LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Ross Miller, Chief Economist

February GRF revenue from the personal income tax (PIT) was $185 million above the estimate published by the Office of Budget and Management (OBM), and GRF revenue from the commercial activity tax (CAT) was $46 million above estimate. With sales and use tax revenue also above estimate, total February GRF tax revenue exceeded the estimate by $264 million. For FY 2022 through the end of February, GRF tax revenue was $1.08 billion above estimate.

GRF Medicaid expenditures were above estimate by $200 million in February, and were $262 million above estimate in January. However, non-GRF expenditures were below estimate in both January and February and have contributed to keeping overall Medicaid expenditures under estimate by $845 million year-to-date (YTD). Ohio's Medicaid program is mainly funded by the GRF but is also supported by several non-GRF funds. More details are available in the Expenditures article.

U.S. nonfarm payroll employment increased by 678,000 in February and the unemployment rate dropped to 3.8%. Ohio's January employment and unemployment statistics are scheduled for release on March 11. The most recent Ohio unemployment rate available remains the 4.5% December figure reported in last month's edition of *Budget Footnotes*.

Through February 2022, GRF sources totaled $25.77 billion:

- Revenue from the sales and use tax was $308.0 million above estimate;
- PIT receipts were $669.1 million above estimate.

Through February 2022, GRF uses totaled $27.02 billion:

- Program expenditures were $37.9 million above estimate;
- Expenditures from all program categories were below estimates except for Primary and Secondary Education (which was above estimate by $276.8 million) and Medicaid ($162.8 million).

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$123,803	$114,700	$9,103	7.9%
Nonauto Sales and Use	$717,431	$706,300	$11,131	1.6%
Total Sales and Use	*$841,234*	*$821,000*	*$20,234*	*2.5%*
Personal Income	$301,954	$117,200	$184,754	157.6%
Commercial Activity Tax	$425,934	$380,100	$45,834	12.1%
Cigarette	$60,469	$62,500	-$2,031	-3.2%
Kilowatt-Hour Excise	$26,391	$29,500	-$3,109	-10.5%
Foreign Insurance	$134,409	$134,100	$309	0.2%
Domestic Insurance	$57	$0	$57	---
Financial Institution	$61,752	$48,400	$13,352	27.6%
Public Utility	$33,495	$29,500	$3,995	13.5%
Natural Gas Consumption	$16,287	$12,900	$3,387	26.3%
Alcoholic Beverage	$2,638	$5,100	-$2,462	-48.3%
Liquor Gallonage	$4,020	$4,200	-$180	-4.3%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$115	$0	$115	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$1,908,754**	**$1,644,500**	**$264,254**	**16.1%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$8,329	$6,505	$1,823	28.0%
Other Revenue	$885	$413	$472	114.4%
Total Nontax Revenue	**$9,214**	**$6,918**	**$2,296**	**33.2%**
Transfers In	**$750**	**$0**	**$750**	**---**
Total State Sources	**$1,918,717**	**$1,651,418**	**$267,299**	**16.2%**
Federal Grants	**$911,887**	**$672,470**	**$239,417**	**35.6%**
Total GRF Sources	**$2,830,605**	**$2,323,888**	**$506,717**	**21.8%**

*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 February 28, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 2, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$1,216,823	$1,194,800	$22,023	1.8%	$1,138,075	6.9%
Nonauto Sales and Use	$7,295,036	$7,009,100	$285,936	4.1%	$6,704,789	8.8%
Total Sales and Use	*$8,511,859*	*$8,203,900*	*$307,959*	*3.8%*	*$7,842,864*	*8.5%*
Personal Income	$6,370,718	$5,701,600	$669,118	11.7%	$6,512,218	-2.2%
Commercial Activity Tax	$1,462,459	$1,342,600	$119,859	8.9%	$1,212,282	20.6%
Cigarette	$545,852	$547,600	-$1,748	-0.3%	$563,647	-3.2%
Kilowatt-Hour Excise	$205,091	$208,000	-$2,909	-1.4%	$207,213	-1.0%
Foreign Insurance	$310,851	$312,500	-$1,649	-0.5%	$293,651	5.9%
Domestic Insurance	$2,311	$1,600	$711	44.4%	$840	175.1%
Financial Institution	$64,048	$90,200	-$26,152	-29.0%	$96,437	-33.6%
Public Utility	$103,484	$91,800	$11,684	12.7%	$79,130	30.8%
Natural Gas Consumption	$34,898	$33,900	$998	2.9%	$35,798	-2.5%
Alcoholic Beverage	$42,399	$41,200	$1,199	2.9%	$41,385	2.4%
Liquor Gallonage	$39,282	$38,000	$1,282	3.4%	$38,607	1.7%
Petroleum Activity Tax	$3,628	$4,000	-$372	-9.3%	$2,062	75.9%
Corporate Franchise	$644	$0	$644	---	$5,817	-88.9%
Business and Property	$0	$0	$0	---	$59	-100.0%
Estate	$7	$0	$7	---	$12	-42.6%
Total Tax Revenue	**$17,697,530**	**$16,616,900**	**$1,080,630**	**6.5%**	**$16,932,022**	**4.5%**
Nontax Revenue						
Earnings on Investments	$20,963	$18,737	$2,226	11.9%	$32,562	-35.6%
Licenses and Fees	$24,371	$21,564	$2,807	13.0%	$24,408	-0.2%
Other Revenue	$391,923	$101,680	$290,243	285.4%	$94,481	314.8%
Total Nontax Revenue	**$437,257**	**$141,981**	**$295,276**	**208.0%**	**$151,450**	**188.7%**
Transfers In	**$52,350**	**$30,362**	**$21,988**	**72.4%**	**$85,026**	**-38.4%**
Total State Sources	**$18,187,137**	**$16,789,244**	**$1,397,893**	**8.3%**	**$17,168,499**	**5.9%**
Federal Grants	**$7,583,433**	**$7,247,418**	**$336,016**	**4.6%**	**$8,039,906**	**-5.7%**
Total GRF SOURCES	**$25,770,570**	**$24,036,661**	**$1,733,909**	**7.2%**	**$25,208,404**	**2.2%**

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

Revenues[1]

– Jean J. Botomogno, Principal Economist

Overview

FY 2022 GRF sources through February of $25.77 billion were $1.73 billion (7.2%) over the estimate released by OBM, up from a cumulative positive variance of $1.23 billion through January 2022. This strong performance reflects positive variances of $1.08 billion (6.5%) for GRF tax sources, $336.0 million (4.6%) for federal grants,[2] $295.3 million (208.0%) for nontax revenue,[3] and $22.0 million (72.4%) for transfers in. GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants. Tables 1 and 2, which precede this revenue section, show GRF sources for February 2022 and YTD through February in FY 2022, respectively.

With four months left in the fiscal year, GRF tax sources continue to excel. The largest tax sources had robust YTD positive variances, led by an overage of $669.1 million for the PIT. About one third of the PIT variance is accounted for by lower-than-expected refunds, which may be due in part to timing. The sales and use tax and the CAT experienced gains of $308.0 million and $119.9 million, respectively. However, the next largest tax source, the cigarette tax, posted a deficit of $1.7 million. (These four taxes are estimated to provide about 94% of GRF tax revenue and nearly two-thirds of total GRF sources in FY 2022.) Among the smaller taxes, the public utility excise tax, the liquor gallonage tax, and the alcoholic beverage tax exceeded their respective estimates by $11.7 million, $1.3 million, and $1.2 million. Of the tax sources with negative variances, the financial institutions tax (FIT) posted the largest YTD shortfall, $26.2 million. The first FIT payment of the fiscal year (due January 31, 2022) provided combined revenue of $115.8 million in January and February, compared to an aggregate estimate of $119.6 million, resulting in a negative variance of $3.8 million for the two-month period.[4] In addition to the FIT, the kilowatt-hour tax and the foreign insurance tax had YTD shortfalls of $2.9 million and $1.6 million, respectively.

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

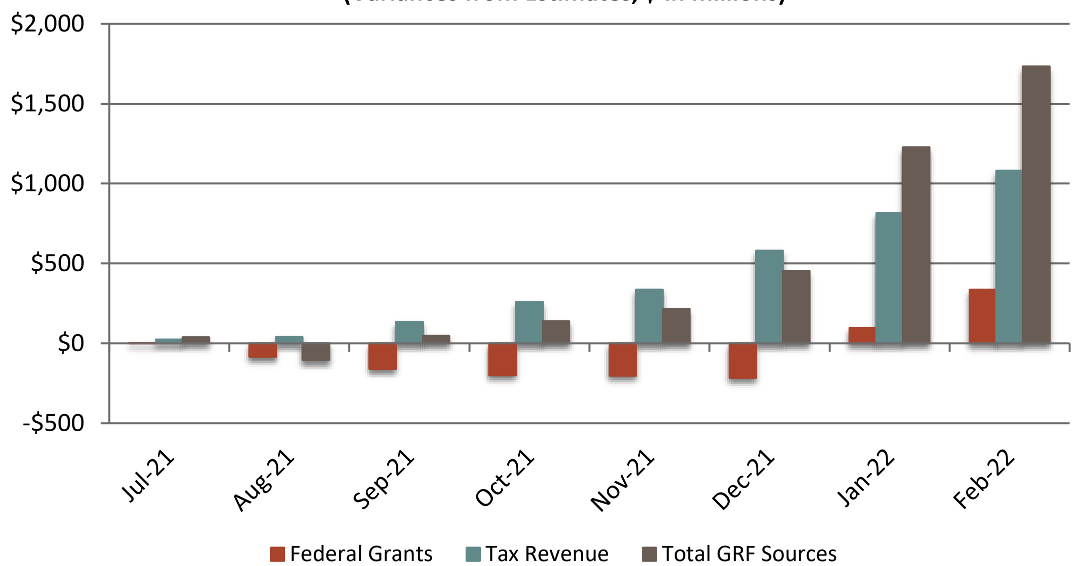
[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs.

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

[4] The GRF typically pays out refunds under the FIT during the first half of the fiscal year as taxpayers make adjustments to previous tax filings. In the first half of FY 2022, the FIT was $22.4 million below estimate through December. Annual FIT tax returns are due in October, but estimated payments are made at the end of January, March, and May. The reconciliation between estimated payments and final tax liability generally results in net refunds between July and December.

Total GRF sources for the month of February were $506.7 million (21.8%) above estimate. GRF tax receipts exceeded estimate by $264.3 million, the largest positive monthly variance this fiscal year. Federal grants were ahead of anticipated revenue by $239.4 million (35.6%), after a large positive variance of $312.8 million in January. Nontax revenue was larger than projected receipts by $2.3 million (33.2%). February GRF tax sources were buoyed by an outsized gain of $184.8 million from the PIT, more than two-thirds of the positive variance of GRF tax sources in February. The sales and use tax posted a positive variance of $20.2 million and CAT revenues to the GRF were above estimate by $45.8 million. Tax revenue was also above estimate for the FIT ($13.4 million, partially reversing a shortfall of $17.1 million in January), the public utility tax ($4.0 million) and the natural gas consumption tax ($3.4 million). On the other hand, revenue fell short of the mark in February for the kilowatt-hour tax ($3.1 million), the alcoholic beverage tax ($2.5 million), and the cigarette tax ($2.0 million). Chart 1, below, shows cumulative YTD variances of GRF sources through February in FY 2022.

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



YTD GRF sources were $562.2 million (2.2%) above such sources through February in FY 2021. This net increase resulted from a $765.5 million (4.5%) increase in tax revenue and a $285.8 million (188.7%) rise in nontax revenue, which together exceeded declines of $456.5 million (5.7%) in federal grants[5] and in transfers in of $32.7 million (38.4%). Growth for GRF tax sources was mainly due to revenue increases of $669.0 million for the sales and use tax and $250.2 million for the CAT, reflecting economic expansion. In addition, receipts rose from the public utility tax, by $24.4 million; the foreign insurance tax, by $17.2 million; the petroleum activity tax, by $1.6 million; the domestic insurance tax, by $1.5 million; and the alcoholic beverage tax, by $1.0 million. Those increases were partially offset by revenue decreases of

[5] H.B. 110 reduced the GRF federal share of Medicaid spending (and increased the non-GRF federal share of Medicaid spending) in FY 2022, relative to Medicaid spending in FY 2021. As a result, FY 2022 federal grants may decline compared to the year-earlier period.

$141.5 million for the PIT (due to changes in filing of tax returns in 2020, as explained below), $32.4 million for the FIT, $17.8 million for the cigarette tax, and $2.1 million for the kilowatt-hour tax. YTD revenue also declined by $5.2 million for the corporate franchise tax, a tax which was eliminated at the end of 2013.

Sales and Use Tax

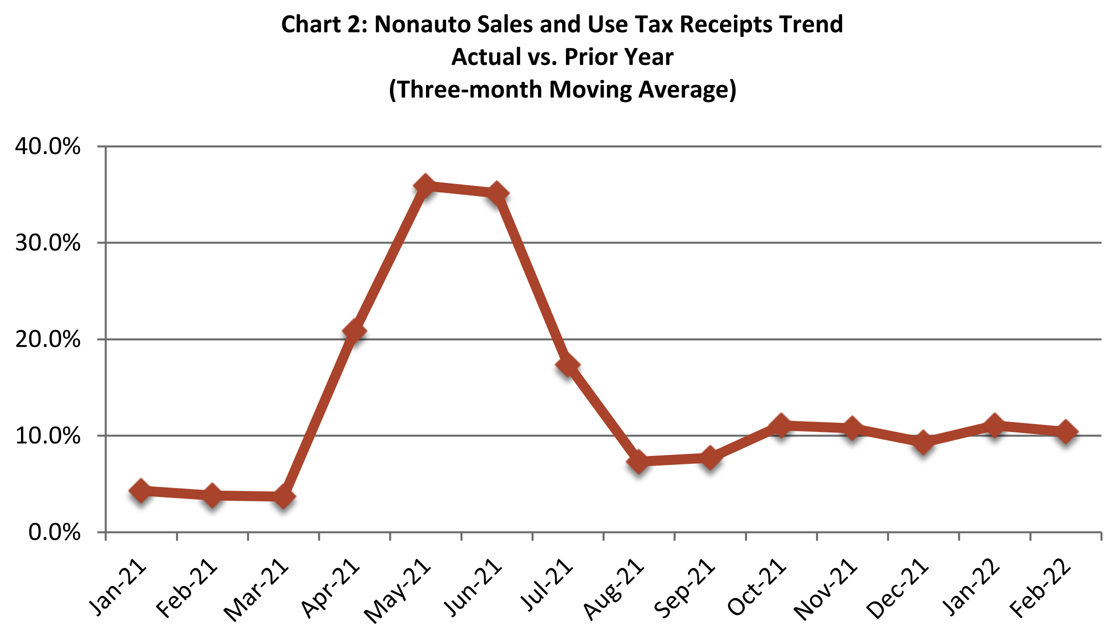
FY 2022 YTD GRF revenue from the sales and use tax of $8.51 billion was above estimate by $308.0 million (3.8%). Compared to the corresponding period last year, YTD revenue from this tax source was 8.5% higher. So, this GRF tax source has performed very well in FY 2022. The rise in consumer spending has been broad-based across various retail sectors throughout the fiscal year. However, rising prices is eroding consumers' spending power because wages, while up, have increased more slowly than the price of most goods and services; and, the most recent surge in the prices of food, gasoline, and rents (items not in the sales and use tax base), if sustained, may negatively affect spending on taxable items and sales and use tax revenue in the next few months.

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

Nonauto Sales and Use Tax

For the YTD through February, this tax source totaled $7.30 billion, an amount $285.9 million (4.1%) above estimate. FY 2022 revenue was also $590.2 million (8.8%) above revenue in the first eight months of FY 2021. February 2022 GRF receipts of $717.4 million were above estimate by $11.1 million (1.6%) and $30.7 million (4.5%) above revenue in February 2021, another good monthly increase. 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. The current operating budget, H.B. 110 of the 134th General Assembly, repealed the sales tax paid by businesses on purchases of employment services and employee placement services. This law change was effective in October 2021, thus first impacting revenues in November 2021. OBM estimated this change would reduce nonauto sales tax revenue by an average of $12.0 million per month.

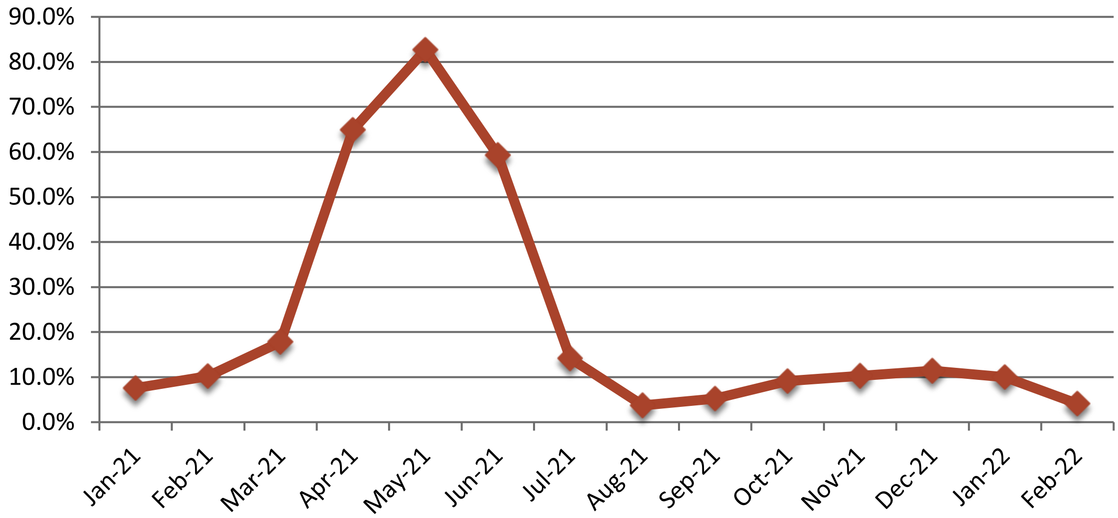
Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since February 2021. Growth was modest at the start of the 2021 calendar year, strengthened in the second calendar quarter as tax revenue compared favorably to depressed levels in the year-earlier period, then slowed to a more moderate level, about 10.4% on average in the last three months. For the fiscal year, YTD growth was 8.8% through February 2022.



Auto Sales and Use Tax

Through February, receipts from the auto sales and use tax totaled $1.22 billion in FY 2022, an amount $22.0 million (1.8%) above estimate. YTD revenue was also $78.7 million (6.9%) above revenue in the corresponding period in FY 2021. For the month of February, GRF revenue from this tax source was $123.8 million, $9.1 million (7.9%) above anticipated receipts, and $2.7 million (2.3%) above revenue in February 2021. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, including high growth rates in the spring of 2021 from pandemic-depressed revenues a year earlier when vehicle buying plunged. Slower year-over-year revenue growth started in June and continued into FY 2022. Revenue growth was 4.1%, on average, in the last three months, lower than the rate of 6.9% for the fiscal year through February. As noted in this space previously, Ohio auto sales tax revenue growth in FY 2022 has been due to increases in average sale prices of vehicles, while unit sales have declined, constrained in part by shortages of semiconductors. For FY 2022 through February, nationwide unit sales of new vehicles have declined about 20% for autos and about 14% for light trucks; and the inventory shortage has raised average prices of both used and new vehicles to record levels.

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



Personal Income Tax

Through February, FY 2022 GRF revenue from the PIT totaled $6.37 billion, $669.1 million (11.7%) above the estimate, largely due to stronger than anticipated revenue from employer withholding, and also due to higher than expected estimated tax payments and lower than expected refunds. PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[6] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (generally over 81% of gross collections for an entire fiscal year).

The months of January and February mark the beginning of the income tax filing season, during which the impact of refunds on monthly net PIT revenue increases. In February, PIT receipts to the GRF of $302.0 million, were $184.8 million (157.6%) above estimate, but $80.5 million (21.1%) below such revenue in February 2021. The February positive variance was largely due to refunds being $173.8 million lower than anticipated. (Adding to this shortfall, the January negative variance of $46.9 million, refunds were $220.7 million below estimate for the two-month period). Gross collections in February were $15.8 million above estimate. Employer withholding and miscellaneous payments were above expected revenue by $26.8 million and $3.7 million, respectively. These positive variances were partially offset by shortfalls of $12.7 million and $2.3 million for quarterly estimated payments and payments due with annual

[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.

returns, respectively; and distributions to the LGF were higher than OBM's estimate by $4.8 million.

FY 2022 GRF receipts from the PIT were $141.5 million (2.2%) below such revenue in FY 2021 through February. This decrease was due to a year-over-year decline totaling $586.2 million in the months of July and August. The large year-over-year PIT revenue decline is attributable to the delay of income tax filings for tax year (TY) 2019 from April to July 2020. Generally, income tax returns are filed in mid-April each year, but the filing of TY 2019 tax returns was delayed due to the COVID-19 pandemic.[7] Income tax filings for TY 2020 returns were delayed from mid-April to mid-May 2021, still within FY 2021, due to the late enactment of the American Rescue Plan Act (ARPA), which included several tax changes impacting TY 2020 returns.

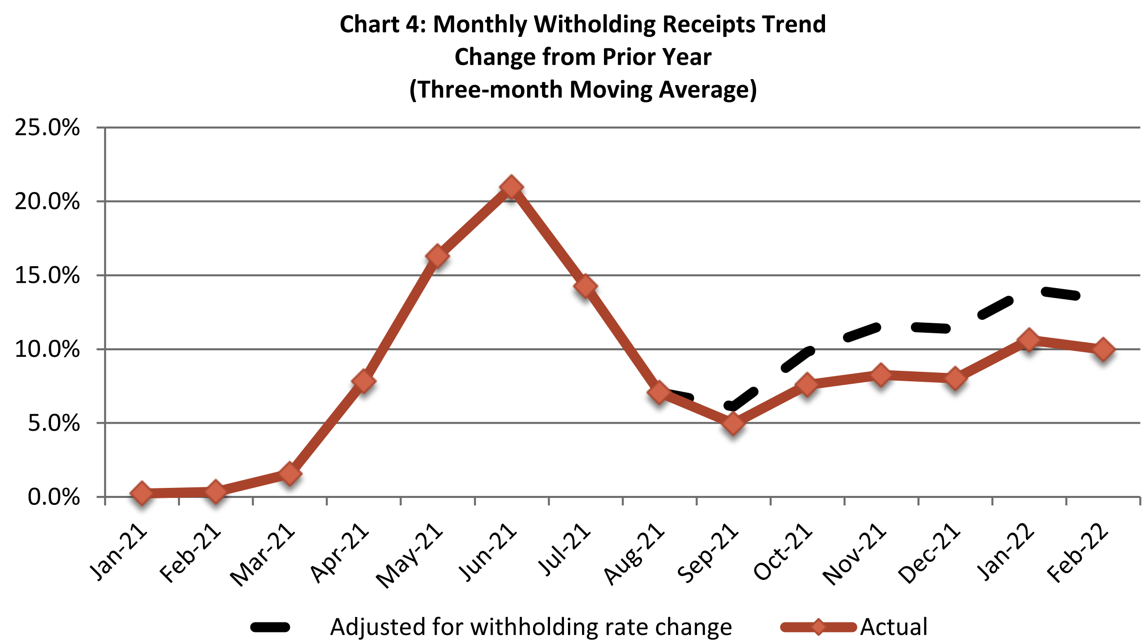
For FY 2022 through February, revenues from each component of the PIT relative to estimates and to revenue received in FY 2021 are detailed in the table below. FY 2022 gross collections were $448.5 million above anticipated revenue, with positive variances of $238.7 million from employer withholding, $123.0 million from quarterly estimated payments, $75.7 million from payments due with annual returns, and $15.7 million from miscellaneous payments. Those positive variances were partly offset by a shortfall of $4.5 million for payments from trusts. YTD refunds were $237.3 million below projections, but LGF distributions were $16.7 million above estimate, adding $220.6 million to YTD gross collections. Thus, the YTD positive variance for the GRF was $669.1 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	$238.7	3.7%	$443.2	7.1%
Quarterly Estimated Payments	$123.0	20.8%	-$53.8	-7.0%
Trust Payments	-$4.5	-12.5%	-$50.9	-61.9%
Annual Return Payments	$75.7	51.3%	-$531.5	-70.4%
Miscellaneous Payments	$15.7	36.2%	$15.5	35.7%
Gross Collections	$448.5	6.2%	-$177.4	-2.3%
Less Refunds	-$237.3	-19.5%	-$55.1	-5.3%
Less LGF Distribution	$16.7	5.4%	$19.2	6.3%
GRF PIT Revenue	**$669.1**	**11.7%**	**-$141.5**	**-2.2%**

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

Compared with the same period in FY 2021, gross collections fell $177.4 million in the first eight months of FY 2022. Employer withholding and miscellaneous payments were above their prior-year levels by $443.2 million and $15.5 million, respectively. However, revenue from annual returns, trust payments, and quarterly estimated payments fell $531.5 million, $50.9 million, and $53.8 million, respectively. FY 2022 refunds declined by $55.1 million relative to refunds in the year-earlier period, and LGF distributions were $19.2 million higher than in the corresponding period last year. Therefore, YTD PIT GRF revenue was $141.5 million less than receipts in FY 2021 through February.

The chart below illustrates the growth of actual employer withholdings received monthly, on a three-month moving average basis relative to one year ago. Withholding rates were decreased by 3% across the board beginning in September, as a result of a tax rate reduction in H.B. 110.[8] The dashed line in the chart, adjusted for the withholding rate change, approximates actual payroll growth in recent months which was stronger than growth of amounts withheld.



Commercial Activity Tax

The third CAT payment for quarterly return taxpayers, due in February, provided $425.9 million to the GRF, $45.8 million (12.1%) above estimate, bringing the YTD positive variance for this tax source to $119.9 million (8.9%). A combined positive variance of

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

$51.3 million in the last two months likely ensures a solid positive variance in the third fiscal quarter as a whole, as estimated receipts in March are $15.4 million. February GRF revenue was $49.1 million (13.0%) above receipts in the same month last year. For the fiscal year, YTD GRF receipts were $1.46 billion, $250.2 million (20.6%) above revenues in FY 2021 through February. Excluding first-quarter receipts in each fiscal year, in the last five months, FY 2022 revenue growth relative to FY 2021 was a remarkable 16.4%.[9]

Through February, gross collections totaled $1.80 billion, an increase of $255.0 million (16.6%) relative to gross collections through February in FY 2021. Refunds were $67.7 million, a decrease of $40.3 million (37.3%) from FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $11.5 million. (Money in the fund helps defray Ohio Department of Taxation costs of administering the CAT and other taxes.)

Under continuing law, CAT receipts net of refunds and transfers to Fund 2280 are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). YTD distributions to Fund 7047 and Fund 7081 were $223.7 million and $34.4 million, respectively. The distributions to Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property and the phase down of property taxes on public utility tangible personal property. Through February, distributions to the two funds have exceeded estimated annual reimbursements for both school districts and other local tax units. Any receipts in excess of amounts needed for such reimbursement payments are generally transferred back to the GRF.

Cigarette and Other Tobacco Products Tax

Through February in FY 2022, GRF revenue from the cigarette and other tobacco products (OTP) tax totaling $545.9 million was below estimate by $1.7 million (0.3%). This total included $472.7 million from the sale of cigarettes and $73.2 million from the sale of OTP. For the month of February, receipts from this source of $60.5 million were $2.0 million (3.2%) below estimate and $1.0 million (1.6%) below revenue in February 2021.

FY 2022 YTD revenue was $17.8 million (3.2%) below year-earlier revenue. OTP sales increased by $6.0 million (8.9%) while receipts from cigarette sales decreased $23.8 million (4.8%). For OTP, the tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base grows with price increases. On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace, though monthly receipts may grow or decline from revenue in the year-earlier month.

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

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of February 2022
($ in thousands)
(Actual based on OAKS reports run March 2, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$627,672	$726,650	-$98,978	-13.6%
Higher Education	$225,000	$230,638	-$5,638	-2.4%
Other Education	$5,541	$5,522	$19	0.3%
Total Education	**$858,213**	**$962,810**	**-$104,597**	**-10.9%**
Medicaid	$1,305,082	$1,105,536	$199,546	18.0%
Health and Human Services	$121,063	$134,765	-$13,702	-10.2%
Total Health and Human Services	**$1,426,145**	**$1,240,301**	**$185,845**	**15.0%**
Justice and Public Protection	$182,041	$183,942	-$1,901	-1.0%
General Government	$28,773	$37,344	-$8,571	-23.0%
Total Government Operations	**$210,815**	**$221,286**	**-$10,472**	**-4.7%**
Property Tax Reimbursements	$0	$0	$0	---
Debt Service	$101,661	$99,098	$2,563	2.6%
Total Other Expenditures	**$101,661**	**$99,098**	**$2,563**	**2.6%**
Total Program Expenditures	**$2,596,833**	**$2,523,495**	**$73,338**	**2.9%**
Transfers Out	**$0**	**$14,000**	**-$14,000**	**-100.0%**
Total GRF Uses	**$2,596,833**	**$2,537,495**	**$59,338**	**2.3%**

*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 February 28, 2022
($ in thousands)
(Actual based on OAKS reports run March 2, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$6,189,202	$5,912,424	$276,778	4.7%	$5,597,754	10.6%
Higher Education	$1,621,535	$1,654,778	-$33,243	-2.0%	$1,555,859	4.2%
Other Education	$67,768	$71,732	-$3,964	-5.5%	$53,727	26.1%
Total Education	**$7,878,505**	**$7,638,934**	**$239,571**	**3.1%**	**$7,207,340**	**9.3%**
Medicaid	$10,958,615	$10,795,821	$162,794	1.5%	$11,470,845	-4.5%
Health and Human Services	$1,018,306	$1,185,204	-$166,897	-14.1%	$944,976	7.8%
Total Health and Human Services	**$11,976,922**	**$11,981,025**	**-$4,103**	**0.0%**	**$12,415,821**	**-3.5%**
Justice and Public Protection	$1,808,144	$1,943,154	-$135,010	-6.9%	$1,668,897	8.3%
General Government	$345,027	$395,909	-$50,881	-12.9%	$292,846	17.8%
Total Government Operations	**$2,153,171**	**$2,339,062**	**-$185,891**	**-7.9%**	**$1,961,743**	**9.8%**
Property Tax Reimbursements	$913,053	$922,665	-$9,612	-1.0%	$904,344	1.0%
Debt Service	$1,116,118	$1,118,186	-$2,069	-0.2%	$816,869	36.6%
Total Other Expenditures	**$2,029,170**	**$2,040,851**	**-$11,681**	**-0.6%**	**$1,721,213**	**17.9%**
Total Program Expenditures	**$24,037,768**	**$23,999,872**	**$37,896**	**0.2%**	**$23,306,117**	**3.1%**
Transfers Out	**$2,979,663**	**$2,964,400**	**$15,263**	**0.5%**	**$444,870**	**569.8%**
Total GRF Uses	**$27,017,431**	**$26,964,272**	**$53,159**	**0.2%**	**$23,750,987**	**13.8%**

*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 March 7, 2022)

	Month of February 2022				Year to Date through January 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,248,864	$1,046,945	$201,919	19.3%	$10,467,304	$10,253,685	$213,619	2.1%
Non-GRF	$1,194,003	$1,472,502	-$278,499	-18.9%	$9,849,191	$10,815,948	-$966,756	-8.9%
All Funds	$2,442,867	$2,519,447	-$76,580	-3.0%	$20,316,495	$21,069,632	-$753,137	-3.6%
Developmental Disabilities								
GRF	$49,691	$57,670	-$7,979	-13.8%	$425,528	$442,463	-$16,935	-3.8%
Non-GRF	$202,295	$202,965	-$670	-0.3%	$1,657,846	$1,685,773	-$27,927	-1.7%
All Funds	$251,986	$260,635	-$8,649	-3.3%	$2,083,374	$2,128,236	-$44,862	-2.1%
Job and Family Services								
GRF	$5,881	$146	$5,735	3932.7%	$58,248	$91,773	-$33,525	-36.5%
Non-GRF	$11,398	$36,067	-$24,669	-68.4%	$115,206	$122,101	-$6,895	-5.6%
All Funds	$17,278	$36,212	-$18,934	-52.3%	$173,454	$213,874	-$40,421	-18.9%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$647	$776	-$129	-16.6%	$7,535	$7,900	-$365	-4.6%
Non-GRF	$4,519	$3,057	$1,461	47.8%	$25,194	$31,673	-$6,479	-20.5%
All Funds	$5,166	$3,833	$1,333	34.8%	$32,730	$39,574	-$6,844	-17.3%
All Departments:								
GRF	**$1,305,082**	**$1,105,536**	**$199,546**	**18.0%**	**$10,958,615**	**$10,795,821**	**$162,794**	**1.5%**
Non-GRF	**$1,412,215**	**$1,714,591**	**-$302,376**	**-17.6%**	**$11,647,437**	**$12,655,495**	**-$1,008,058**	**-8.0%**
All Funds	**$2,717,297**	**$2,820,127**	**-$102,830**	**-3.6%**	**$22,606,053**	**$23,451,317**	**-$845,264**	**-3.6%**

*September 2021 estimates from the Department of Medicaid
Detail may not sum to total due to rounding.

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on March 7, 2022)

	Month of February 2022				Year to Date through February 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,821,407**	**$1,932,536**	**-$111,129**	**-5.8%**	**$15,574,805**	**$15,974,516**	**-$399,710**	**-2.5%**
CFC†	$657,491	$695,003	-$37,512	-5.4%	$5,550,434	$5,632,835	-$82,401	-1.5%
Group VIII	$602,030	$630,021	-$27,990	-4.4%	$4,864,932	$4,960,955	-$96,023	-1.9%
ABD†	$247,289	$261,974	-$14,686	-5.6%	$2,066,415	$2,115,750	-$49,334	-2.3%
ABD Kids	$83,324	$89,980	-$6,656	-7.4%	$691,760	$678,999	$12,760	1.9%
My Care	$231,273	$255,558	-$24,285	-9.5%	$1,875,681	$1,934,374	-$58,693	-3.0%
P4P & Ins Fee†	$0	$0	$0	-	$525,582	$651,603	-$126,020	-19.3%
Fee-For-Service	**$699,763**	**$660,139**	**$39,624**	**6.0%**	**$5,539,168**	**$5,893,100**	**-$353,932**	**-6.0%**
ODM Services	$325,538	$376,882	-$51,345	-13.6%	$2,779,246	$3,057,557	-$278,311	-9.1%
DDD Services	$237,254	$245,557	-$8,302	-3.4%	$2,010,035	$2,052,070	-$42,034	-2.0%
Hospital – HCAP&Other†	$136,971	$37,700	$99,271	263.3%	$749,886	$783,473	-$33,587	-4.3%
Premium Assistance	**$114,133**	**$119,377**	**-$5,245**	**-4.4%**	**$843,507**	**$860,681**	**-$17,174**	**-2.0%**
Medicare Buy-In	$74,918	$71,651	$3,267	4.6%	$548,569	$557,869	-$9,300	-1.7%
Medicare Part D	$39,214	$47,726	-$8,512	-17.8%	$294,939	$302,812	-$7,874	-2.6%
Administration	**$81,995**	**$108,075**	**-$26,080**	**-24.1%**	**$648,572**	**$723,020**	**-$74,447**	**-10.3%**
Total	**$2,717,297**	**$2,820,127**	**-$102,830**	**-3.6%**	**$22,606,053**	**$23,451,317**	**-$845,264**	**-3.6%**

*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[10]

– *Melaney Carter, Director*

– *Ivy Chen, Principal Economist*

Overview

February was the third month in a row in which GRF program expenditures exceeded the monthly estimates (by $73.3 million, 2.9% in February). As a result, the YTD variance in GRF program expenditures turned positive ($37.9 million, 0.2%) for the first time in this fiscal year. In February the culprit was GRF Medicaid spending, which was above estimate by $199.5 million (18.0%) for the month, resulting in a positive YTD variance of $162.8 million (1.5%) for this category. Most other program categories had negative monthly variances, most significantly, Primary and Secondary Education, which had a negative monthly variance of $99.0 million (13.6%), that partially offset large positive variances from earlier in the year and lowered this category's positive YTD variance to $276.8 million (4.7%). The positive YTD variances in Primary and Secondary Education and Medicaid were partially offset by negative variances in the other program categories, the largest of which were $166.9 million (14.1%) in Health and Human Services and $135.0 million (6.9%) in Justice and Public Protection.

In addition to program expenditures, total uses include transfers out. Transfers out had a negative variance of $14.0 million in February due to timing. For the YTD, transfers out totaled $2.98 billion and had a positive YTD variance of $15.3 million (0.5%) at the end of February. Combining program expenditures and transfers out, total GRF uses for the first eight months of FY 2022 were $27.02 billion. These uses were $53.2 million (0.2%) 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 February by $199.5 million (18.0%) and above their YTD estimate by $162.8 million (1.5%) at the end of February. Non-GRF Medicaid expenditures were below their monthly estimate, by $302.4 million (17.6%), and below their YTD estimate by $1.01 billion (8.0%) at the end of February. The Ohio Department of Medicaid (ODM) reports that February had decreased expenditures from the non-GRF Medicaid Health and Human Services Fund (Fund 5SA4) and increased expenditures from the GRF to offset these decreased expenditures. At the time disbursement estimates were developed, ODM anticipated increased federal support due to the federally declared public health emergency for the COVID-19 pandemic to end at the end of calendar year (CY) 2021. The federal public health emergency and financial support has in fact

[10] 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.

continued into CY 2022. Including both the GRF and non-GRF, all funds Medicaid expenditures were $102.8 million (3.6%) below estimate in February and $845.3 million (3.6%) below their YTD estimate at the end of February.

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 February of $76.6 million (3.0%), which brought ODM's YTD negative variance to $753.1 million (3.6%) at the end of February. ODODD had a February all funds negative variance of $8.6 million (3.3%) and ended the month with YTD expenditures $44.9 million (2.1%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for all of the four major payment categories at the end of February. Managed Care had the largest negative YTD variance of $399.7 million (2.5%). Managed Care's largest negative variance was followed by Fee For Service's (FFS) negative variance of $353.9 million (6.0%), which has largely been caused by below estimate FFS caseloads. February's monthly FFS expenditures were above estimate due to a monthly positive variance in Hospital – HCAP & Other of $99.3 million (263.3%). The main cause of this positive variance was February's $119.8 million expenditure for Hospital HCAP payments, despite the fact that there were not expected to be Hospital HCAP payments for this month. However, YTD overall FFS variances, as well as YTD variances for Hospital – HCAP & Other, all remained below estimate.

Administration and Premium Assistance rounded out the negative YTD variances among all payment categories with negative variances of $74.4 million (10.3%) and $17.2 million (2.0%), respectively. ODM's portion of the negative YTD variance in Administration is related to the shift towards the Next Generation of Ohio Medicaid Managed Care, which is anticipated to be implemented on July 1, 2022. Some administrative spending has been delayed due to this program implementation and will occur at a later date than was originally estimated.

From the beginning of the COVID-19 pandemic in March 2020 through the end of February 2022, caseloads have increased by approximately 23,800 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. December, January, and February, however, have had positive caseload variances, with February's positive variance of 28,322 cases (0.9%) bringing the FY 2022 average monthly caseload to approximately 2,600 cases (0.1%) 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 that was mentioned previously.

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 February variance of $99.0 million (13.6%) began to correct the timing-related positive variances this category experienced in prior months, decreasing the category's YTD positive variance to $276.8 million (4.7%).

ALI 200550, Foundation Funding – All Students, is the main cause of both the February and the YTD variance in this category. ALI 200550 had a negative monthly variance of $70.3 million in February that reduced the ALI's YTD positive variance to $331.8 million. This ALI is the main source of state support for public schools, including those operated by traditional school districts, joint vocational school districts, and community and science, technology, engineering, and mathematics (STEM) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools.

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

Another ALI with a significant negative variance in February is 200437, Student Assessment. ALI 200437 was under estimate by $16.7 million in February and $18.5 million YTD. ALI 200437 is used to support contracts to administer the state's assessment system. This ALI often has timing-related variances as actual expenditures depend on the timing of the invoices received from the state's contractors.

Health and Human Services

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

Except for a small positive variance in December, this category has consistently been under estimate in FY 2022. It had the largest negative YTD variance at the end of February, at

$166.9 million (14.1%). This negative variance comes primarily from ODJFS, which had a negative YTD variance of $119.2 million at the end of February.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $5.6 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $40.3 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $0.8 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $27.6 million. This ALI is used primarily to support county public children services agencies.
- A negative monthly variance of $11.0 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $22.0 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.
- A positive monthly variance of $7.7 million in ALI 600535, Early Care and Education, which decreased the negative YTD variance for this ALI to $11.2 million. This ALI is used for publicly funded child care.

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 February, this category was under estimate by $135.0 million (6.9%), a negative YTD variance that rose in February by $1.9 million. The negative February variance was driven by a negative variance of $11.0 million for the Public Defender that was partially offset by a timing-related positive variance of $7.7 million for the Attorney General (AG). DRC continues to dominate the negative YTD variance in this category, with a negative YTD variance of $82.9 million at the end of February. Most other agencies in this category also had negative YTD variances at the end of February.

The monthly variance for the Public Defender came from ALI 019501, County Reimbursement, which had a negative variance of $11.0 million in February and $12.9 million YTD. This ALI is used to reimburse counties for their costs in providing legal counsel to indigent persons. The estimate allocates the appropriation evenly over the months of the fiscal year, but actual expenditures depend on the actual costs incurred by the counties and the timing of the requests for reimbursement, so there are often timing-related variances.

The monthly variance for the AG is primarily from a positive variance of $6.9 million in ALI 055509, Law Enforcement Reimbursement Training Pilot Program, that partially offsets a negative variance in the ALI in January of $10.7 million. This ALI provides partial reimbursement to law enforcement agencies for the salaries of peace officers and troopers while they undergo required training during a one-year pilot. The reimbursement payments were estimated to begin in January, but the start of these payments was delayed to February.

DRC's YTD variance is mainly due to negative YTD variances of $59.6 million in ALI 501321, Institutional Operations, and $14.5 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

Transfers Out

Cash transfers out of the GRF to other state funds were below estimate by $14.0 million (100%) in February and above estimate by $15.3 million (0.5%) YTD. The February variance was due to a transfer of $14.0 million to the Targeted Addiction Program Fund (Fund 5TZ0), which the estimates have occurring in February, but which actually occurred in October. The negative variance in February, therefore, offset a positive variance in October.

The remaining positive YTD variance in transfers out at the end of February primarily includes:

- $8.3 million transferred to the Ohio Incumbent Workforce Job Training Fund (Fund 5HR0) in August that was authorized in Section 259.80 of H.B. 110, but not included in the estimates;
- $6.0 million transferred to the Information Technology Development Fund (Fund 5LJ0) in January; the estimates have this transfer occurring in March instead of January, so this variance should be reversed in March; 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, which has not taken place.

Issue Updates

First Round of Law Enforcement Recruitment Grants Awarded

– Maggie West, Senior Budget Analyst

On February 8, 2022, Governor DeWine announced the award of about $425,000 for the first round of Ohio Law Enforcement Recruitment grants to 12 local law enforcement agencies in 11 counties. The purpose of these grants is to encourage law enforcement agencies to collaborate with the communities they serve and to increase the engagement, recruitment, selection, and retention of qualified women and minority officers. Under the program, law enforcement agencies receive reimbursement for eligible expenses incurred during the January 1, 2022, through December 31, 2022, grant period. Applicants were permitted to submit project proposals in the following categories: (1) Recruitment (e.g., cadet programs, internships, job fairs), (2) Selection (e.g., physical fitness preparation and job task analysis), (3) Retention (e.g., mentorships and officer wellness programs), and (4) Research.

The Office of Law Enforcement Recruitment, located within the Ohio Department of Public Safety's Office of Criminal Justice Services, administers the Ohio Law Enforcement Grant Program. Funding for the grant program was appropriated in H.B. 110 through an earmark of up to $500,000 in each fiscal year from GRF appropriation item 768425, Justice Program Services. Another round of funding is expected to be awarded in FY 2023. The following table lists each grant recipient, the county in which they are located, the type of project funded, and the amount awarded. First round awards range from $8,094 (West Carrollton Police Department) to $67,500 (Cincinnati Police Department).

Law Enforcement Recruitment Grant Funding Awards – First Round		
Recipient (County)	**Type of Project**	**Amount Awarded**
Cincinnati Police Department (Hamilton)	Recruitment	$67,500
Summit County Sheriff's Office (Summit)	Recruitment	$61,069
Akron Police Department* (Summit)	Selection	$58,734
Clark County Sheriff's Office (Clark)	Recruitment	$58,249
Sidney Police Department (Shelby)	Selection	$36,945
Xenia Police Division (Greene)	Recruitment	$32,450
Toledo Police Department (Lucas)	Recruitment	$29,000
Boardman Police Department (Mahoning)	Recruitment	$25,000
Bellefontaine Police Department (Logan)	Recruitment	$18,960

Law Enforcement Recruitment Grant Funding Awards – First Round		
Recipient (County)	**Type of Project**	**Amount Awarded**
Medina County Sheriff's Office (Medina)	Recruitment	$18,270
Upper Arlington Police Division (Franklin)	Retention	$10,600
West Carrollton Police Department (Montgomery)	Recruitment	$8,094
	Total	**$424,871**

*Received two grants in the amount of $33,734 and $25,000.

Fourteen Training Providers Awarded Under Individual Microcredential Assistance Program

– Shannon Pleiman, Senior Budget Analyst

On January 27, 2022, the Department of Development, in collaboration with the Governor's Office of Workforce Transformation, announced that 14 training providers are eligible to receive $2.9 million in awards to support 2,336 microcredentials under the Individual Mircrocredential Assistance Program. The table below displays the amount each training provider was awarded and the number of microcredentials each award is projected to support.

Individual Microcredential Assistance Program Awards, FY 2022		
Training Provider	**Number of Microcredentials**	**Award Amount**
Scioto County Career Technical Center	85	$250,000
University of Cincinnati	150	$249,975
Strategic Leadership Solutions, LLC	168	$249,896
Global Lynx, Inc.	230	$249,750
MAX Technical Training, Inc.	118	$249,700
National Center for Urban Solutions	127	$249,616
Miami University	83	$249,000
Shawnee State University	83	$249,000
WE CAN CODE IT, LLC	83	$249,000
Youngstown State University	367	$241,990

Individual Microcredential Assistance Program Awards, FY 2022		
Training Provider	**Number of Microcredentials**	**Award Amount**
My Career IT, LLC	175	$240,080
Ohio University	580	$139,900
Portage Lakes Career Center	30	$57,500
South-Western City School District	57	$9,725
Total	**2,336**	**$2,935,132**

Under the program, individuals who are low-income, partially unemployed, or totally unemployed can participate in training programs to earn microcredentials at no cost. Training providers include institutions of higher education, technical centers, private businesses, or institutions that offer training to allow an individual to earn one or more microcredentials. For each credential issued, training providers can be reimbursed up to $3,000. A list of current microcredentials under the program can be found on the Governor's Office of Workforce Transformation website: workforce.ohio.gov.

Funding for the program is provided under The Ohio Incumbent Workforce Job Training Fund (Fund 5HR0) line item 195606, TechCred Program, which primarily funds the Department of Development's TechCred Program. Fund 5HR0 consists of (1) a portion of bond proceeds used to buy education loans authorized under R.C. Chapter 3366 and (2) a $45.0 million cash transfer from the GRF.

Number of Public Schools Designated for EdChoice Scholarship Program Decreases Slightly for 2022-2023 School Year

– Andrew Ephlin, Budget Analyst

In December 2021, ODE released the list of public schools that are designated for the traditional Educational Choice ("EdChoice") Scholarship program for the upcoming 2022-2023 school year (FY 2023). Under the program, a student may receive a state scholarship to attend a participating chartered nonpublic school if the student's assigned traditional public school meets certain criteria. The list for the upcoming school year contains 462 schools in 81 school districts. As the table below shows, the number of schools designated decreased by 11 from FY 2022, with six fewer districts having at least one building designated. No schools were newly designated for FY 2023. Of the 11 schools that dropped off the list, six no longer meet the criteria to be designated, three closed, and two did not have enough school-age students to receive a report card for FY 2021.

Traditional District Schools Designated for the EdChoice Program, FY 2022-FY 2023		
Category	**FY 2022**	**FY 2023**
Buildings Designated	473	462
Districts With One or More Designated Buildings	87	81

S.B. 89 of the 133rd General Assembly replaced the building designation criteria for first-time scholarships beginning with FY 2022. Under the new criteria, a public school was designated for FY 2023 if it (1) ranked in the lowest 20% of traditional public schools on the performance index score for both the 2017-2018 and 2018-2019 school years (unchanged from the designation criteria for FY 2022) and (2) is operated by a school district for which the average Title I formula percentage[11] is 20% or above for the prior three school years (i.e., the 2019-2020, 2020-2021, and 2021-2022 school years).[12] School buildings may also be designated if an academic distress commission is in place for the school's district. The designation criteria under former law was more heavily reliant on a school's report card performance.

About 36,200 students have received a traditional EdChoice scholarship for FY 2022. The scholarships are financed by direct state payments as a result of school funding changes made in H.B. 110. The amount of the scholarship is the lesser of the student's tuition and $5,500 if the student is in grades K-8 or $7,500 if the student is in grades nine through 12. In late January 2022, ODE estimated that traditional EdChoice scholarships for FY 2022 will total approximately $210 million based on the current number of participants. This figure could increase, however, as the application window for FY 2022 EdChoice scholarships remains open through the end of the school year. The application window for FY 2023 scholarships opened February 1, 2022.

76,600 Students Participate in College Credit Plus Program in FY 2021

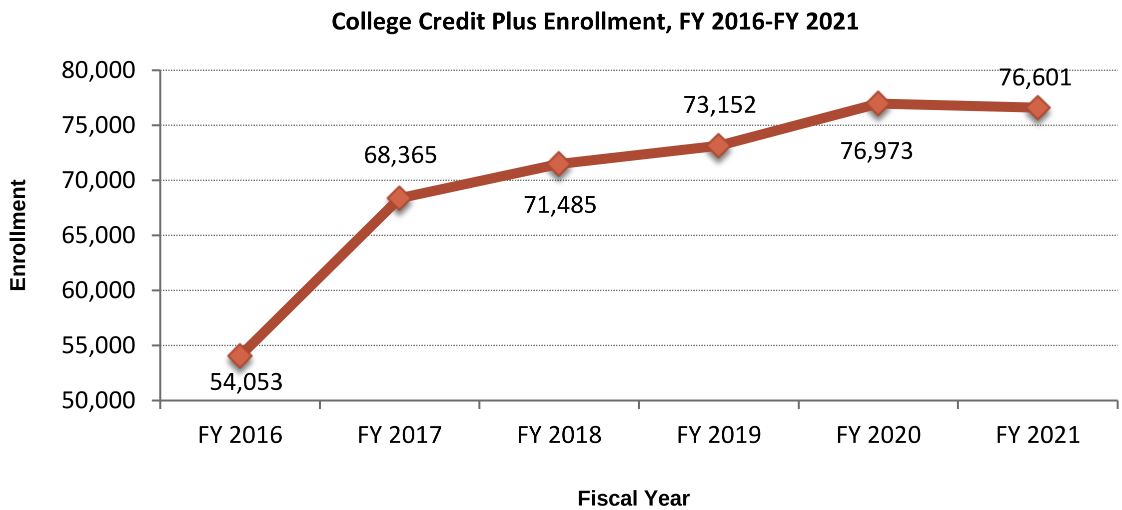
– Jason Glover, Budget Analyst

In January 2022, ODE and the Department Higher Education (DHE) released their annual report on the College Credit Plus (CCP) program, which allows qualified public, nonpublic, and home-instructed students in grades 7 through 12 to take college courses for both college and

[11] Title I formula percentage is the Title I formula count, which includes children aged five through 17 (1) below the poverty level as determined by the U.S. Census Bureau, (2) above the poverty level but receiving TANF payments, and (3) in institutions for neglected or delinquent children or in foster homes, divided by the age five through 17 population.

[12] A student may qualify for a traditional EdChoice scholarship in certain other ways, regardless of whether the student's traditional public school is designated. For example, see R.C. 3310.033 (eligibility for siblings, foster families, and children placed with guardians, custodians, or kinship caregivers) and R.C. 3310.034 (eligibility for former Autism or Jon Peterson Special Needs scholarship recipients).

high school credit.[13] The Year 6 Report, covering FY 2021 (the 2020-2021 academic year), shows that approximately 76,600 students participated in the CCP program, a slight decrease of 0.5% from the nearly 77,000 students enrolled in FY 2020. The report suggests the decrease in enrollment in FY 2021 is due to COVID-19-related effects and the slight decrease in the number of secondary school students in the state. Prior to the decrease in FY 2021, CCP enrollment had increased each year since FY 2016 (the first year of CCP operation), as seen in the chart below. CCP enrollment has increased 42% from the approximately 54,000 students who took CCP classes in FY 2016.



In FY 2021, nearly 93% of participants passed their CCP courses and, thus, received college credit. According to the report, 47% of participating students were seniors, 30% were juniors, and 14% were freshmen and sophomores. The remaining participants were home school or private school students for which a grade level was not reported (8%) or were in 7th or 8th grade (1%). Most participants took one or two college courses through the program.

Under CCP, funding for public students is deducted from the state aid allocated to the educating district or school. Funding for nonpublic and home-instructed students is paid directly by the state through certain GRF and non-GRF appropriations. Despite CCP enrollment decreasing slightly in FY 2021, the amount paid to colleges under the program increased 9.1% the same year, from $56.6 million for FY 2020 to $61.7 million, according to the latest available figures from ODE. The increase in payments likely stems from two main factors. Students took more credit hours under CCP than in the prior year; the number of credit hours attempted increased by 2.0% from FY 2020 to FY 2021. Also, CCP students took online courses at a substantially higher rate in FY 2021 as a result of the COVID-19 pandemic. Online CCP courses represented 40.7% of the total in FY 2021, up 18.1 percentage points from 22.6% in FY 2020, as the table below shows. This more than offset a 14.6 percentage point decrease in courses taken on a college campus. Online CCP courses, like CCP courses taken on a college campus, are funded at the highest default rate ($166.55 per credit hour in both FY 2020 and FY 2021) unless an alternative payment structure has been agreed upon between the school district or school

[13] See the CCP Annual Report, 2020-2021, Year 6 (PDF), which, along with additional details on the CCP program, is available on DHE's website: ohiohighered.org/collegecreditplus.

and college. Courses taken at a high school carry smaller default rates ($83.28 for courses taught by college faculty and $41.64 for courses taught by qualified high school teachers).

Percentage of CCP Courses by Delivery Method, FY 2020-FY 2021			
Delivery Method	**FY 2020**	**FY 2021**	**Percentage Point Difference**
Online	22.6%	40.7%	18.1
At high school – qualified high school teacher	39.5%	38.1%	-1.4
On college campus	29.0%	14.4%	-14.6
At high school – college faculty	8.9%	6.7%	-2.2
Total	**100%**	**100%**	**--**

Controlling Board Approves Funding to Continue Education Studies

– James Clark-Stewart, Economist

On December 13, 2021, the Controlling Board approved appropriations of $1.5 million from lottery profits in each of FY 2022 and FY 2023 for ODE to continue funding various education-related studies required by S.B. 310 of the 133rd General Assembly. S.B. 310 originally appropriated $3.0 million, also from lottery profits, in FY 2021 for the studies. However, this appropriation was not used and the funding lapsed at the end of FY 2021. S.B. 310 requires 11 studies to be carried out, each of which must be completed by December 31, 2022. The topic, cost, contractor (if applicable), and general status of each study is summarized in the table below. As the table shows, contracts have been awarded for four studies. Five other studies are in the planning stages or have not yet begun. Two studies, concerning early childhood education initiatives and economically disadvantaged students, were completed in December 2020 and January 2021, respectively, with internal resources.

S.B. 310 Education Studies Status			
Study (Lead Entity)	**Status**	**Contractor**	**Estimated Cost**
Special education – evaluate best practices for supporting students with disabilities and cost of special education services (ODE)	Work began January 2022	American Institutes for Research	$607,053
English learner students – evaluate current funding amounts and required services (ODE)	Work began January 2022	WestEd	$300,000

S.B. 310 Education Studies Status			
Study (Lead Entity)	**Status**	**Contractor**	**Estimated Cost**
Recommendations for incentives for rural school districts serving gifted students (ODE)	Work began January 2022	Augenblick, Palich, and Associates	$207,617
Cost to educate e-school students (ODE)	Work began January 2022	Augenblick, Palich, and Associates	$171,000
Educational service centers evaluation (ODE)	In planning stage; scope to be determined	None yet	$25,000 to $75,000
Community schools – evaluate cost of operations with community school feedback on H.B. 110 school funding formula (ODE)	In planning stage; will begin finalizing questions in May 2022	None yet – will be hired to act as discussion facilitator	Less than $50,000
Recommendations for gifted funding accountability (ODE)	Work to begin March 2022	None – will be conducted internally	None – will be conducted internally
Inventory of state budget line items funding services for children (OBM)	Not started	None	None – will be conducted internally with interagency cooperation
Transportation of community school and nonpublic school students – methods and funding recommendations (Joint Legislative Task Force)	Not started	Uncertain – Task Force not yet formed	Uncertain
Early childhood education initiatives – review and methods across states (ODE)	Completed December 2020	None – conducted internally	None – conducted internally
Economically disadvantaged students – review of definitions and methods across states (ODE)	Completed January 2021	None – conducted internally	None – conducted internally

Department of Development Awards $10.0 Million to Help Meat Processors Expand Capacity

– Jared Cape, LSC Fellow

On February 16, 2022, the Department of Development, in collaboration with the Department of Agriculture, awarded $10.0 million in grant funding aimed at expanding the production capacity of the meat processing industry in Ohio. Overall, 40 livestock and poultry producers in 29 counties received awards,[14] ranging from $160,000 to $250,000, the maximum award amount under the program. H.B. 110 allocated up to $10.0 million for the program in FY 2022. Overall, the program received $28.0 million in requests from 143 applicants for the $10.0 million in available funding.

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. Specifically, grants will be used to reimburse meat processing facilities for the following eligible costs: (1) new or upgraded machinery or technology products, (2) personnel training, (3) facility construction or expansion for confinement, processing, or refrigeration, (4) food safety certification, and (5) costs related to a processor's participation in the cooperative interstate shipment program. H.B. 110 funded this program through a one-time transfer of $10.0 million from the GRF to the Meat Processing Investment Program Fund (Fund 5XX0).

Controlling Board Increases OCMH Appropriations to Support COVID-19 and Substance Abuse Activities

– Jacquelyn Schroeder, Senior Budget Analyst

On January 31, 2022, the Controlling Board approved two requests to establish federal appropriations of about $2.1 million in FY 2022 for the Ohio Commission on Minority Health (OCMH) to address COVID-19 health disparities and to expand substance abuse programming for targeted populations.

The first request, which was for about $1.1 million, was made possible through a partnership with the Ohio Department of Health (ODH). The majority of funds ($570,000) will be used by the six local offices of Minority Health[15] to provide additional COVID-19 resources and education to residents. Additionally, approximately $328,000 will be used to expand OCMH's current efforts to address health disparities, including the following: providing additional grants to community-based health groups to improve the health status of minority Ohioans at-risk for certain conditions and to develop a roadmap with specific goals and

[14] See the announcement, including a table of awards under the Meat Processing Grant Program, 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.

[15] Local offices are located in Akron, Cleveland, Columbus, Dayton, Toledo, and Youngstown. OCMH and these Offices have a collaborative relationship. The offices monitor the health status of minority populations, educate and empower residents, and develop policies and plans to support health efforts.

objectives for eliminating disparities. The remaining $158,400 will be used to hire a temporary full-time staff member to help coordinate these funded initiatives.

The second request, for $1.0 million, was made possible through a partnership with OhioMHAS. OCMH will use $900,000 to provide grants to expand prevention efforts, raise awareness of substance use disorders and co-occurring conditions, and reduce the stigma associated with seeking treatment among targeted populations. Specifically, funds can be used for culturally and linguistically appropriate local media campaigns, prevention education and outreach programming, or community-based educational workshops. The remaining $100,000 will be used to hire one full-time temporary program specialist.

OCMH will receive funds for both requests via an intrastate transfer voucher from the respective agency. The funds from ODH were provided from the federal Consolidated Appropriations Act of 2021. ODH received a total of $31.0 million in June 2021 to address COVID-19 health disparities. These funds must be spent by the end of May 2023. The funds provided by OhioMHAS were made available through the federal State Opioid Response 2.0 program. Grantees have until September 29, 2022, to expend these funds.

ODJFS Receives $2.0 Million in Federal Funds for Afghan Refugees

– Nicholas J. Blaine, Senior Budget Analyst

On February 14, 2022, the Controlling Board approved a $2.0 million increase in appropriation in FY 2022 for ODJFS to support refugees relocated from Afghanistan. The funds to support this request were provided in the federal Afghanistan Supplemental Appropriation Act of 2021. ODJFS provides refugee services through the Office of Refugee Resettlement (ORR), which is fully funded by the federal government. This supplemental funding will support the current Refugee School Impact program and the Preventative Health program in order to provide services to this population. The goal of the Refugee School Impact program is to promote academic performance and to aid in the social adjustment of newly arriving refugee youth between the ages of five and 18. The program facilitates educational access, cultivates cultural awareness for refugees and their communities, and increases school districts’ capacity to support children, youth, and families. Funds can be used to provide various activities including, English as a Second Language (ESL) classes, mentoring and group activity sessions, after-school or summer clubs, and translation and interpreter services. The Preventative Health program focuses on providing direct services for ORR-eligible populations to promote their health. Activities under the program can include health education classes, targeted health outreach to individuals, medical and mental health navigation and support, skill-building networks, or peer support meetings.

Refugee programs are designed to temporarily provide refugees with cash assistance, medical assistance, and social services in order to help their transition to living in the U.S. Refugee cash and medical assistance is typically available for eligible individuals for eight months from their date of entry into the U.S. In addition, refugees are eligible to receive social services for five years after entering the country, including citizenship classes, acculturation assistance, English language training, employment training, job placement, transportation, and child care.

State Fire Marshal Awards $3.5 Million in MARCS Grants

– Jared Cape, LSC Fellow

On January 25, 2022, the Division of State Fire Marshal within the Department of Commerce announced $3.5 million in awards under the Multi-Agency Radio Communication System (MARCS) Grant program. Overall, 212 fire departments in 57 counties received awards, ranging from $120 to $50,000, the maximum award amount under the program.[16] H.B. 110 earmarked up to $3.5 million for the program in FY 2022. This funding cycle, the State Fire Marshal received more than $8.5 million in requests for the $3.5 million in total available funding.

The MARCS grants are primarily used to offset the costs that local fire departments incur for equipment that promotes interoperability between fire services. Additional grant funding beyond equipment costs may be used to pay MARCS-related radio user fees. The State Fire Marshal uses a variety of criteria to decide award amounts, including: (1) the fire department's annual budget, (2) the annual number of fire incidents, (3) the resident population served by the department, (4) the fire protection area size, and (5) requests from multiple jurisdictions within the same county or region collaborating to acquire or complete MARCS service for their fire departments. Eligible grant recipients include volunteer fire departments, municipal or small township fire departments that serve one or more small municipalities or townships, joint fire districts, and municipalities that contract with certain private fire companies that serve a population of 25,000 or less. Funding for the MARCS grants comes from taxes on insurance companies selling fire insurance in Ohio and from inspection fees, hotel permits, and fireworks licenses. The revenue from these various sources is deposited into the State Fire Marshal Fund (Fund 5460).

National Endowment for the Arts Awards $1.1 Million to Ohio Artists

– Shaina Morris, Budget Analyst

On January 11, 2022, the Ohio Arts Council announced federal grant awards totaling $1.1 million to Ohio artists and organizations. The grant funding is awarded directly from the National Endowment for the Arts (NEA) as part of a first round of funding for FY 2022. Nationwide, the federal agency has recommended 1,498 grants totaling an estimated $33 million. From this total, Ohio arts organizations and artists will receive 45 direct grants ranging from $10,000 to $85,000 from the NEA.

The majority of the Ohio awards were distributed through NEA's Arts Projects program, its principal grants programs for organizations. These competitive awards recognize an Ohio artist's body of work in a variety of disciplines including, but not limited to, dance, design, folk and traditional arts, literary arts, music, museums, media arts, opera, and theatre. Other NEA award categories include Challenge America, which offers support primarily to small and mid-sized organizations for projects that extend the reach of the arts to populations that have limited access to them due to geography, ethnicity, economics, or disability and NEA Research

[16] The list of awardees (PDF) is available on the Department of Commerce's website: com.ohio.gov.

Grants to study and analyze the value and impact of the arts. The table below lists the number of NEA awards granted to Ohio artists by discipline.

FY 2022 Ohio NEA Grant Awards by Discipline			
Discipline	Number of Recipients	Average Award	Total Awarded
Grants for Arts Projects	35	$22,571	$790,000
Challenge America	6	$10,000	$60,000
Research Grants in the Arts	3	$63,333	$190,000
Literature Fellowships: Creative Writing – Literary Arts	1	--	$25,000
Total	**45**	**$23,667**	**$1,065,000**

Attorney General and Ohio EPA Settle $3.5Million Emissions Case with Volkswagen

– Jamie Doskocil, Fiscal Supervisor

On January 21, 2022, the AG announced a $3.5 million settlement with Volkswagen Group and its subsidiaries[17] to resolve claims that the auto manufacturer violated state environmental protections laws through the manipulation of computer software in its vehicles to mask carbon dioxide emissions. The case was brought at the request of the Ohio Environmental Protection Agency (Ohio EPA). The settlement amount will be split equally between the AG and Ohio EPA, with $1.75 million going to each agency for environmental protection and enforcement purposes.

Under the terms of the court order, the state and defendants have agreed to settle the disputed claims without trial, admission, or determination of any issue of fact or law. The case was first filed in the Franklin County Court of Common Pleas in 2016 by then-Attorney General DeWine. The settlement amount is based on $442 per car for the 7,931 cars that received post-sale software updates.

This case is separate from a previous 2016 settlement of $13.0 million with Volkswagen that was brought on behalf of Ohio consumers. Additionally, prior federal cases against Volkswagen and its subsidiaries resulted in the creation of a $2.7 billion national mitigation trust, of which Ohio is currently receiving $75.3 million over a ten-year period. Consumers

[17] Defendants of the case include Volkswagen Aktiengesellschaft d/b/a Volkswagen Group and/or Volkswagen AG; Audi AG; Volkswagen Group of America, Inc. d/b/a Volkswagen of America, Inc., or Audi of America, Inc.; Volkswagen of America, Inc.; Audi of America, LLC; Dr. Ing. h.c. F. Porsche AG d/b/a Porsche AG; and Porsche Cars North America, Inc.

affected by that suit were also eligible for restitution of $5,100 in cash, buy back of their vehicles, or repair costs to reduce emissions.

Gaming Revenues in Ohio Reach All-time High in CY 2021

– Eric Makela, Economist

Both the Ohio State Lottery (LOT) and the state's four casinos recorded their highest gross gaming revenues yet in CY 2021. LOT took in just under $18.86 billion in gaming revenue, including sales of traditional lottery tickets ($4.49 billion) and wagering on video lottery terminals (VLT, $14.36 billion) around the state. The state's privately owned casinos, which are under the oversight of the Ohio Casino Control Commission (CAC), received about $9.85 billion in bets.

CY 2021 gaming expenses for LOT totaled $17.39 billion and included prizes paid to winners, bonuses and commissions to retailers, operations, gaming services contracts, and distribution of VLT profits to the Ohio Racing Commission (RAC).[18] LOT profits (revenues minus expenses) are deposited in the Lottery Profits Education Fund (Fund 7017) for use in programs benefiting primary, secondary, vocational, and special education. LOT profits totaled $1.46 billion in CY 2021 ($18.86 billion - $17.39 billion).

The casinos also support education. Instead of profits, however, for casinos, this support comes through a 33% tax on gross casino revenue, which is defined as revenue received in bets less the amount paid out in prize winnings. The casinos' prize winnings totaled $8.87 billion in CY 2021, leaving $983.7 million ($9.85 billion - $8.87 billion) in gross revenue to be taxed. The tax liability on this amount of gross casino revenue is $324.6 million ($983.7 million x 33%). Under Ohio's Constitution, 34% of the proceeds from the tax on gross casino revenue is dedicated to schools through the Gross Casino Revenue County Student Fund (Fund 5JH0). Based on CY 2021 tax liabilities, this will be $110.4 million ($324.6 million x 34%). The largest share of CY 2021 tax liability, 51% or $165.5 million, will be distributed to all 88 counties, based on each county's share of Ohio population count. The remaining shares will be distributed to cities that host casinos (5%), CAC and RAC (3% each), and Law Enforcement Training and Problem Gambling Addiction (2% each).

The enactment of H.B. 29 in December, 2021, authorized legal sports gambling in Ohio to begin on or before January 1, 2023, with the majority of tax revenues and license fees dedicated to support primary and secondary education. Gamblers will be able to place bets through online sports gaming (computers and mobile applications), brick and mortar sportsbooks (facilities with betting windows and terminals), and sports gaming lottery through LOT retailers with liquor licenses.

[18] LOT manages Ohio's VLT program, which is provided to customers through gaming machines at seven Ohio horse racetracks. VLT profits are split between LOT (33.5%) and RAC (66.5%).

Tracking the Economy

– Eric Makela, Economist

Overview

Nonfarm payroll employment increased by 678,000 in February and the unemployment rate dropped to 3.8%, as national economic indicators signaled a continuation of recovery in the labor market. Inflation adjusted gross domestic product (real GDP) increased 5.7% in 2021. In January, both personal consumption expenditures (PCE) and wages increased, though the expiry of the federal child tax credit weighed on personal income (PI) growth. Aggregate industrial production, as measured by the Federal Reserve Board's industrial production index (IPI), expanded again in January, up 1.4% from its level in December. Consumer prices rose a seasonally adjusted 0.6% in January; fuel prices are continuing to climb this month. Russia's war on Ukraine is exacerbating upward pressures on energy prices, with potential wider effects on the economy. The Federal Reserve is widely expected to raise its target interest rate when its Federal Open Market Committee meets March 15-16.

Ohio's unemployment rate fell to 5.1% on average in 2021, and 4.5% at yearend. The state's employment-population ratio increased by 1.9 percentage point from its 2020 level. Demand remained elevated in Ohio's housing market in January; unit sales were up modestly from January 2021, while the average sale price of a single family residence was 8.4% greater. According to the Federal Reserve Bank of Cleveland, growth slowed but continued in the region. Freight and manufacturing contacts noted that labor shortages and supply constraints caused some businesses to increase prices or wages or to adopt alternative business strategies by investing in software or new machinery.

The National Economy

The national unemployment rate decreased to 3.8% in February, as nonfarm employers nationally added a seasonally adjusted 678,000 payroll jobs. A comparison of national employment and unemployment in February 2020 and February 2022 is shown in the table below. In 2020, February marked an all-time high in the seasonally adjusted employment level; it was also the last month of complete labor market data prior to a widespread coordinated response in the U.S. to the COVID-19 pandemic.

National Labor Force Indicators, Pre-pandemic and February 2022		
	February 2020	February 2022 (Difference)
Nonfarm payroll employment	152,504,000	150,399,000 (-2,105,000, -1.4%)
Unemployment rate	3.5%	3.8% (+0.3%)

By industry, the largest monthly job gains in February were in leisure and hospitality (+179,000), education and health services (+112,000), and professional and business services (+95,000). The construction industry (+60,000) added positions in both residential and nonresidential segments in February. However, measured job gains were strong across industry sectors, as retail trade (+37,000), manufacturing (+36,000), financial activities (+35,000), and social assistance (+31,000) employers all added positions in February. Government employment (+24,000) also increased during the month. Chart 5 documents the U.S. employment levels and unemployment rates.

Real GDP increased at an annualized rate of 7.0% in the fourth quarter of 2021, the fastest quarterly expansion since the third quarter in 2020. Real GDP growth during the quarter was supported by a large upswing in business inventory accumulation. PCE grew at a 3.1% annual rate, nonresidential fixed investment also rose at a 3.1% rate, and residential fixed investment edged higher at a 1.0% annual rate after two quarters of contraction.

January data indicate that real consumption spending increased 1.5% month-over-month. In February, unit sales of light vehicles dropped, but the seasonally adjusted rates of light vehicle sales in January and February were well above those in the final five months of 2021, though below the sales rates throughout the CY 2021 first half.

The PI of U.S. residents grew slower than 0.1% in January, as continued gains in employee compensation were largely offset by a reduction in transfer receipts.[19] Most notably, payments of federal child tax credits, part of ARPA passed in early 2021, tumbled during the month as the advance payments portion of the credit expired. The rate of personal saving dropped to 6.4% in January, its lowest level since December 2013 and well below 14.3%, the monthly average rate of personal saving since March 2020.[20]

In CY 2021, real GDP grew 5.7% as nearly all major sectors of the economy expanded following pandemic-related losses. Current-dollar GDP[21] increased 10.1%; both measures were the largest annual gains in national GDP since 1984. In 2021, as in 1984, the rapid increase in productive activity occurred as the economy was recovering from recent recession.

Current-dollar PI rose 6.5% in 2020 and 7.4% in 2021. Employee compensation increased 8.7% during 2021, the largest overall wage and benefit gain since 1984. Personal transfer receipts also rose (+8.4%) during 2021, due in large part to the multiple rounds of personal stimulus payments distributed in the year’s first two quarters. Real PCE increased 7.9% during 2021 after a contraction of 3.8% the previous year; real consumer spending on goods increased 12.2% while spending on services increased 5.8%.

The table below displays the annual growth of selected national economic indicators. In the table, 2019 is the final year of the longest recorded economic expansion in U.S. history, 2020 reflects the impact of the COVID-19 pandemic and policy responses to the pandemic on the economy, and 2021 is the first recovery year since recession. In inflation-adjusted terms, both consumer spending (+7.9%) and gross private domestic private investment (+9.6%) rose at

[19] PI is income received by individuals from all sources and includes wage and salary income, proprietor’s income, investment returns, and transfer receipts. Transfer receipts include unemployment compensation, Social Security benefits, and various other types of transfers, primarily from government to individuals.

[20] Personal saving is equal to PI less taxes and personal outlays, largely consumption expenditures. The rate of personal saving is equal to personal saving divided by after-tax PI.

[21] “Current-dollar” as used here refers to an economic measure that has not been adjusted for inflation.

above-trend rates in 2021. Government spending increased 0.5% on the year. PI, whose growth averaged 4.3% during the ten-year expansion prior to 2020, was boosted by federal transfer payments during 2020 and 2021, outpacing inflation in those years.

Economic Indicators, 2019 to 2021			
	2019	2020	2021
Real GDP	**+2.3%**	**-3.4%**	**+5.7%**
Real PCE	+2.2%	-3.8%	+7.9%
Real Gross Private Domestic Investment	+3.4%	-5.5%	+9.6%
Real Government Consumption and Investment	+2.2%	+2.5%	+0.5%
Nominal PI*	+4.1%	+6.5%	+7.4%

*Changes in nominal amounts are not adjusted for inflation.

Nationally, the number of private housing units started reached nearly 1.6 million in 2021, the highest level of housing starts since 2006.[22] The annual 15.8% hike in housing starts from 2020 to 2021 was the highest rate of increase since 2013. In the Midwest region, private housing unit starts increased 12.3% in 2021.

Industrial production, as measured by the Federal Reserve Board's IPI, expanded 1.4% in January, after contracting slightly (-0.1%) the previous month. Production rose in the three primary industrial groups as reported in the IPI press release.[23] Within the manufacturing industry, the IPIs for both durable (+0.2%) and nondurable (+0.2%) manufacturers increased in January. However, the rate of completed vehicle assemblies, estimated at a seasonally adjusted annual rate of 9.35 million in January, fell for the second consecutive month. On an annual basis, industrial production rose 5.6% in 2021 after decreases in 2019 (-0.8%) and 2020 (-7.2%).

Consumer prices, as measured by the consumer price index (CPI) for all items, increased a seasonally adjusted 0.6% in January; the price levels for most commodities and services continued to rise, in response to both supply shortages and heightened demand. The price indices for both food and energy rose 0.9% in January, while the price index for all commodities except food and energy increased 0.6%. Between January 2021 and January 2022, headline inflation, or the CPI for all items, increased 7.5%. The price indices for commodities (+12.3%) and services (+4.6%) also increased rapidly on a year-over-year basis.

[22] New residential construction data are from the U.S. Census Bureau's Building Permits Survey and Survey of Construction.

[23] Categories include manufacturing (+0.2% in January), mining (+1.0%), and utilities (+9.9%).

The Ohio Economy

The average unemployment rate of Ohioans during CY 2021 was 5.1%, a sizable decline from the average 8.2% unemployment rate during 2020. The state's employment-population ratio, a measure of workforce attachment, increased by 1.9 percentage points in 2021 to 58.4%. Chart 6 displays the historical values for each of these series, and shows the recovery of employment of Ohio's labor force as compared to historical levels. The state's civilian labor force grew by approximately 2,700 persons, according to the annual data compiled by the Bureau of Labor Statistics.[24]

After a strong 2021, Ohio's housing sales continued at approximately the same pace in January 2022 according to the Ohio Realtors trade association.[25] Unit sales during the month, at 9,540, were modestly above (+0.9%) sales in January 2021. The total dollar volume of housing transactions in January was 9.5% above that of a year prior, after an 18.1% increase in all of 2021.

Economic growth in the Cleveland Federal Reserve District moderated in recent weeks as compared to the previous survey period.[26] Employer staffing challenges continued during the survey period, as labor shortages and wage increases were widely reported. Nonlabor input costs rose for most survey contacts, and most firms raised prices. Reports suggested that consumer spending moderated after the holidays. Manufacturers continue to navigate input shortages; labor-saving technology installed by some firms did not change the view held by most manufacturing contacts that supply chain disruptions were likely to persist. Housing demand in the region remained high, despite mortgage activity being stable or slightly down, attributed to tight inventories. Demand for professional services and intellectual property was robust, as businesses generally continued to invest in nonphysical infrastructure. Demand for freight services increased from an already high level. Drivers and vehicle parts remained in short supply.

[24] Ohio employment and unemployment statistics for January are scheduled for release March 11, delayed by annual benchmark revision processing.

[25] Ohio Realtors market information covers multiple listing service (MLS) transaction closures for new and existing residential single family homes and condos/co-ops.

[26] The Federal Reserve Bank of Cleveland district includes all of Ohio, eastern Kentucky, western Pennsylvania, and the northern panhandle of West Virginia. Information in the latest report was collected on or before February 18, 2022.

Chart 5: U.S. Employment and Unemployment

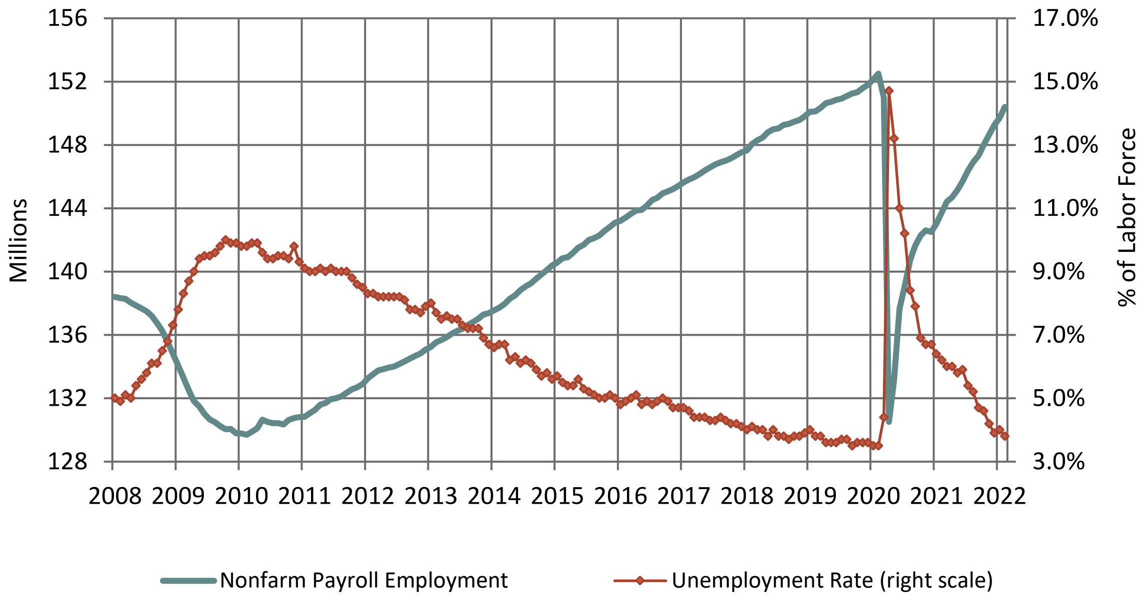


Chart 6: Ohio Employment-population Ratio and Unemployment Rate