March. Job openings in May remained higher than in any month prior to December 2021, in data kept since 2000. Quits, an indicator of the confidence of workers in their ability to find other employment, also declined in April and May, and were 5% lower than the all-time peak last November. Layoffs and discharges remained low through May but were 10% higher than the all-time low last December.

Real GDP decreased in this year's first quarter at a 1.6% seasonally adjusted annual rate, in the third estimate for the quarter from the U.S. Bureau of Economic Analysis (BEA). Aggregate demand grew but the increase was met by more imports. Consumer spending and business fixed investment increased while exports and government outlays shrank. BEA also released estimated real GDP by industry. The first quarter decline was more than accounted for by reduced output in nondurable goods manufacturing, particularly petroleum and coal products; retail trade; finance and insurance; mining, notably oil and gas extraction; accommodation and food services; and wholesale trade. Real GDP growth was reported for several industry groups including professional and business services, real estate and rental and leasing, utilities, state and local government, information, health care and social assistance, and educational services.

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

In the second quarter, real consumer spending fell 0.4% in May after rising 0.3% in April. Personal after-tax incomes, in the aggregate, have not kept pace with inflation for more than a year. High inflation appears increasingly to be eroding consumer outlays. Light motor vehicle sales in June, though up 2% from May, remained at a low rate constrained by extremely tight inventories. Housing markets generally are slowing, weighed down by sharply higher mortgage interest rates. Nationwide average interest rates on 30-year fixed-rate mortgage loans in recent weeks rose to levels more than twice as high as at last year's lows and the highest since 2008, though they have fallen somewhat since then.[17] Starts on new housing fell 14% in May to the slowest pace in more than a year, though units under construction, up strongly in the past year, edged higher. Sales of new and used homes in May were at or near the slowest pace since the recession two years ago.[18]

As of July 8, 2022, an estimate of second quarter real GDP from the Federal Reserve Bank of Atlanta, based on available economic data, shows a contraction at a 1.2% annual rate. If realized, a drop in real GDP would be the second consecutive quarter of decline in this measure of nationwide output.

Industrial production rose 0.1% in May, following larger increases earlier this year. May's increase was attributable to greater output in mining (+0.9%) and utilities (+0.9%), partly offset by a 0.2% contraction in manufacturing. Total industrial production in May was 5.4% higher than a year earlier, with expansion in each of the major industry groups: manufacturing (+4.7%), mining (+7.6%), and utilities (+7.6%).

Inflation, measured by the consumer price index (CPI) for all items, was 8.6% in the year to May, the largest 12-month increase since 1981. Food prices were 10.1% higher than a year ago and energy prices were 34.6% higher. The CPI excluding food and energy was 6.0% higher than in May 2021, down from a 6.5% year-over-year increase in March, the largest one-year increase since 1982.

A related inflation measure closely watched by the FOMC, the personal consumption expenditures deflator, rose 0.6% in May to 6.3% higher than a year earlier. Excluding food and energy, this indicator of prices paid by consumers was 4.7% higher than in May 2021. Both indices were down from larger increases in March and April that were the most rapid since the early 1980s.

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[17] Freddie Mac primary mortgage market survey, week of July 7, 2022, indicated a 5.30% average for 30-year fixed-rate mortgages, down from 5.70% and 5.81% in the prior two weeks.

[18] Existing home sales are reported by the National Association of Realtors.

Chart 8: U.S. and Ohio Nonfarm Payroll Employment (in millions)

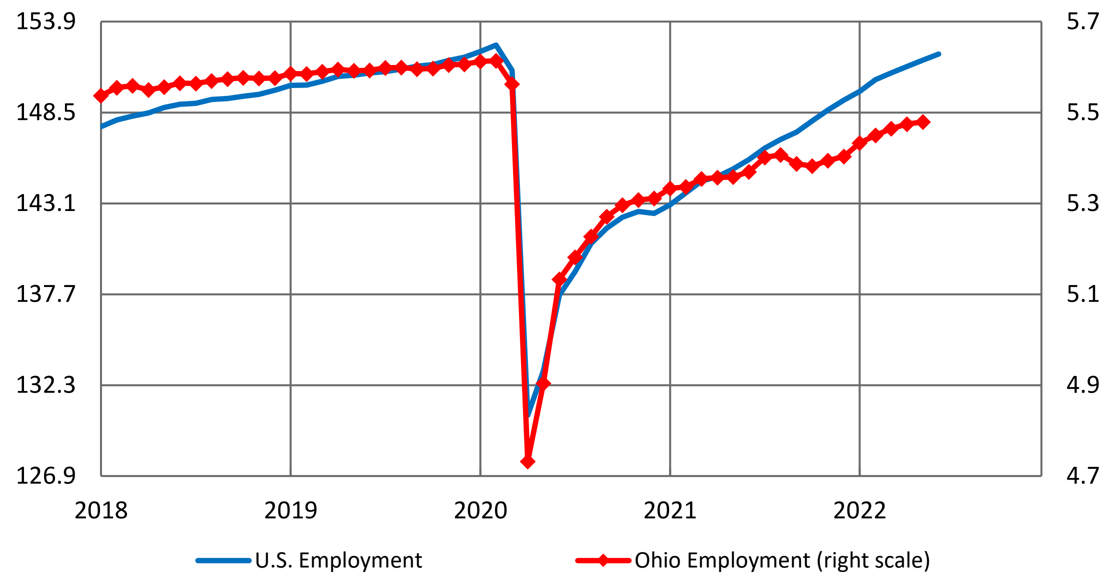
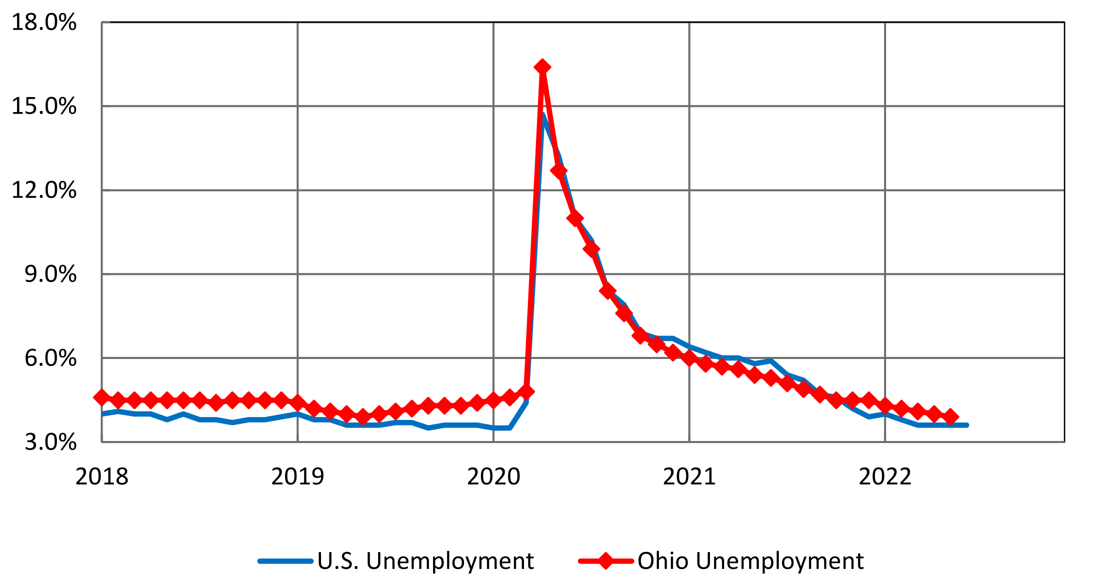


Chart 9: U.S. and Ohio Unemployment Rates % of Labor Force



The Ohio Economy

Total nonfarm payroll employment in Ohio rose 4,800 in May to 121,400 (2.3%) higher than a year earlier. Unemployment in the state fell to 3.9% of the labor force, the lowest statewide unemployment rate since May 2019. These figures are shown with comparable nationwide numbers in Chart 8 and Chart 9.

Ohio's nonfarm payrolls rose every month this year through May but nevertheless were 135,000 (2.4%) lower than at the prepandemic peak in February 2020. Employment in the state has grown recently about half as fast as nonfarm payrolls nationwide, as is evident in the chart.

In the past year, growth was strongest in leisure and hospitality, +49,100 (+9.9%), particularly in accommodation and food services. Other sectors with large employment gains include trade, transportation, and utilities, +26,300 (+2.6%), especially transportation, warehousing, and utilities; manufacturing, +18,000 (+2.7%), with gains in both durable and nondurable goods; and construction, +11,500 (+5.2%). Employment declined in educational and health services, -7,400 (-0.8%), with lower employment in health care and social assistance.

The state's unemployment rate in May, at 3.9%, remained higher than that nationwide, which was 3.6% in that month and in June. Unemployment in the state fell to 226,000 in May, the lowest number of people counted as unemployed since 2001, when the fewest people were considered unemployed in the history of this series that starts in 1976. This decline in unemployment may be nearing an end. Unemployment compensation claims filed with the Ohio Department of Job and Family Services have trended upward in recent weeks, possibly an indicator of an impending rise in the more inclusive series for total unemployment.

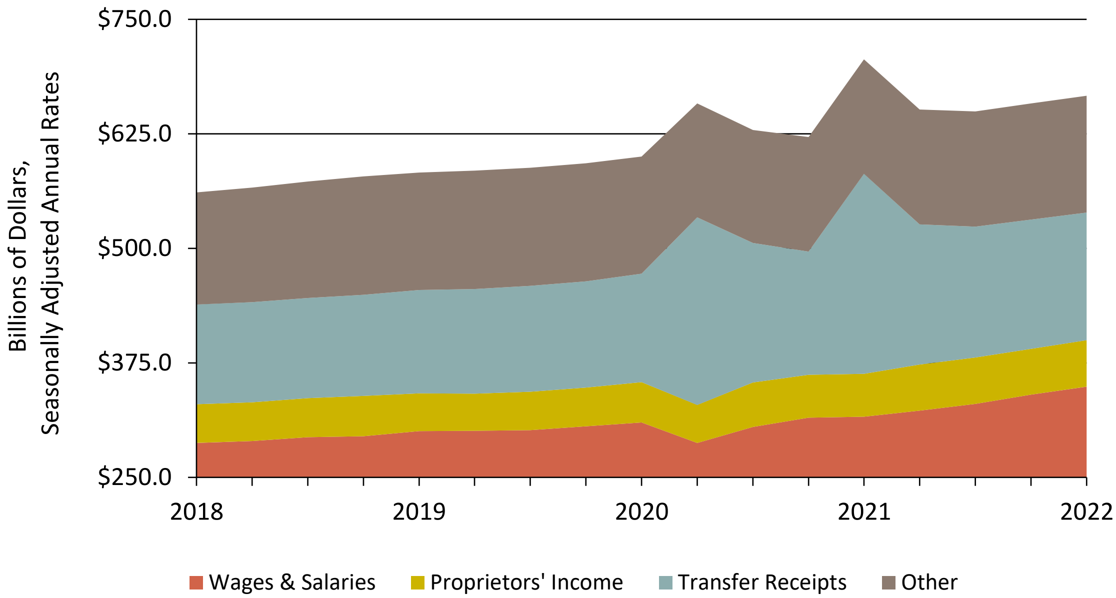
A report on job openings and labor turnover by state, comparable to that for the nation, indicates that Ohio had 406,000 job openings in April, well above the number counted as unemployed that month, 233,000. Job openings in the state were 3% below all-time highs reached late last year, in data that begin in 2000. Layoffs and discharges were low, though up 24% from lower levels earlier this year and late last year. Similarly, quits remained elevated but down 23% from the peak rate earlier this year.

Real GDP in Ohio fell at a 1.8% annual rate in this year's first quarter, a slightly more rapid decline than that nationwide. In 2021, Ohio's real GDP increased 4.3%, less than the increase for the United States, 5.7%. Declines in state real GDP in this year's first quarter were entirely in the private sector, notably in nondurable goods manufacturing; finance and insurance; retail trade; mining, quarrying, and oil and gas extraction; wholesale trade; transportation and warehousing; and accommodation and food services. Activity increased in most other industry groups.

Ohio personal income rose at a 5.1% annual rate in this year's first quarter, as growth of net earnings by place of work and of dividends, interest, and rent were partly offset by reduced transfer receipts.[19] As shown in the chart below, which extends through the 2022 first quarter, government transfer receipts by persons in Ohio ballooned following the start of the pandemic. The various federal support programs have since been pared back but through the first quarter remained larger than in 2019 and before. Ohio wages and salaries grew 10% in the latest four quarters, well above rates prior to the 2020 recession. Proprietors' incomes rose 9% in each of the past two calendar years.

[19] Transfer receipts are benefits received by persons, mostly from governments, for which no current services are performed, including Social Security and other retirement and disability benefits; Medicare, Medicaid, and other medical benefits; unemployment compensation; veterans' benefits; and federal education and training assistance.

Chart 10: Ohio Personal Income



Among Ohio metropolitan areas, unemployment as a percent of the civilian labor force in May was highest in the Cleveland-Elyria area at 5.5% and lowest in the Columbus area at 2.9%. Unemployment rates in May in other metropolitan areas in the state include Cincinnati, 3.0%; Dayton, 3.2%; Akron, 3.3%; and Toledo, 3.5%.[20]

Ohio's housing market picked up in May, measured by units sold, as the number was 1.8% higher than a year earlier, according to Ohio Realtors. However, unit sales in 2022 through May were 1.0% below a year earlier. The average price of housing units sold in this year's first five months was 11.0% higher than a year earlier.[21] This follows double-digit price increases in the previous two years, 12.3% in 2021 and 10.2% in 2020.

Economic Forecast Update

The table below compares the current outlook for the economy with the outlook last year, as predicted in forecasts from IHS Markit released in June of this year and in May 2021.[22] The May 2021 predictions as well as other variables were inputs to forecasts by LBO economists of GRF revenues, for use by the legislature in enacting H.B. 110, the current biennium's main operating budget act.

Economic forecasts are inherently uncertain, even in the best of times. Current uncertainty is exacerbated by the COVID-19 pandemic and its aftermath, including supply chain backups and huge fiscal stimulus that has now been largely withdrawn; by Russia's invasion of Ukraine and resulting disruption of world energy and food markets; by soaring inflation; and by central bank interest rate increases now underway.

[20] These figures are not seasonally adjusted, unlike most of the statistics cited in this report.

[21] The monthly Ohio Local MLS Stats Report reflects reported closings on properties listed by multiple listing services including residential single-family homes, condominiums, and co-op units.

[22] LBO contracts with the economic analysis and forecasting firm IHS Markit for these services.

Figures shown in the table below, for both the United States and Ohio, are percent changes from the average of the four quarters in FY 2021 to that for FY 2022, and from FY 2022 to FY 2023.[23]

On a fiscal year basis, comparing the May 2021 forecast with the June 2022 forecast, both total personal income growth and wage and salary income growth were revised higher for both the nation and the state. The figures are in dollars of current purchasing power, not adjusted for inflation. Personal income growth in FY 2022 is sharply reduced by phasing down of pandemic-related federal fiscal support through unemployment compensation, child tax credit, and other transfer programs. The revisions upward to these forecasts help to explain why GRF revenue has exceeded OBM's estimates by such significant amounts and percentages this fiscal year.

Revisions to IHS Markit Economic Forecast for FY 2022 and FY 2023				
	Forecast for FY 2022 as of		Forecast for FY 2023 as of	
Variable Name (National)	May 2021	June 2022	May 2021	June 2022
U.S. wage & salary growth	8.0%	11.3%	4.8%	7.0%
U.S. personal income growth	0.9%	3.4%	3.9%	5.0%
	Forecast for FY 2022 as of		Forecast for FY 2023 as of	
Variable Name (Ohio)	May 2021	June 2022	May 2021	June 2022
Ohio wage & salary growth	7.1%	8.4%	4.2%	7.2%
Ohio personal income growth	0.1%	1.1%	3.4%	5.0%

[23] Fiscal years shown in the table for the United States, as well as for Ohio, are the state fiscal years that extend from July through June.