LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2022 **Issue: June 2022**

Highlights

– Ross Miller, Chief Economist

GRF tax revenue remained healthy in May, exceeding the estimate for the month published by the Office of Budget and Management (OBM) by $105 million. The sales and use tax led other tax sources with a $64 million positive variance, but the commercial activity tax (CAT) was not far behind, exceeding its estimate by $44 million. Program expenditures for the month were $266 million below estimate, reducing the year-to-date (YTD) positive variance on that side of the budget.

Ohio's nonfarm payroll employment grew by 9,500 (0.2%) in April. The manufacturing sector accounted for 3,900 net new jobs, having grown 0.6% for the month. Ohio's unemployment rate ticked down to 4.0%, from 4.1% in March, but was still above April's national unemployment rate of 3.6%.

Through May 2022, GRF sources totaled $36.87 billion:

- Revenue from the sales and use tax was $590.2 million above estimate;
- Personal income tax (PIT) receipts were $1.80 billion above estimate.

Through May 2022, GRF uses totaled $36.46 billion:

- Program expenditures were $307.3 million above estimate, due almost entirely to GRF Medicaid expenditures having been $812.8 million above estimate;
- Expenditures from all other program categories except one were below estimates, notably Health and Human Services (by $171.0 million) and Justice and Public Protection (by $143.9 million).

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$179,341	$179,400	-$59	0.0%
Nonauto Sales and Use	$973,765	$910,000	$63,765	7.0%
Total Sales and Use	*$1,153,106*	*$1,089,400*	*$63,706*	*5.8%*
Personal Income	$775,757	$753,600	$22,157	2.9%
Commercial Activity Tax	$399,458	$355,400	$44,058	12.4%
Cigarette	$69,596	$77,100	-$7,504	-9.7%
Kilowatt-Hour Excise	$11,847	$19,000	-$7,153	-37.6%
Foreign Insurance	-$38,098	-$22,300	-$15,798	-70.8%
Domestic Insurance	$11,216	$15,700	-$4,484	-28.6%
Financial Institution	$37,495	$34,300	$3,195	9.3%
Public Utility	$41,850	$36,800	$5,050	13.7%
Natural Gas Consumption	$33,775	$32,100	$1,675	5.2%
Alcoholic Beverage	$5,190	$4,900	$290	5.9%
Liquor Gallonage	$4,772	$4,800	-$28	-0.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$13	$0	$13	---
Business and Property	$263	$100	$163	162.9%
Estate	$7	$0	$7	---
Total Tax Revenue	**$2,506,247**	**$2,400,900**	**$105,347**	**4.4%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$5,548	$2,584	$2,963	114.7%
Other Revenue	$2,467	$873	$1,594	182.6%
Total Nontax Revenue	**$8,015**	**$3,457**	**$4,558**	**131.8%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,514,262**	**$2,404,357**	**$109,905**	**4.6%**
Federal Grants	**$1,043,686**	**$944,603**	**$99,083**	**10.5%**
Total GRF Sources	**$3,557,948**	**$3,348,960**	**$208,988**	**6.2%**

*Estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

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

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$1,769,912	$1,702,600	$67,312	4.0%	$1,682,063	5.2%
Nonauto Sales and Use	$10,093,489	$9,570,600	$522,889	5.5%	$9,401,553	7.4%
Total Sales and Use	*$11,863,401*	*$11,273,200*	*$590,201*	*5.2%*	*$11,083,616*	*7.0%*
Personal Income	$9,719,264	$7,916,400	$1,802,864	22.8%	$9,119,718	6.6%
Commercial Activity Tax	$1,983,994	$1,784,500	$199,494	11.2%	$1,655,388	19.9%
Cigarette	$754,252	$766,700	-$12,448	-1.6%	$789,605	-4.5%
Kilowatt-Hour Excise	$274,856	$287,500	-$12,644	-4.4%	$285,523	-3.7%
Foreign Insurance	$316,073	$329,200	-$13,127	-4.0%	$331,042	-4.5%
Domestic Insurance	$13,527	$16,800	-$3,273	-19.5%	$10,397	30.1%
Financial Institution	$173,405	$188,600	-$15,195	-8.1%	$201,957	-14.1%
Public Utility	$148,232	$131,600	$16,632	12.6%	$121,867	21.6%
Natural Gas Consumption	$69,019	$68,000	$1,019	1.5%	$70,055	-1.5%
Alcoholic Beverage	$58,677	$55,300	$3,377	6.1%	$55,943	4.9%
Liquor Gallonage	$53,030	$52,000	$1,030	2.0%	$52,588	0.8%
Petroleum Activity Tax	$6,474	$6,600	-$126	-1.9%	$3,202	102.2%
Corporate Franchise	$702	$0	$702	---	$5,929	-88.2%
Business and Property	$271	$100	$171	171.0%	$189	43.1%
Estate	$58	$0	$58	---	$61	-5.3%
Total Tax Revenue	**$25,435,234**	**$22,876,500**	**$2,558,734**	**11.2%**	**$23,787,079**	**6.9%**
Nontax Revenue						
Earnings on Investments	$34,634	$27,479	$7,156	26.0%	$45,600	-24.0%
Licenses and Fees	$98,680	$68,959	$29,722	43.1%	$87,483	12.8%
Other Revenue	$400,288	$113,114	$287,173	253.9%	$108,067	270.4%
Total Nontax Revenue	**$533,602**	**$209,552**	**$324,051**	**154.6%**	**$241,150**	**121.3%**
Transfers In	**$57,085**	**$30,362**	**$26,722**	**88.0%**	**$97,173**	**-41.3%**
Total State Sources	**$26,025,922**	**$23,116,414**	**$2,909,507**	**12.6%**	**$24,125,403**	**7.9%**
Federal Grants	**$10,841,944**	**$9,845,303**	**$996,641**	**10.1%**	**$11,337,548**	**-4.4%**
Total GRF SOURCES	**$36,867,866**	**$32,961,718**	**$3,906,148**	**11.9%**	**$35,462,951**	**4.0%**

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

Revenues[1]

– Eric Makela, Economist

Overview

For the fiscal year through May, GRF sources of $36.87 billion were $3.91 billion (11.9%) above the estimate published by OBM, due to YTD positive variances of $2.56 billion (11.2%) from tax sources, $324.1 million (154.6%) from nontax revenue, $26.7 million (88.0%) from transfers in, and $996.6 million (10.1%) from federal grants.[2] GRF sources consist of federal grants and state-source receipts (tax revenue, nontax revenue, and transfers in). Tables 1 and 2, which precede this section, show GRF sources for May 2022 and YTD through May in FY 2022, respectively.

The YTD variance in tax sources was led by PIT receipts, which were $1.80 billion (22.8%) above estimate through May. Significant positive YTD variances from the sales and use tax ($590.2 million, 5.2%), the CAT ($199.5 million, 11.2%), and the public utility excise tax ($16.6 million, 12.6%) were the largest among GRF tax sources. These positive variances were partly offset by negative YTD variances posted by the cigarette tax ($12.4 million, 1.6%), the kilowatt-hour tax ($12.6 million, 4.4%), the foreign insurance tax ($13.1 million, 4.0%), the domestic insurance tax ($3.3 million, 19.5%), and the financial institutions tax (FIT, $15.2 million, 8.1%).

GRF tax revenues in May were $105.3 million above the OBM estimate, due mostly to a $63.7 million positive variance in the sales and use tax. Most of the major GRF tax revenue sources posted revenues exceeding projections in May, as CAT revenue was $44.1 million (12.4%) above estimate and PIT revenue was $22.2 million (2.9%) above estimate.[3] In addition to these major tax sources, the FIT,[4] the public utility excise tax, and the natural gas consumption tax posted above expected revenues during May, with positive variances of $3.2 million, $5.1 million, and $1.7 million, respectively. Several taxes received below forecast receipts during May, partially offsetting the positive variances described above. These include the cigarette tax, the kilowatt-hour tax, the foreign insurance tax, and the domestic insurance tax which posted negative variances of $7.5 million, $7.2 million, $15.8 million, and $4.5 million respectively. In addition to May's tax surplus, federal grants and nontax revenue were above

---

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

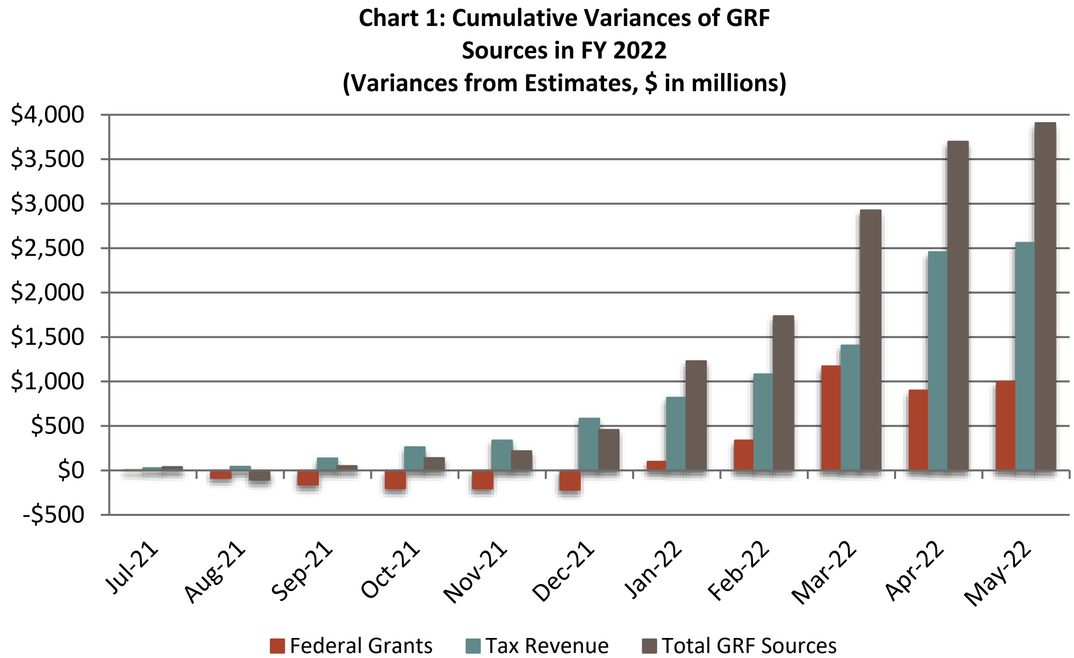
[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs.

[3] CAT tax returns are filed quarterly, in February, May, August, and November, thus May receipts represent the last major flow of income for the fiscal year. Payments are based on a company's gross receipts in the previous calendar quarter.

[4] Annual FIT tax returns are due in October, but estimated payments are made at the end of January, March, and May. The reconciliation between estimated payments and final tax liability typically results in net refunds between July and December.

estimates by $99.1 million and $4.6 million, respectively. As a result, total GRF revenue during May was $209.0 million (6.2%) above estimate.

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



Through May, year-over-year growth in GRF tax sources has been entirely accounted for by revenue from Ohio's three largest GRF taxes: the sales and use tax, the PIT, and the CAT. The year-over-year growth in revenue from these taxes was $779.8 million (7.0%), $599.5 million (6.6%), and $328.6 million (19.9%), respectively. Growth in PIT revenue is particularly notable since it was achieved despite a reduction in withholding rates during the current fiscal year and an artificial boost to FY 2021 PIT revenue due to a delay in the tax year (TY) 2019 filing deadline; these factors are described in more detail below. In addition, revenue from the public utility excise tax grew $26.4 million over the year. Most other tax sources yielded revenue declines, most notably the cigarette tax (by $35.4 million), continuing a long-term trend, and the FIT ($28.6 million).

During the fiscal year, revenues from the major taxes were supported by federal income augmentation programs designed to ease the burden of COVID-19 on families and to support businesses and governments. This fiscal policy, coupled with monetary policy, supply chain disruptions, and war in Europe, has resulted in inflationary pressures that have further augmented tax revenue from these particular sources. Because the tax base for each of these taxes depends on price levels, their performance will continue to be correlated with the cost of goods and labor.

Sales and Use Tax

Sales and use tax revenue continues to exceed all expectations in FY 2022. Through May, FY 2022 revenue from this tax source was $590.2 million (5.2%) above projections and $779.8 million (7.0%) above receipts in the corresponding period last fiscal year. May GRF revenue of $1.15 billion was $63.7 million (5.8%) above forecast. Compared to May 2021, total sales and use tax revenue was down $3.9 million (0.3%) due to a reduction of $11.8 million (1.2%) in collections from the nonauto portion of the tax.

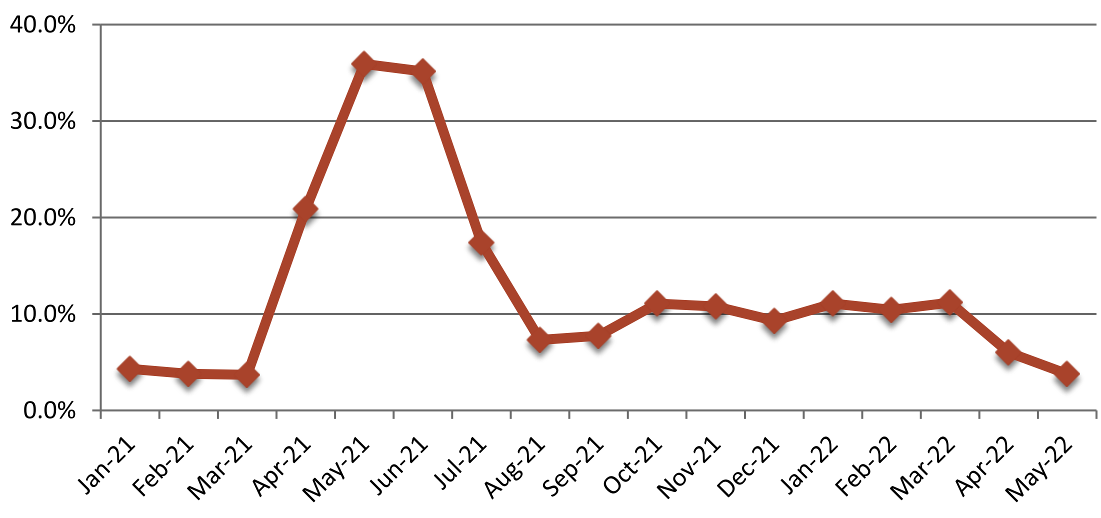
The sales and use tax continues to be buoyed by upbeat consumer spending and increases in wage and salary income statewide. The sales and use tax base is the dollar value of goods sold in taxable transactions; as a result, inflation has also contributed to the tax's high level of nominal receipts in recent months. The most recent surge in the price of goods has thus far not prevented the sales and use tax from exceeding estimates. However, revenue growth has slowed notably during the current fiscal quarter, a trend which coincides with other reports of declining consumer sentiment.[5]

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

May GRF receipts of $973.8 million were $63.8 million (7.0%) above estimate and $11.8 million (1.2%) below revenue in May 2021. For the fiscal year through May, FY 2022 GRF nonauto sales and use tax receipts totaled $10.09 billion, an amount $522.9 million (5.5%) above estimate and $691.9 million (7.4%) above revenue in FY 2021 through May. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. Chart 2, below, provides year-over-year growth in nonauto sales and use tax collections since January 2021. It shows the major surge in year-over-year collection growth during the spring of 2021, as monthly revenues compared favorably to depressed revenue levels in the corresponding period in 2020.

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

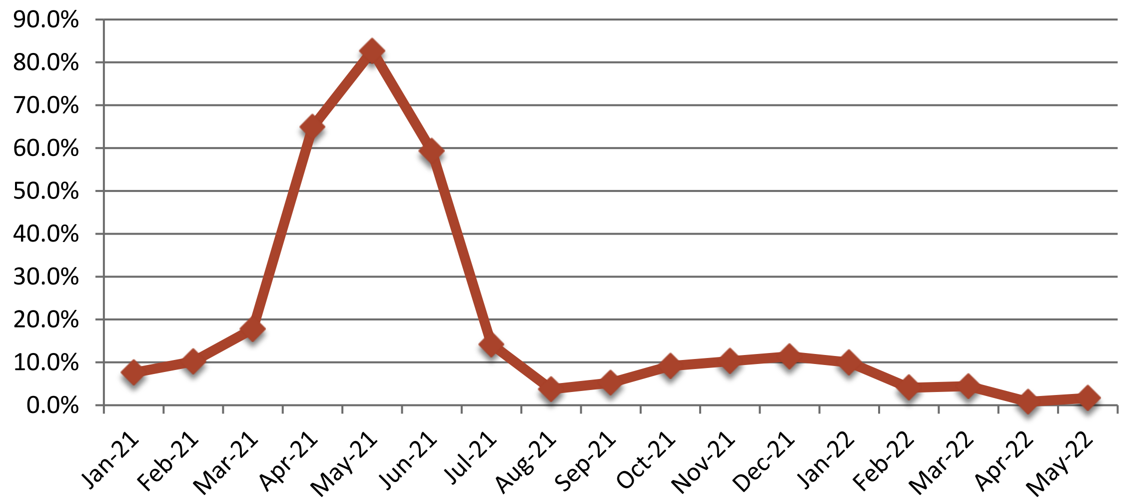


[5] The University of Michigan's Survey of Consumers reports on changes in consumer sentiment over time. The Index of Consumer Sentiment recorded its lowest reading in May 2022 since August 2011. Information about the index can be found on the Survey of Consumers website: sca.isr.

Auto Sales and Use Tax

The auto sales and use tax is on pace for a record year in FY 2022 despite the performance of the tax in the latest month. May GRF revenue from this source was \$179.3 million, slightly below estimated revenue, but \$7.9 million (4.6%) above such receipts in May 2021. For the fiscal YTD, revenue from the auto sales tax was \$1.77 billion, \$67.3 million (4.0%) above estimate. Pandemic-induced dealership closures and auto manufacturer shutdowns played a role in supply shortages in the auto market since mid-2020; such challenges caused the number of new vehicle registrations in Ohio to decrease 13.8% year-over-year during the first three quarters of FY 2022. On the other hand, price increases have sustained auto sales tax growth in FY 2022. Chart 3, below, shows year-over-year growth in auto sales and use tax collections. Collections in the last two months grew at an average monthly rate of 1.2%, much lower than the average rate of 6.2% in the third fiscal quarter.

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



Personal Income Tax

FY 2022 YTD GRF revenue from the PIT totaled \$9.72 billion through May, which was \$1.80 billion (22.8%) above estimate, with more than half of the positive variance in gross collections attributable to higher than expected remittances with annual tax returns. PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (generally over 81% over an

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

entire fiscal year). Larger or smaller than expected refunds (which decrease gross collections) could also greatly affect the month-to-month performance of the tax.

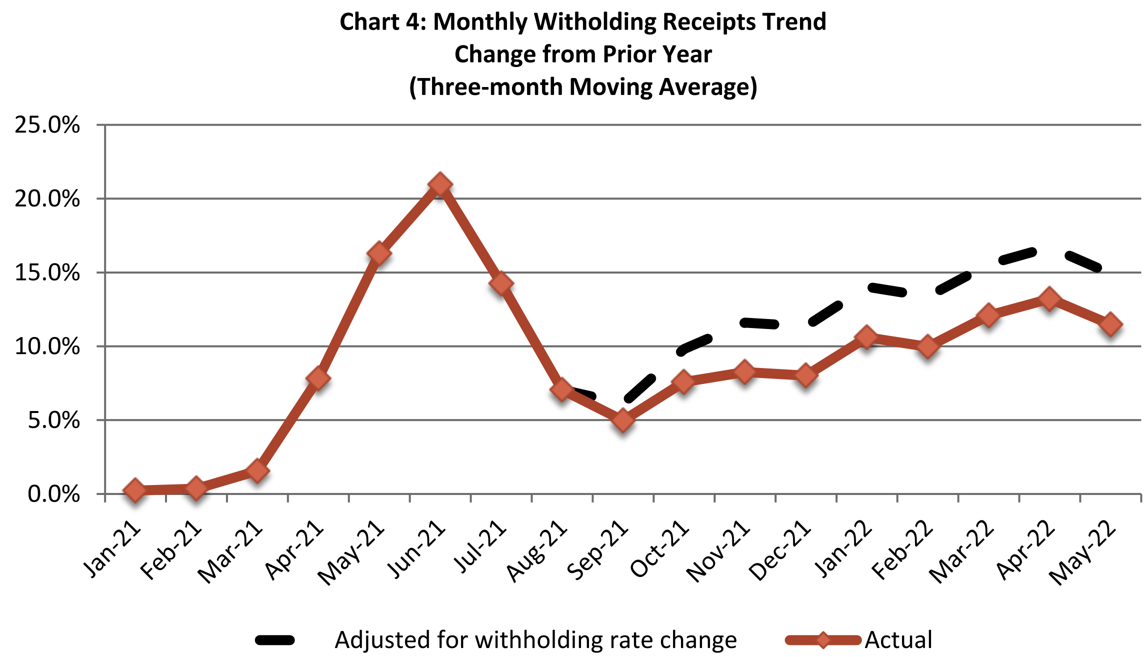
For the month of May, gross collections were $33.7 million (3.4%) below estimate, primarily due to a shortfall of $81.7 million in payments remitted with annual returns. Tax payments remitted with quarterly estimates were $8.8 million below estimate. On the other hand, employer withholding, trust payments, and miscellaneous payments were above their anticipated levels by $18.6 million, $36.5 million, and $1.8 million, respectively. Tax refunds were $70.5 million below expectations in May, while distributions to the LGF were $14.7 million above projections. Thus, GRF revenue was $22.2 million (2.9%) above estimate for the month.

For FY 2022 through May, 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 $1.41 billion (12.8%) above anticipated revenue, with all its components above their respective estimates. Income tax withholding, payments remitted with annual returns, quarterly estimated payments, trust payments, and miscellaneous payments were above estimate by $468.0 million, $743.9 million, $139.4 million, $35.0 million, and $25.8 million, respectively. FY 2022 YTD PIT refunds were below projection by $434.7 million and LGF distributions, which through May were $43.9 million above projection, resulted in the positive variance in GRF revenue of $1.80 billion.

As compared to the corresponding period in FY 2021, gross collections grew $747.6 million, as withholding increased by $731.6 million and annual return payments were up $49.8 million. YTD collections via quarterly estimated payments and trust payments decreased, by $49.6 million and $9.6 million, respectively. PIT refunds in FY 2022 through May were $107.5 million higher than during the previous year, and distributions to the LGF increased $40.6 million YTD. Thus, GRF PIT revenue increased $599.5 million.

FY 2022 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2021	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$468.0	5.2%	$731.6	8.4%
Quarterly Estimated Payments	$139.4	17.8%	-$49.6	-5.1%
Trust Payments	$35.0	37.4%	-$9.6	-7.0%
Annual Return Payments	$743.9	69.3%	$49.8	2.8%
Miscellaneous Payments	$25.8	33.3%	$25.5	32.8%
Gross Collections	**$1,412.1**	**12.8%**	**$747.6**	**6.4%**
Less Refunds	-$434.7	-16.2%	$107.5	5.0%
Less LGF Distribution	$43.9	10.8%	$40.6	9.9%
GRF PIT Revenue	**$1,802.9**	**22.8%**	**$599.5**	**6.6%**

Year-over-year growth in withholding receipts in FY 2022 has been limited, beginning in September 2021, by a 3.0% reduction in withholding rates, a reduction due to changes to the PIT structure enacted in H.B. 166. This rate reduction has limited growth in the withholding portion of PIT collections this fiscal year as compared to the rate of collection in previous years. Thus, YTD growth in withholding amounts is due entirely to rises in employer payrolls throughout calendar year (CY) 2021 and CY 2022. 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 the estimated change in withholding receipts adjusted for the decrease in the withholding rate. Revenue growth has also been hampered by a delay in the PIT filing deadline for TY 2019, from April 2020 until July 2020. The delay in the deadline artificially boosted FY 2021 PIT revenue by delaying revenue accompanying annual returns and the June estimated payment, which would normally have constituted FY 2020 revenue, until FY 2021.



Commercial Activity Tax

The last FY 2022 CAT payment from quarterly taxpayers, due in May, provided $399.5 million in GRF revenue. This amount was $44.1 million (12.4%) above estimate and $51.6 million (14.8%) above May 2021 revenue. The monthly performance of the CAT increased its cumulative YTD positive variance to $199.5 million (11.2%), up from $155.4 million through April. OBM estimates GRF revenue of $14.9 million in June. Thus, this tax source will finish FY 2022 above OBM estimate.

For the fiscal year, YTD GRF receipts of $1.98 billion were $328.6 million (19.9%) above revenue through May in FY 2021. Gross collections totaling $2.43 billion were $326.2 million (15.5%) above last year's gross collections. During FY 2022, refunds and credits were $85.2 million, an amount $62.9 million (42.5%) below those items in FY 2021. So, the sizeable increase in GRF receipts is attributable to both a reduction in refunds as well as a rise in the dollar value of transactions taxable under the CAT.

The CAT tax base is taxable gross receipts sitused to Ohio. The tax is levied on most firms with gross receipts of more than $150,000. Throughout FY 2022, the tax base has been particularly augmented, in part, by a rise in the price of goods; as prices rise, the CAT tax base expands. Between April 2021 and April 2022, the price of processed goods for intermediate demand jumped 21.9%, according to the producer price index (PPI), published by the Bureau of Labor Statistics.[7] More notably, the PPI subindex for unprocessed goods sold for intermediate demand climbed 48.1% during that time, primarily due to the rise in prices for energy materials. The PPI for final demand goods and services increased 11.0% in the 12 months leading up to April 2022.

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 May in FY 2022, Fund 7047 and Fund 7081 received $303.4 million and $46.7 million, respectively. The 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. Distributions to the two funds have already exceeded estimated annual reimbursements for both school districts and other local tax units. Any receipts in excess of amounts needed for such payments are transferred back to the GRF.

Cigarette and Other Tobacco Products Tax

May receipts of $69.6 million from the cigarette and other tobacco products (OTP) tax were $7.5 million (9.7%) below estimate and $5.4 million (7.2%) below revenue in May 2021. YTD revenue from this source totaling $754.3 million was $12.4 million (1.6%) below forecast. Revenue from the tax has fallen this fiscal year. Revenue from the cigarette component of the tax, totaling $654.2 million, fell $42.9 million (6.2%) from FY 2021. Revenue from the OTP component of the tax, $100.1 million, was up $7.6 million (8.2%) this fiscal year through May compared to the corresponding period in FY 2021. Thus, revenue from this tax source was $35.4 million below revenue through May in FY 2021.

On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace, though monthly receipts may grow or decline from revenue in the year-earlier month based on changing consumer demand or price pressures. The increase in OTP revenue is due, in part, to continuing increases in revenue from the tax on vapor products. H.B. 166 of the 133rd General Assembly levied a tax of 10¢ per milliliter (or gram) of vapor product (depending on the form of the product). For other OTP, the tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base grows with price increases.

[7] The PPI measures the average change over time in the selling prices received by domestic producers for their output. Details on the program and its measures can be found on the U.S. Bureau of Labor Statistics website: bls.gov.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2022
($ in thousands)
(Actual based on OAKS reports run June 7, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$520,950	$633,225	-$112,275	-17.7%
Higher Education	$205,134	$211,784	-$6,650	-3.1%
Other Education	$3,942	$5,169	-$1,227	-23.7%
Total Education	**$730,026**	**$850,178**	**-$120,152**	**-14.1%**
Medicaid	$1,575,301	$1,567,582	$7,719	0.5%
Health and Human Services	$92,618	$96,431	-$3,813	-4.0%
Total Health and Human Services	**$1,667,919**	**$1,664,013**	**$3,906**	**0.2%**
Justice and Public Protection	$171,779	$182,457	-$10,678	-5.9%
General Government	$44,580	$39,339	$5,241	13.3%
Total Government Operations	**$216,359**	**$221,795**	**-$5,437**	**-2.5%**
Property Tax Reimbursements	$209,054	$336,325	-$127,271	-37.8%
Debt Service	$20,786	$37,834	-$17,048	-45.1%
Total Other Expenditures	**$229,840**	**$374,159**	**-$144,318**	**-38.6%**
Total Program Expenditures	**$2,844,144**	**$3,110,145**	**-$266,001**	**-8.6%**
Transfers Out	**$250**	**$0**	**$250**	**---**
Total GRF Uses	**$2,844,394**	**$3,110,145**	**-$265,751**	**-8.5%**

*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 May 31, 2022
($ in thousands)
(Actual based on OAKS reports run June 7, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$7,869,798	$7,942,585	-$72,787	-0.9%	$7,578,921	3.8%
Higher Education	$2,229,931	$2,260,316	-$30,384	-1.3%	$2,175,545	2.5%
Other Education	$83,849	$90,693	-$6,845	-7.5%	$69,885	20.0%
Total Education	**$10,183,578**	**$10,293,594**	**-$110,016**	**-1.1%**	**$9,824,351**	**3.7%**
Medicaid	$15,670,867	$14,858,097	$812,770	5.5%	$16,274,186	-3.7%
Health and Human Services	$1,400,868	$1,571,871	-$171,003	-10.9%	$1,320,308	6.1%
Total Health and Human Services	**$17,071,735**	**$16,429,968**	**$641,767**	**3.9%**	**$17,594,494**	**-3.0%**
Justice and Public Protection	$2,459,497	$2,603,405	-$143,908	-5.5%	$2,267,323	8.5%
General Government	$470,629	$537,021	-$66,392	-12.4%	$402,358	17.0%
Total Government Operations	**$2,930,126**	**$3,140,426**	**-$210,300**	**-6.7%**	**$2,669,681**	**9.8%**
Property Tax Reimbursements	$1,813,772	$1,805,094	$8,678	0.5%	$1,793,401	1.1%
Debt Service	$1,387,134	$1,409,953	-$22,820	-1.6%	$1,019,837	36.0%
Total Other Expenditures	**$3,200,906**	**$3,215,048**	**-$14,142**	**-0.4%**	**$2,813,238**	**13.8%**
Total Program Expenditures	**$33,386,345**	**$33,079,035**	**$307,310**	**0.9%**	**$32,901,765**	**1.5%**
Transfers Out	**$3,074,144**	**$2,970,400**	**$103,744**	**3.5%**	**$459,194**	**569.5%**
Total GRF Uses	**$36,460,489**	**$36,049,435**	**$411,054**	**1.1%**	**$33,360,959**	**9.3%**

*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 June 7, 2022)

	Month of May 2022				Year to Date through May 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,505,760	$1,509,562	-$3,802	-0.3%	$14,970,027	$14,133,240	$836,787	5.9%
Non-GRF	$909,389	$1,580,258	-$670,868	-42.5%	$13,299,396	$15,318,098	-$2,018,702	-13.2%
All Funds	$2,415,150	$3,089,820	-$674,670	-21.8%	$28,269,423	$29,451,338	-$1,181,915	-4.0%
Developmental Disabilities								
GRF	$58,994	$57,132	$1,862	3.3%	$610,184	$613,427	-$3,244	-0.5%
Non-GRF	$228,348	$249,908	-$21,560	-8.6%	$2,595,811	$2,444,113	$151,698	6.2%
All Funds	$287,342	$307,040	-$19,697	-6.4%	$3,205,994	$3,057,541	$148,454	4.9%
Job and Family Services								
GRF	$9,844	$109	$9,736	8945.7%	$80,921	$100,931	-$20,010	-19.8%
Non-GRF	$14,944	$36,067	-$21,123	-58.6%	$156,359	$194,235	-$37,876	-19.5%
All Funds	$24,788	$36,175	-$11,387	-31.5%	$237,280	$295,166	-$57,885	-19.6%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$702	$779	-$78	-10.0%	$9,735	$10,498	-$763	-7.3%
Non-GRF	$5,884	$5,259	$625	11.9%	$35,399	$46,165	-$10,766	-23.3%
All Funds	$6,585	$6,038	$548	9.1%	$45,134	$56,664	-$11,529	-20.3%
All Departments:								
GRF	**$1,575,301**	**$1,567,582**	**$7,719**	**0.5%**	**$15,670,867**	**$14,858,097**	**$812,770**	**5.5%**
Non-GRF	**$1,158,564**	**$1,871,490**	**-$712,926**	**-38.1%**	**$16,086,965**	**$18,002,611**	**-$1,915,646**	**-10.6%**
All Funds	**$2,733,865**	**$3,439,072**	**-$705,207**	**-20.5%**	**$31,757,832**	**$32,860,708**	**-$1,102,876**	**-3.4%**

*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 June 7, 2022)

	Month of May 2022				Year to Date through May 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,839,351**	**$2,470,673**	**-$631,322**	**-25.6%**	**$21,521,644**	**$22,603,507**	**-$1,081,864**	**-4.8%**
CFC†	$665,890	$1,010,087	-$344,198	-34.1%	$7,519,440	$8,194,566	-$675,127	-8.2%
Group VIII	$600,606	$699,132	-$98,527	-14.1%	$6,675,179	$7,001,692	-$326,513	-4.7%
ABD†	$250,284	$302,627	-$52,344	-17.3%	$2,801,274	$2,988,546	-$187,271	-6.3%
ABD Kids	$84,807	$90,010	-$5,203	-5.8%	$941,445	$948,508	-$7,063	-0.7%
My Care	$237,766	$283,816	-$46,051	-16.2%	$2,576,504	$2,733,593	-$157,089	-5.7%
P4P & Ins Fee†	$0	$85,000	-$85,000	-100.0%	$1,007,801	$736,603	$271,199	36.8%
Fee-For-Service	**$700,020**	**$733,625**	**-$33,606**	**-4.6%**	**$8,162,829**	**$8,018,790**	**$144,039**	**1.8%**
ODM Services	$416,844	$441,664	-$24,820	-5.6%	$4,307,380	$4,282,074	$25,306	0.6%
DDD Services	$283,176	$291,961	-$8,786	-3.0%	$3,105,563	$2,953,243	$152,319	5.2%
Hospital - HCAP&Other†	$0	$0	$0	---	$749,886	$783,473	-$33,587	-4.3%
Premium Assistance	**$116,175**	**$119,964**	**-$3,789**	**-3.2%**	**$1,188,538**	**$1,220,053**	**-$31,515**	**-2.6%**
Medicare Buy-In	$76,192	$72,105	$4,087	5.7%	$774,818	$773,797	$1,021	0.1%
Medicare Part D	$39,983	$47,859	-$7,876	-16.5%	$413,720	$446,256	-$32,536	-7.3%
Administration	**$78,320**	**$114,811**	**-$36,491**	**-31.8%**	**$884,822**	**$1,018,358**	**-$133,536**	**-13.1%**
Total	**$2,733,865**	**$3,439,072**	**-$705,207**	**-20.5%**	**$31,757,832**	**$32,860,708**	**-$1,102,876**	**-3.4%**

*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[8]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

Program expenditures totaled $2.84 billion in May and were $266.0 million (8.6%) under estimate. This variance was driven by the Property Tax Reimbursements and Primary and Secondary Education categories, which were under estimate for the month by $127.3 million (37.8%) and $112.3 million (17.7%), respectively. For the YTD, GRF program expenditures totaled $33.39 billion and were $307.3 million (0.9%) over estimate. The YTD variance was dominated by GRF Medicaid expenditures, which had a positive YTD variance of $812.8 million (5.5%). Other program categories with significant YTD variances at the end of May were: Health and Human Services, which was under estimate by $171.0 million (10.9%) for the YTD, and Justice and Public Protection, which had a negative YTD variance of $143.9 million (5.5%).

In addition to program expenditures, total uses include transfers out. Transfers out had a small positive variance in May. For the YTD, transfers out totaled $3.07 billion and had a positive YTD variance of $103.7 million (3.5%) at the end of May. This YTD 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 the first 11 months of FY 2022 were $36.46 billion. These uses were $411.1 million (1.1%) above estimate. YTD variances are shown in the preceding Table 4, while Table 3 shows monthly variances. The rest of this section discusses both GRF and non-GRF variances in Medicaid and the GRF variances in a few other categories.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were above their monthly estimate in May by $7.7 million (0.5%) and above their YTD estimate by $812.8 million (5.5%) at the end of May. 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 YTD. Non-GRF Medicaid expenditures were below their monthly estimate by $712.9 million (38.1%) and below their YTD estimate by $1.92 billion (10.6%). This 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 will likely 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 Health and Human Services, and the YTD estimate at the end of May for this ALI is $750.0 million. Including both

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

the GRF and non-GRF, all funds Medicaid expenditures were $705.2 million (20.5%) below estimate in May and $1.10 billion (3.4%) below the YTD estimate at the end of May.

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all funds negative variance in May of $674.7 million (21.8%) and a YTD negative variance of $1.18 billion (4.0%) at the end of May. ODODD had a May all funds negative variance of $19.7 million (6.4%) and ended the month with YTD expenditures $148.5 million (4.9%) 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 all four major payment categories in May and below their YTD estimates for three of the four categories at the end of May. The Managed Care YTD negative variance of $1.08 billion (4.8%) was the largest followed by the Administration negative variance of $133.5 million (13.1%) and the Premium Assistance negative variance of $31.5 million (2.6%). The Managed Care YTD variance is largely a combination of $569.0 million in recoupments in April from the managed care risk corridor and an early disbursement in March of managed care quality incentive payments that were originally estimated to be disbursed in FY 2023. 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, and 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 YTD variance of $144.0 million (1.8%). 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 May 2022, caseloads have increased by approximately 22,600 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 May's positive variance of 87,854 cases (2.7%) bringing the FY 2022 average monthly caseload to approximately 18,519 cases (0.6%) 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.

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 partially offset by a negative variance of $127.3 million (37.8%) in May. For the YTD at the end of May, this category was over estimate by $8.7 million (0.5%).

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education (ODE), except for property tax reimbursement and Medicaid spending. The negative May variance of $112.3 million (17.7%) continued to correct the timing-related positive variances this category experienced in prior months and caused the category's YTD variance to turn negative ($72.8 million, 0.9%).

ALI 200550, Foundation Funding – All Students, is the main cause of the May variance in this category. ALI 200550 had a negative monthly variance of $122.3 million in May that resulted in a YTD negative variance of $5.0 million. This ALI is the main source of state support for public schools, including those operated by traditional school districts, joint vocational school districts (JVSDs), 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 second item, ALI 200502, Pupil Transportation, is used to fund the transportation portion of the school funding formula. This ALI was under estimate by $14.3 million in May and $43.5 million for the YTD.

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

Most other ALIs in this category are also under estimate for the YTD, with the exception of ALI 200478, Industry-Recognized Credentials High School Students. This ALI supports programs that encourage high school students to earn industry-recognized credentials. The estimates for this ALI had the payments occurring in June, but some payments were made earlier in May, so this ALI was above estimate by $11.7 million in May and the YTD.

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 (ODH) at 8.8%. Eight other agencies make up the remaining 8.3% of estimated spending.

Except for small positive variances in December and March, this category has consistently been under estimate in FY 2022. It had the largest negative YTD variance at the end of May of all program categories, at $171.0 million (10.9%). All agencies in this category had negative YTD variances at the end of May, but these negative variances were dominated by ODJFS, which had a negative YTD variance of $108.6 million. In addition, ODH and OhioMHAS had YTD negative variances amounting to $26.4 million and $22.9 million, respectively.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $2.5 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $45.9 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $3.2 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $30.4 million. This ALI is used primarily to support county public children services agencies.
- A positive monthly variance of $10.2 million in ALI 600410, TANF State Maintenance of Effort, which decreased the negative YTD variance for this ALI to $9.3 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

Justice and Public Protection

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

At the end of May, this category was under estimate by $143.9 million (5.5%), a negative YTD variance that grew in May by $10.7 million. DRC dominated both the monthly and YTD variances in this category, with a negative May variance of $7.0 million and a negative YTD variance of $101.6 million. Most other agencies in this category also had negative YTD variances at the end of May.

DRC's YTD variance is mainly due to negative YTD variances of $66.4 million in ALI 501321, Institutional Operations, and $27.6 million in ALI 505321, Institution Medical Services. These variances grew in May by $4.3 million and $3.3 million, respectively. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

Transfers Out

Cash transfers out of the GRF to other state funds were above estimate by $250,000 in May and above estimate by $103.7 million (3.5%) YTD. The May variance was due to a transfer of $250,000 in May to the At Home Technology Pilot Fund (Fund 5XT0) that the estimates had occurring in September.

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

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

Issue Updates

OFCC and ODPS Award $4.9 Million in K-12 School Safety Grants to 98 Schools

– Jason Glover, Budget Analyst

In May 2022, the Ohio Facilities Construction Commission (OFCC), in coordination with the Ohio Department of Public Safety's (ODPS's) Division of Ohio Homeland Security, awarded a total of approximately $4.9 million to 98 schools under the School Safety Grant Program. Under the program, OFCC makes competitive grants of up to $100,000 to public schools for eligible security improvements that assist the schools in improving the overall security and safety of their buildings. Funds may be used for physical security enhancement, equipment, or inspection and screening equipment. An evaluation committee selected the recipients from over 1,500 applications, which had to include (1) a vulnerability assessment conducted by security, law enforcement, or military personnel and (2) descriptions of how the grant would (a) address the identified vulnerabilities and (b) be used to integrate the school's organizational preparedness into broader state and local preparedness efforts. Upon completion of their projects, recipients will submit their invoices to OFCC and be reimbursed by OFCC in the amounts they are awarded. S.B. 310, the capital budget bill for the 133rd General Assembly, supports the program with an appropriation of $5.0 million from line item C23020, School Safety Grant Program, for the FY 2021-FY 2022 biennium. OFCC may use up to 2.5%, or $125,000, of the appropriation to administer the program.

Grant amounts ranged from about $3,500 to the maximum $100,000 for five schools. The table below summarizes the grant recipients and total awards by school type. As the table shows, 83 traditional schools (within 31 school districts) received the bulk of funds, at $3.9 million (80.2%). Ten community schools received about $539,000 (11.1%), followed by three JVSDs, at about $263,000 (5.4%), and two educational service centers (ESCs), at about $163,000 (3.3%). The full list of awards and recipients can be accessed by conducting a keyword "school safety grants" search on OFCC's website: ofcc.ohio.gov.

School Safety Grant Awards, FY 2021-FY 2022		
Type of School	**Number of Schools**	**Total Awards**
Traditional School	83	$3,909,527
Community School	10	$539,414
JVSD	3	$263,050
ESC	2	$163,010
TOTAL	**98**	**$4,875,000**

ODE Awards $89 Million in Federal Summer Enrichment and Afterschool Program Grants

– Andrew C. Ephlin, Budget Analyst

In April 2022, ODE awarded a total of $89 million in federal American Rescue Plan Act (ARPA) funds for summer enrichment and comprehensive afterschool programs to 161 community-based organizations (CBOs)[9] or higher education institutions across the state. The grants, funded by allocations of federal COVID-19 school relief funds for state activities earmarked in H.B. 169 of the 134th General Assembly, will support programs provided outside of school hours that will address student academic, social, and emotional needs. ODE awarded the grants based on a competitive process that gave priority to applicants that (1) are nonprofit, (2) partner with districts and schools that serve students attending schools implementing Title I comprehensive support and improvement or targeted support activities, (3) provide direct services to students not consistently engaged during the pandemic, or (4) propose to serve students in areas with a lack of existing programs.

ODE categorized the grants into four program types:

- Type 1 – up to $500,000 each year for the 2022-2023 and 2023-2024 school years to create a new afterschool program;
- Type 2 – up to $300,000 each year for the same school years to expand an existing afterschool program;
- Type 3 – up to $300,000 for each of the summers of 2022, 2023, and 2024 to create a new summer program; and
- Type 4 – up to $200,000 for each of the same summers to expand an existing summer program.

ODE divided the $89 million evenly between these four program types, with $22.25 million going to each type of program. The number and average yearly amount of grant awards varied by program type, generally according to the maximum grant award, as shown in the table below. Overall, programs in 33 counties received awards. The five counties with the most funds awarded are Hamilton ($13.3 million), Cuyahoga ($12.9 million), Franklin ($12.4 million), Lucas ($5.3 million), and Marion ($4.3 million). About 54% of the total funds awarded will support programs in these five counties. For additional information about the grants, including a listing of the organizations receiving a grant, see the ODE Summer Learning and Afterschool Opportunities Grant page, which may be accessed by conducting a keyword "Summer Learning" search on ODE's website: education.ohio.gov.

[9] ODE described a CBO as an organization that hosts or participates in programs that benefit the general public or public spaces, provides educational materials or mentorship opportunities, or supports economically disadvantaged populations, among other activities. A CBO includes a nonprofit organization; faith-based organization; for-profit organization that otherwise meets the definition of a CBO; and local, regional, or state government entity.

Summary of Summer Enrichment and Afterschool Program Grants			
Program Type	**Total Grants ($ in millions)**	**Grant Recipients**	**Average Yearly Grant Award**
Type 1 – Afterschool Create	$22.25	28	$397,321
Type 2 – Afterschool Expand	$22.25	48	$231,771
Type 3 – Summer Create	$22.25	36	$206,019
Type 4 – Summer Expand	$22.25	49	$151,361
TOTAL	**$89.00**	**161**	**---**

State Fire Marshal Awards over $1.0 Million in Fire Department Equipment Grants

– Jared Cape, LSC Fellow

On April 25, 2022, the State Fire Marshal within the Department of Commerce awarded over $1.0 million in fire department equipment grants. Fire departments that serve populations of less than 25,000, pay premiums into the Volunteer Firefighters' Dependent Fund, and have submitted incident fire reports for the designated year are eligible for this funding. Overall, 113 fire departments within 52 counties received awards, ranging from $3,000 to $10,000. Of the grant recipients, all but 14 received a $10,000 award, the highest amount awarded to each eligible fire department in FY 2022. The equipment grants may be used to purchase protective clothing, self-contained breathing apparatus, communications, and other miscellaneous equipment. Recipients of these grants were selected on criteria including the fire department's annual budget, number of fire incidents, and the resident population served by the fire department. Funding for the Fire Department Equipment Grant Program, as well as other grants awarded by the State Fire Marshal, is provided under Fund 5460 line item 800637, Fire Department Grants. For more information, see the list of award recipients and projects (PDF), which is available on the Department of Commerce's website: com.ohio.gov/about-us/media-center/news.

Tax Credit Authority Announces Application for $100 Million in Tax Credits to Support Mixed-Use Development Projects

– Jared Cape, LSC Fellow

On May 18, 2022, the Tax Credit Authority announced the $100 million available through the second round of the Transformational Mixed-Use Development Program. The program allows the tax credits to be used against development costs for the new construction or improvement of vacant buildings for a mixed-use development project. Projects may include an entire development or contiguous phases within the development. The deadline for applications for FY 2023 projects is July 8, 2022. For more information, visit the Department of Development's website: development.ohio.gov/business/state-incentives.

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

Department of Development Awards $60.5 Million for Brownfield Remediation

– Jared Cape, LSC Fellow

On April 26, 2021, the Department of Development awarded approximately $60.5 million in the first funding round for the Brownfield Remediation Program established in H.B. 110. The grant program is aimed at restoring distressed industrial, commercial, or institutional sites to productive use. Overall, 78 projects in 35 counties received grants. Clean-up work accounted for $54.9 million across 37 projects, and site assessment work accounted for $5.6 million across 41 projects. Project awards ranged from just under $4,000 for a hazardous release assessment in Trumbull County to almost $6.5 million for the removal of hazardous material and demolition at the former Goodyear Akron Mix Center Redevelopment in Summit County. For more information on first round awards, see the list of award recipients and projects (PDF) available on the Governor's website: governor.ohio.gov. The application period for the second round of brownfield funding concluded on April 30, 2022. All remaining funds not exhausted in the first two rounds will be made available statewide in the third round, which will begin on July 1, 2022.

Under the Brownfield Remediation Program, local governments, land reutilization corporations, and other entities are eligible for grants of up to $10.0 million to cover brownfield assessment and clean-up costs. Allowable activities include brownfield site acquisition, demolition, and infrastructure improvements. H.B. 110 provides a total of $350.0 million over the biennium to support the program. Of this amount, $262.0 million is available statewide on a first-come first-served basis and requires a 25% match. The remaining $88.0 million is reserved to provide $1.0 million for projects in each of Ohio's 88 counties. These county set-aside funds do not require matching funds. Any amounts remaining from the county set-aside portion at the end of FY 2022 will be available in FY 2023 for other qualifying projects. Funding to support this grant is provided through the Brownfield Remediation Fund (Fund 5YE0), capitalized by a cash transfer from the GRF of $350.0 million in FY 2022.

Ohio Receives $80 Million from a Settlement with Monsanto

– Shaina Morris, Budget Analyst

On March 24, 2022, the Ohio Attorney General (AGO) announced an $80 million settlement with the Monsanto Company and certain affiliates to resolve claims alleging impairments to the environment, waterbodies, and other natural resources from their use of polychlorinated biphenyls (PCBs).[10] PCBs can cause cancer in humans, are toxic to fish and wildlife, and can damage waterways and soil. Production and use of PCBs, with limited exceptions, was prohibited nationwide in 1979 when the U.S. Environmental Protection Agency promulgated final regulations banning PCBs under the federal Toxic Substances Control Act. There are no known natural sources of PCBs in the environment.

The case was litigated by the AGO's Environmental Enforcement section and was first filed in March 2018. The settlement will be deposited to the credit of the Natural Resource Damages Fund (Fund 3CS0) and the Environmental Protection Remediation Fund (Fund 5410), which are both administered by the Ohio Environmental Protection Agency (Ohio EPA). Per the settlement agreement, the funds are to be used for the planning, design, and construction of environmental projects, including source controls, remedial measures, and other actions that address environmental harm or benefit public health. An environmental advisory board will determine the best use for the funds across the state.

The original civil action against the Monsanto Company, et al, alleged that Ohioans and Ohio natural resources are presently exposed to dangerous levels of PCBs which were manufactured, marketed, distributed, and introduced into commerce by the company in the U.S. from 1929 to 1977. During this time period, the state of Ohio held that the company was responsible for manufacturing 99% or more of all PCBs within the U.S. The Ohio EPA stipulated that high PCB concentrations are the cause of impairment of over 100 significant Ohio waterbodies. In addition, hundreds of other Ohio waterbodies and waterways suffer PCB contamination at detectable levels below the threshold for impairment.

Ohio EPA to Administer $45.0 Million in ARPA Funding for Dredge Material Processing Facilities

– Jamie Doskocil, Fiscal Supervisor

On April 4, 2022, the Controlling Board approved an OBM request, on behalf of the Ohio EPA, for an additional $45.0 million in appropriations in FY 2022. The additional funding comes from money Ohio received from ARPA to support efforts to respond to the COVID-19 pandemic and will be appropriated under ALI 715615, Dredge Material Processing Facilities - ARPA. The Ohio EPA will administer the funds and oversee grants to four Ohio communities for the construction of dredge material processing facilities in the Lake Erie region. Dredging assists in removing sediment from shipping channels which reduces water depth. Processing facilities separate the sediment from the water and then discharge clean water back into the Lake Erie system.

[10] PCBs were used in hundreds of industrial and commercial applications such as coolants, plasticizers in paints, and lubricators in electrical equipment such as transformers and capacitors.

U.S. Treasury rules state that ARPA funds may be used for any project that would be eligible under the Clean Water State Revolving Fund (CWSRF) Program. The goal of CWSRF projects is to improve water quality. Sediment processing facilities are eligible for ARPA funding because they significantly improve water quality by allowing an alternative to open lake disposal in Lake Erie. Some of the facilities are due to be operational by fall of 2022.

Dredge Material Processing Facility Grants		
Grant Recipient	**Project Description**	**Grant Amount**
City of Lorain	Constructing elevated pools for sediment processing at a reclamation site	$15.0 million
Lake County Port Authority - Fairport Harbor	Constructing water channels for sediment to settle at the North Park site	$11.3 million
City of Conneaut	Constructing water channels for sediment to settle out at a former coal dock site	$9.0 million
Toledo-Lucas County Port Authority	Expanding capacity at a preexisting dredge material site in the harbor	$9.0 million
Contingency funding	To be used by the Ohio EPA for purposes pursuant to the grant program	$700,000
	TOTAL	**$45.0 million**

Ohio Awards $1.3 Million for Human Trafficking Prevention

– Nicholas J. Blaine, Senior Budget Analyst

On March 4, 2022, the Governor announced that over $1.3 million in grant funding was awarded to community organizations to develop and implement human trafficking prevention programs. The programs will assist minors who are victims of, or at-risk for, human trafficking, as well as professionals that provide support to minor victims. In addition, programs will also increase access to human trafficking prevention education, direct intervention services, and training to minors at risk of victimization. The primary goal of the grant is to build a sense of empowerment among impacted youth by promoting feelings of safety and stability. The table below shows the recipient, counties served by each recipient, and the award amount.

2022 Human Trafficking Prevention Grants		
Recipient	**County Service Area**	**Grant Award**
A Caring Place Children’s Advocacy Center	Jefferson	$52,203
Children’s Advocacy Center of Portage County	Portage	$100,692

2022 Human Trafficking Prevention Grants		
Recipient	**County Service Area**	**Grant Award**
Cleveland Rape Crisis Center	Ashtabula and Cuyahoga	$220,182
Crime Victim Services	Allen, Auglaize, Hancock, Hardin, Mercer, Putnam, and Shelby	$121,824
Dayton Children's Hospital	Montgomery, Green, and Warren	$126,196
Gracehaven	Franklin, Delaware, Fairfield, Licking, Madison, Pickaway, and Union	$147,304
Hannah's House 119	Stark, Carroll, and Tuscarawas	$59,361
RAHAB Ministries	Summit, Cuyahoga, Medina, Portage, Stark, and Mahoning	$130,000
Mercy St. Vincent Medical Center	Lucas	$145,000
Survivor Advocacy Outreach Program	Athens, Hocking, Meigs, Perry, Gallia, Vinton, and Morgan	$80,000
The Salvation Army	Butler, Clermont, Montgomery, and Warren	$124,365
	TOTAL	**$1,307,127**

The grants were awarded collaboratively by the Ohio Human Trafficking Task Force, the Ohio Children's Trust Fund (OCTF), and ODJFS's Children's Justice Act Task Force. The Ohio Human Trafficking Task Force consists of representatives from various state agencies that are central to its mission. It coordinates efforts to identify victims, creates a coordinated law enforcement system to investigate and prosecute trafficking crimes, and provides services to victims. The OCTF Board consists of numerous state agencies and public members with knowledge of children's issues. Its goal is to prevent child abuse and neglect by investing in strong communities, healthy families, and safe children. Lastly, the Children's Justice Act Task Force's goal is to develop, establish, and operate programs to improve the investigation and prosecution of child abuse and neglect cases, particularly cases of child sexual abuse and exploitation, and to improve the handling of cases of suspected child abuse or neglect fatalities. It is federally mandated and consists of members from various backgrounds including the justice, health care, and child protective systems.

ODM Launches CANS Information Technology System

– Brandon T. Minster, Economist

On May 2, 2022, ODM launched the Child and Adolescent Needs and Strengths (CANS) information technology system. CANS is a functional assessment tool that will be used by a wide variety of providers to inform treatment and service planning for children and adolescents with behavioral health needs across multiple systems (e.g., child protection, education, and juvenile justice).[11] Specifically, CANS does the following: assesses both a child and his or her family's needs and strengths, supports decision-making regarding treatment planning, improves care coordination and continuity, and monitors outcomes to identify gaps in treatment. CANS assessments will be used to determine eligibility for ODM's OhioRISE (Ohio Resilience through Integrated Systems and Excellence) Program. A provider must be certified to perform CANS assessments. Certification includes training and successful completion of an exam.

OhioRISE is a coordinated managed care program for children with complex behavioral-health needs that will launch July 1, 2022. Eligibility will be open to Ohioans currently enrolled in Medicaid under the age of 21. An individual will also need to meet a functional needs threshold for behavioral healthcare as determined by the CANS assessment or be admitted to behavioral health inpatient care or a psychiatric residential treatment facility to be eligible. OhioRISE will improve care for enrolled youth by bringing together various entities involved in their care (e.g., local government, community organizations, schools, providers, health plans, and families). It will target the most vulnerable individuals with the primary goal of keeping families intact and avoiding custody relinquishment. Both new and enhanced services will be provided, including enhanced care coordination, mobile response and stabilization services, intensive home-based treatment, and short-term behavioral health respite for caregivers.

ODM's Single Pharmacy Benefit Manager Website Goes Live

– Brandon T. Minster, Economist

ODM's new Single Pharmacy Benefit Manager (SPBM) website went live on May 3, 2022. The website, spbm.medicaid.ohio.gov, offers information about the next-generation pharmacy program, one of ODM's strategic initiatives to improve Medicaid services. In October, Gainwell Technologies will begin functioning as the SPBM for all Medicaid managed care organizations (MCOs). The new website will assist MCOs prepare for the change. Currently, the website offers information and a provider manual, and it will continue to be updated with more information and resources as the October implementation nears.

As one of ODM's five strategic initiatives, the new SPBM Program aims to provide increased financial accountability and improved transparency for prescription drug recipients. According to ODM, an SPBM will be better positioned to exercise purchasing power to negotiate price savings with drug manufacturers, and Medicaid participants will encounter fewer out-of-network restrictions, as well. The change to an SPBM program was enacted as part of H.B. 166 of the 133rd General Assembly in 2019.

[11] The CANS tool is an open domain tool. The copyright is held by the Praed Foundation to ensure it remains free to use.

Tracking the Economy

– Jean J. Botomogno, Principal Economist

Overview

The economy downshifted at the start of 2022 from a combination of factors: elevated inflation, cutbacks in monetary stimulus, expiry of pandemic-related federal income support programs, and war in Europe. Inflation-adjusted gross domestic product (real GDP) contracted by 1.5% during the first quarter, according to the most recent estimate from the U.S. Bureau of Economic Analysis (BEA). On the other hand, nationwide nonfarm payroll employment continued to rise, by 390,000 in May, and unemployment remained low at 3.6% of the country's labor force.

The Federal Reserve, the nation's central bank, continued its aggressive steps in the fight against a 40-year-high inflation. In its meeting last month, the Federal Open Market Committee of the Federal Reserve (the Fed) raised its target short-term interest rate for federal funds by half a percentage point, after a quarter percentage point increase in March, and signaled plans to raise the target rate, perhaps by half a percentage point, in each of June and July. On June 1, the Fed started shrinking its balance sheet and the money supply by allowing U.S. Treasuries and mortgage bonds to mature every month without investing the proceeds, which will tend to boost longer-term interest rates. By all these actions, the Fed is hoping to cool demand to moderate price pressures.

Employers in Ohio added a seasonally adjusted 9,500 workers in April, increasing nonfarm payroll by 0.2%. The state's unemployment rate fell to 4.0%, lowest since June 2019. The number of existing home sales in the state decreased in the first four months of 2022, compared to a year earlier, while the average sales price increased more than 9%. Economic activity in the region continued to expand, but recent business activity decelerated "as firms grappled with ongoing supply chain challenges, tight labor market conditions, and escalating costs" according to the Fed's most recent Beige Book report.

The National Economy

The economy extended a yearlong streak of strong employment gains in May. Total nonfarm payroll employment rose by 390,000 (0.3%), 333,000 of them in the private sector, to 151.7 million. The total remained 822,000 (0.5%) below its February 2020 peak. Employment gains in May were particularly large in leisure and hospitality, 84,000; professional and business services, 75,000; and education and health services, 74,000. Employment in retail trade declined by 61,000. Employment increased in goods-producing industries by 59,000, more than half of the rise due to construction. The nation's unemployment rate in May was 3.6% of the labor force, for the third month in a row, and near its prerecession low of 3.5% in early 2020. The number of unemployed persons was just under six million. Those not in the labor force totaled 99.3 million in May; of that number, 5.7 million wanted a job.[12] Labor force participation, the share of the working-age population (age 16 and over) either employed or actively looking for jobs, edged up to 62.3%, from 62.2% in April.

[12] Individuals in this category are not counted among the unemployed because they had not actively looked for work during the four weeks before they were surveyed.

Total nonfarm payroll employment is shown in Chart 5. The unemployment rate is shown in Chart 6. Both charts show data through May for the nation and through April for Ohio.

Statistics on job openings and on voluntary separations from employment suggest labor markets remain unusually tight. The number of job openings nationwide decreased to 11.4 million at the end of April, 455,000 (3.8%) below March's level. Large numbers of job openings were reported in professional and business services, 2.2 million; health care and social assistance, 1.8 million; accommodation and food services, 1.3 million; retailing, 1.1 million; and other fields. Compared to March, job openings fell in health care and social assistance (266,000), retail trade (162,000), professional and business services (149,000), and accommodation and food services (113,000). Partially offsetting those decreases, job openings rose for manufacturing (119,000) and transportation, warehousing, and utilities (97,000). A high number of people continued to leave their jobs. In April, 4.4 million persons quit, a number near (2% below) a record high last November (data published since 2000). More individuals in the South region (1,866,000) voluntarily separated from their jobs than in the Northeast region (587,000).

Nationwide, the industrial production index increased 1.1% in April 2022, the fourth consecutive month of gains of 0.8% or greater, and the index was 6.4% above its level in April 2021. Manufacturing output rose 0.8% in April and was 5.8% above its year-earlier level, with advances in indices for both durable and nondurable goods manufacturing. Mining output rose 1.6% and was 8.6% higher than in April 2021. Output of utilities rose by 2.4% in April, reflecting increases of 2.1% and 4.4%, for electric and natural gas sectors, respectively. Compared to last year, output of all utilities rose 7.5%, with output for electric utilities increasing 8.9%, while that of natural gas falling by 0.2%.

In May, BEA reported that the country's real GDP fell 1.5% at an annual rate in the first quarter of 2022 in the most recent estimate for this statistic, the first decline in this measure since the 2020 recession. (The statistic was revised from a decrease of 1.4% in the initial report in April.) In the fourth quarter of 2021, real GDP rose at a 6.9% rate. The decrease in first-quarter real GDP reflected decreases in private inventory investment, exports, and government spending. Imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures (PCE) and nonresidential and residential fixed investment also increased.

Domestic production of goods (i.e., tangible products) declined in the quarter, while goods imports rose strongly. U.S. provision of services continued to expand in the quarter, but production of structures fell for the fourth consecutive quarter. Nominal (current dollar, i.e., not adjusted for inflation) GDP rose 6.5% at an annual rate in the latest quarter. However, prices rose more rapidly, as the GDP price index increased at an 8.1% annual rate in the first quarter of 2022, and the PCE price index rose at a 7.0% rate.

Final demand grew in the first quarter of 2022, as real consumer spending rose at a 3.1% annual rate, due to a rise of 4.8% in the demand for services. Real nonresidential fixed investment increased at a 9.2% rate, on rising outlays for equipment and intellectual property, though business investment in structures contracted for the fourth consecutive quarter. The increase in real residential fixed investment was more muted, a gain at a 0.4% annual rate. Increases in these final demand components were partially offset by declines in real government spending (-2.7%) and real exports (-5.4%).

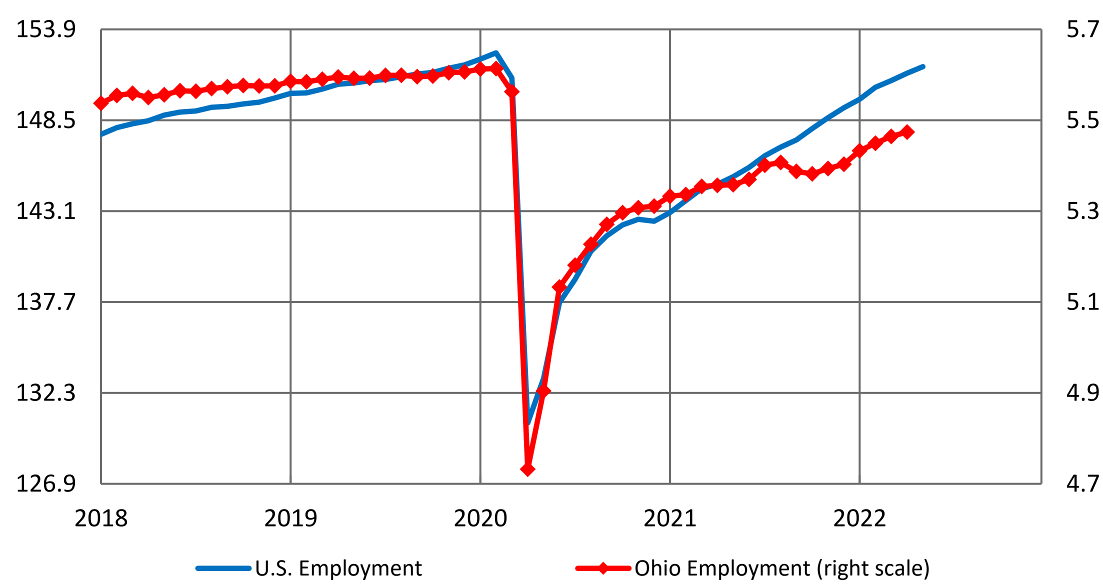
Monthly data show real consumer spending expanding each month this year. In April, real PCE (at a seasonally adjusted rate) grew $91.1 billion (0.7%).[13] Current-dollar PCE increased $152.3 billion (0.9%) in April, reflecting increases of $48.6 billion (0.8%) in spending for goods and $103.7 billion (0.9%) for services. Within goods, increases were widespread across most components, except for gasoline and other energy goods; spending for motor vehicles and parts was the leading contributor to the increase. Within services, increases were also widespread across most components, led by accommodation and food services, and transportation.

The consumer price index (CPI) increased 0.3% in April, well below the 1.2% rise the previous month. Over the last 12 months, the CPI rose 8.3%. Increases in the indices for shelter, food, airline fares, and new vehicles were the largest contributors to the CPI's seasonally adjusted monthly rise. However, the energy index declined. Excluding food and energy, the CPI rose 0.6% in April, higher than the 0.3% increase in March. Price increases were widespread among most expenditure categories. However, used cars prices have started to soften. For the 12 months ending in April, energy prices rose 30.3% and the food index increased 9.4%, the largest 12-month increase since the period ending April 1981.

A related measure closely watched by the Fed, the PCE price index, rose 0.2% in April, down from an increase of 0.9% in March, and was 6.3% higher than a year earlier. Excluding food and energy, the PCE price index was up from a year ago by 4.9% in April, after a 5.2% year-over-year increase in March.

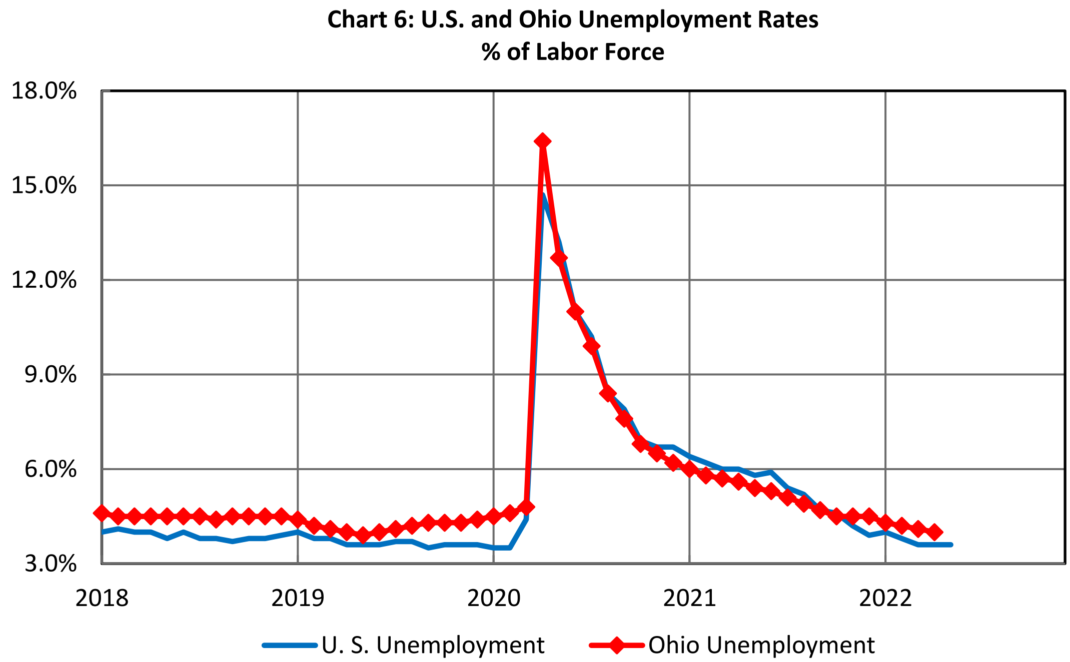
Chart 5 shows U.S. and Ohio nonfarm payroll employment.

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



[13] Real consumer spending measures are in 2012 dollars.

Chart 6 shows U.S. and Ohio unemployment rates.



The Ohio Economy

Ohio's employment increased in April 2022, and the state's unemployment rate decreased for the fourth consecutive month. For the month, Ohio's unemployment rate was 4.0%, down from 4.1% in March. This was the lowest unemployment rate since June 2019. The record low was 3.8% in January to March 2001, in records kept since 1976. Compared to a year ago, Ohio's unemployment rate was 5.6% in April 2021. The number of unemployed Ohioans was 233,000 in April, down from 237,000 in March, and a decrease of 88,000 in the last 12 months. In comparison, the U.S. unemployment rate was 3.6% in April, unchanged from March, but down from 6.0% in April 2021. Chart 6 above shows trends in unemployment rates for the state and the U.S. since January 2018. As shown in the chart, Ohio's unemployment rate remained higher than the U.S. unemployment rate since November 2021.

Ohio's nonfarm payroll employment totaled 5,473,900 in April, an increase of 9,500 (0.2%) from March's seasonally adjusted number. Chart 5 above shows trends in the state's employment compared with U.S. employment since January 2018. As shown in the chart, total nonfarm payroll employment in April was at its highest level since pandemic-related economic shutdowns in April 2020 but was still 139,900 (2.5%) below February 2020's level. The increase in employment from March to April was due to increases in goods-producing industries (7,200), private service-providing industries (1,900), and government employment (400). Increases in the goods-producing sector were primarily from gains in manufacturing and construction. For the private service-providing sector, gains in the other services category, leisure and hospitality, and professional, scientific, and technical services surpassed losses in trade, transportation and utilities, and administrative and support and waste management services. Within government, increases in state and local government employment exceeded losses in federal employment.

Compared to a year ago, total nonfarm payroll employment increased by 117,400 (2.2%). Jobs in the private service-providing sector grew by 83,300, powered by employment gains in leisure and hospitality, trade, transportation and utilities, and professional and business services, which exceeded losses in educational and health services. Increases in the goods-producing industries totaled 33,500, with gains in both durable and nondurable goods manufacturing and in construction. Government employment increased 600, as gains in local government jobs were higher than losses in state and federal employment. The state's labor force expanded by over 38,100 (0.7%) in April, compared to the same month a year ago. Ohio's employment to population ratio was 59.3%, up from a pandemic-era low of 49.7% in April 2020 but still shy of the 60.7% in January 2020.

Rising mortgage rates and high home prices are slowing existing home sales. In April, the number of existing homes sold in the state declined by 2.5%, compared to sales in the same month in 2021, following a decrease of 4.8% in March 2022 relative to March 2021, according to monthly reports published by Ohio Realtors. In the first four months of 2022, the residential housing market saw the total number of existing home units sold decline by 495 units, 1.1%, compared to the corresponding period a year earlier. This easing in market activity follows more than a decade when sales rose in most years, including sizable gains in 2019 through 2021. The statewide average sales price of homes sold in January through April 2022 averaged $240,288, or 9.1% higher than in the corresponding months in 2021, after double-digit average price increases for homes sold in 2020 and 2021. The total dollar volume of housing transactions so far in 2022 was about $10.64 billion, up 7.9% from 2021.

While the COVID-19 pandemic has not officially ended, the U.S. Census Bureau's first release of population estimates for cities and towns this decade reveals how population growth trends shifted during the first year of the pandemic (July 1, 2020, to July 1, 2021). Overall, growth slowed in the nation's biggest cities and some states experienced an uptick in population due to net migration to the South and West. In Ohio, the largest cities, on balance, experienced a population loss, including Cleveland (-1.1%), Cincinnati (-0.4%), Toledo (-0.6%), Akron (-0.4%), and Dayton (-0.4%). The exception was Columbus which gained 0.1% in the period.