LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2022 Issue: May 2022

Highlights

– *Ross Miller, Chief Economist*

The April 18 personal income tax (PIT) filing deadline yielded very strong receipts and the PIT was primarily responsible for an historic first: April was the first ever month in which GRF tax revenue exceeded the monthly estimate by over $1 billion. The PIT accounted for $895 million of the positive variance, and the sales and use tax contributed another $136 million. The remarkable April revenue result increased the year-to-date (YTD) positive variance for GRF taxes to $2.45 billion and virtually ensures that GRF revenue will exceed the estimate for the full fiscal year.

Ohio's unemployment rate ticked down to 4.1% in March, from 4.2% in February; in comparison, the March U.S. rate was 3.6%. Ohio's nonfarm payroll employment increased by 18,300 (0.3%) in March, led by the private service-providing sector (+11,600); manufacturing jobs increased 2,900 (0.4%) and government jobs increased by 3,200 (0.4%), mostly at the local level.

Through April 2022, GRF sources totaled $33.31 billion:

- Revenue from the sales and use tax was $526.5 million above estimate;
- PIT receipts were $1.78 billion above estimate.

Through April 2022, GRF uses totaled $33.62 billion:

- Program expenditures were $573.3 million above estimate, due primarily to GRF Medicaid spending being $805.1 million higher than expected;
- Expenditures in two other program categories were above estimates, primarily due to timing: Property Tax Reimbursements (by $135.9 million) and Primary and Secondary Education (by $39.5 million);
- Spending in all other program categories was below estimate.

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$192,869	$172,800	$20,069	11.6%
Nonauto Sales and Use	$1,029,259	$913,600	$115,659	12.7%
Total Sales and Use	*$1,222,129*	*$1,086,400*	*$135,729*	*12.5%*
Personal Income	$1,897,697	$1,003,000	$894,697	89.2%
Commercial Activity Tax	$97,755	$71,100	$26,655	37.5%
Cigarette	$68,442	$70,600	-$2,158	-3.1%
Kilowatt-Hour Excise	$27,679	$30,900	-$3,221	-10.4%
Foreign Insurance	$1,942	$400	$1,542	385.6%
Domestic Insurance	$20	$300	-$280	-93.4%
Financial Institution	$23,288	$24,800	-$1,512	-6.1%
Public Utility	$0	$300	-$300	-100.0%
Natural Gas Consumption	$336	$2,000	-$1,664	-83.2%
Alcoholic Beverage	$4,400	$4,900	-$500	-10.2%
Liquor Gallonage	$4,765	$5,000	-$235	-4.7%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$21	$0	$21	---
Business and Property	$8	$0	$8	---
Estate	$1	$0	$1	---
Total Tax Revenue	**$3,348,483**	**$2,299,700**	**$1,048,783**	**45.6%**
Nontax Revenue				
Earnings on Investments	$13,671	$8,742	$4,929	56.4%
Licenses and Fees	$14,123	$15,127	-$1,004	-6.6%
Other Revenue	$1,114	$9,518	-$8,404	-88.3%
Total Nontax Revenue	**$28,907**	**$33,386**	**-$4,479**	**-13.4%**
Transfers In	**$1,550**	**$0**	**$1,550**	**---**
Total State Sources	**$3,378,941**	**$2,333,086**	**$1,045,855**	**44.8%**
Federal Grants	**$384,023**	**$657,280**	**-$273,258**	**-41.6%**
Total GRF Sources	**$3,762,963**	**$2,990,367**	**$772,597**	**25.8%**

*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 April 30, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 2, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$1,590,571	$1,523,200	$67,371	4.4%	$1,510,591	5.3%
Nonauto Sales and Use	$9,119,724	$8,660,600	$459,124	5.3%	$8,415,974	8.4%
Total Sales and Use	*$10,710,296*	*$10,183,800*	*$526,496*	*5.2%*	*$9,926,565*	*7.9%*
Personal Income	$8,943,507	$7,162,800	$1,780,707	24.9%	$7,901,824	13.2%
Commercial Activity Tax	$1,584,536	$1,429,100	$155,436	10.9%	$1,307,489	21.2%
Cigarette	$684,656	$689,600	-$4,944	-0.7%	$714,628	-4.2%
Kilowatt-Hour Excise	$263,009	$268,500	-$5,491	-2.0%	$267,055	-1.5%
Foreign Insurance	$354,171	$351,500	$2,671	0.8%	$351,271	0.8%
Domestic Insurance	$2,311	$1,100	$1,211	110.1%	$976	136.7%
Financial Institution	$135,910	$154,300	-$18,390	-11.9%	$160,935	-15.5%
Public Utility	$106,382	$94,800	$11,582	12.2%	$82,581	28.8%
Natural Gas Consumption	$35,245	$35,900	-$655	-1.8%	$35,827	-1.6%
Alcoholic Beverage	$53,487	$50,400	$3,087	6.1%	$49,729	7.6%
Liquor Gallonage	$48,257	$47,200	$1,057	2.2%	$47,716	1.1%
Petroleum Activity Tax	$6,474	$6,600	-$126	-1.9%	$3,202	102.2%
Corporate Franchise	$689	$0	$689	---	$5,909	-88.3%
Business and Property	$8	$0	$8	---	$64	-87.3%
Estate	$51	$0	$51	---	$31	63.0%
Total Tax Revenue	**$22,928,988**	**$20,475,600**	**$2,453,388**	**12.0%**	**$20,855,802**	**9.9%**
Nontax Revenue						
Earnings on Investments	$34,634	$27,479	$7,155	26.0%	$45,600	-24.0%
Licenses and Fees	$93,133	$66,375	$26,758	40.3%	$81,639	14.1%
Other Revenue	$397,820	$112,241	$285,579	254.4%	$107,118	271.4%
Total Nontax Revenue	**$525,587**	**$206,095**	**$319,493**	**155.0%**	**$234,357**	**124.3%**
Transfers In	**$57,085**	**$30,362**	**$26,722**	**88.0%**	**$97,150**	**-41.2%**
Total State Sources	**$23,511,659**	**$20,712,057**	**$2,799,602**	**13.5%**	**$21,187,309**	**11.0%**
Federal Grants	**$9,798,258**	**$8,900,701**	**$897,557**	**10.1%**	**$9,796,430**	**0.0%**
Total GRF SOURCES	**$33,309,918**	**$29,612,758**	**$3,697,160**	**12.5%**	**$30,983,739**	**7.5%**

*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

Led by an exceptional performance by the PIT which was $894.7 million (89.2%) above projected receipts at the end of the tax filing season, April GRF tax receipts were $1.05 billion (45.6%) above the Office of Budget and Management's (OBM's) estimate, the first month on record GRF tax revenue exceeded the monthly estimate by over $1.00 billion. Joining the PIT, the sales and use tax and the commercial activity tax (CAT) also exceeded their respective estimates in April by $135.7 million (12.5%) and $26.7 million (37.5%). The performance of the largest tax sources this month helped boost the fiscal year's YTD variance for GRF tax sources to $2.45 billion (12.0%) at the end of April, up from $1.40 billion through March 2022. Assuming that the recent strength of the above tax sources continues, GRF tax revenue is likely to exceed OBM's yearly estimate by $2.70 billion or more.

Overall, through ten months in FY 2022, GRF sources totaled $33.31 billion, an amount $3.70 billion (12.5%) above the OBM estimate, with positive contributions from all categories. Total GRF sources have been above estimate since September 2021, mostly due to the solid performance of GRF tax sources as described above, and that of federal grants,[2] which were $897.6 million (10.1%) above their YTD estimate through April. Nontax revenue and transfers in were $319.5 million (155.0%)[3] and $26.7 million (88.0%), respectively, above their YTD estimates. 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 April 2022 and YTD through April in FY 2022, respectively.

Through April, the PIT has contributed $1.78 billion to the YTD GRF tax sources overage, followed by the sales and use tax, $526.5 million, and the CAT, $155.4 million. However, the fourth largest tax source, the cigarette tax, posted a shortfall of $4.9 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. The remaining taxes had a combined shortfall of $4.3 million (0.4%). Smaller taxes that exceeded their YTD estimate included the public utility excise tax ($11.6 million), the alcoholic beverage tax ($3.1 million), the foreign insurance tax ($2.7 million), the domestic insurance tax ($1.2 million), and the liquor gallonage tax ($1.1 million). On the other hand, the

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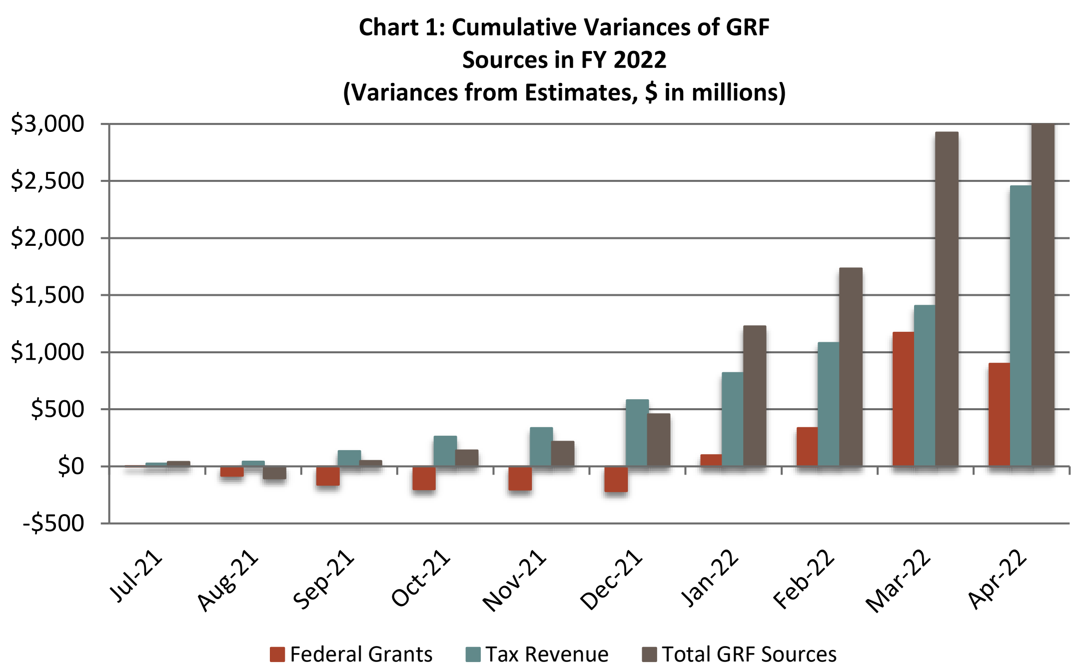
[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

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

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

financial institutions tax (FIT) and the kilowatt-hour tax posted YTD shortfalls of $18.4 million and $5.5 million, respectively. Though the first two FIT payments of the fiscal year (due in January and March) provided a combined positive variance of $4.0 million, this tax remained below its YTD estimate due to a combined negative variance of $22.4 million recorded in the first six months of FY 2022.[4]

Total GRF sources in April 2022 were $3.76 billion, an amount $772.6 million (25.8%) above estimate. The positive variance of tax receipts described above was partially offset by a shortfall of $273.3 million (41.6%) for federal grants, related to a shortfall of $425.1 million for the month in GRF Medicaid expenditures, and a negative variance of $4.5 million (13.4%) for nontax revenue. OBM transferred into the GRF $1.6 million, though GRF income from this category was not anticipated (and is not expected until June 2022). Among tax sources, in addition to the PIT, the sales and use tax, and the CAT, revenue was also above estimate for the foreign insurance tax ($1.5 million). The remaining taxes were generally below their estimates, including the kilowatt-hour tax ($3.2 million), the cigarette tax ($2.2 million), the natural gas consumption tax ($1.7 million), and the FIT ($1.5 million). Chart 1, below, shows cumulative YTD variances of GRF sources through April of FY 2022.



[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. 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.

FY 2022 YTD GRF sources grew by $2.33 billion (7.5%) from the corresponding period in FY 2021. GRF tax revenue increased by $2.07 billion (9.9%), nontax revenue increased by $291.2 million (124.3%), and federal grants increased by $1.8 million (0.0%). On the other hand, transfers in decreased by $40.1 million (41.2%). GRF tax sources growth was largely due to revenue increases in the PIT ($1.04 billion), the sales and use tax ($783.7 million), and the CAT ($277.0 million). A primary factor boosting PIT revenue growth, as explained in more detail below, was a shift in the deadline for filing tax year (TY) 2020 returns from April 2021 to May 2021 (i.e., delaying receipts during the FY 2021 period being compared to). Growth for the sales and use tax and the CAT reflect both economic expansion and inflation in FY 2022. Other taxes with revenue growth included the public utility tax ($23.8 million), the alcoholic beverage tax ($3.8 million), the petroleum activity tax ($3.3 million), the foreign insurance tax ($2.9 million), and the domestic insurance tax ($1.3 million). Those increases were partially offset by revenue decreases from the cigarette tax ($30.0 million), the FIT ($25.0 million), the kilowatt-hour tax ($4.1 million), and the corporate franchise tax ($5.2 million).[5]

Sales and Use Tax

FY 2022 YTD GRF receipts from the sales and use tax totaled $10.71 billion, an amount 5.2% above estimate and an increase of $783.7 million (7.9%) compared to receipts during the corresponding period in FY 2021. Both the auto and the nonauto portions of the sales and use tax were above their respective estimates through April, and they are likely to finish the fiscal year with positive variances at the end of June 2022.

In April, GRF receipts from the sales and use tax totaling $1.22 billion were $135.7 million (12.5%) above estimate and $1.7 million (0.1%) above revenue in April 2021. This GRF tax source has performed above expectations since September 2021. The rise in consumer spending has been broad based across various retail sectors throughout the fiscal year. Rising prices are eroding consumers' spending power because wages, while up, have increased more slowly than the price of most goods and services; but, the most recent surge in the prices of food, gasoline, and rents (items not in the sales and use tax base) so far has not prevented the sales and use tax from exceeding estimates. However, revenue growth for this tax source appears to have noticeably decreased in the latest month.

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

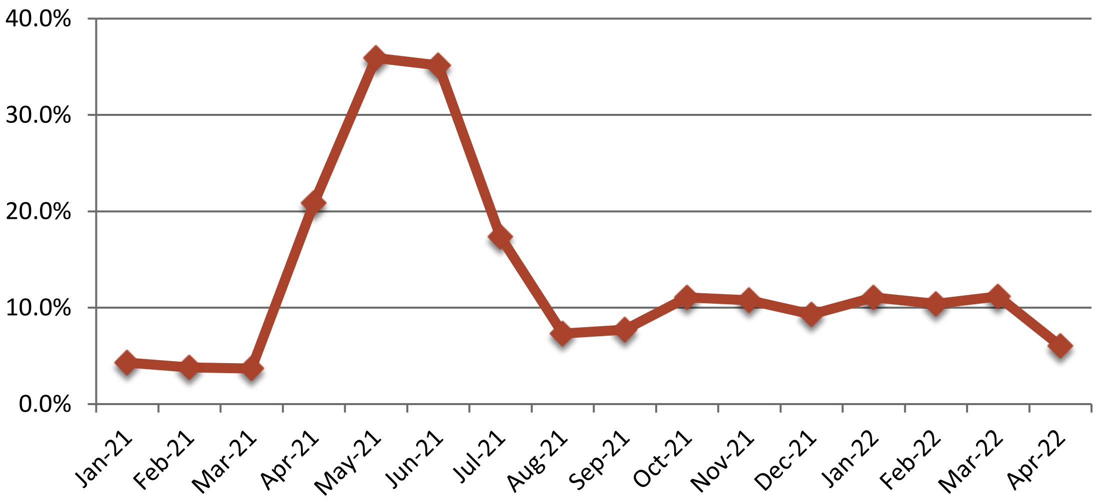
For FY 2022 YTD through April, GRF revenue from nonauto sales and use taxes totaled $9.12 billion which was $459.1 million (5.3%) above estimate. YTD revenue grew by

[5] H.B. 510 of the 129th General Assembly eliminated the tax at the end of 2013, but adjustments to tax filings in previous years continue to affect this tax source. These adjustments provided net revenue of $6.0 million in FY 2021, due to revenue from the conclusion of certain audits.

$703.8 million (8.4%) compared to revenue during the corresponding period in FY 2021.[6] In April, GRF revenue of $1,029.3 million was above estimate by $115.7 million (12.7%) and $11.5 million (1.1%) above revenue in April 2021, the first time this fiscal year that year-over-year revenue growth for a month was less than 4.5%. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2021. Growth was modest at the start of the 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 6.0% on average in the last three months, less than YTD growth of 8.4% through April 2022.

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



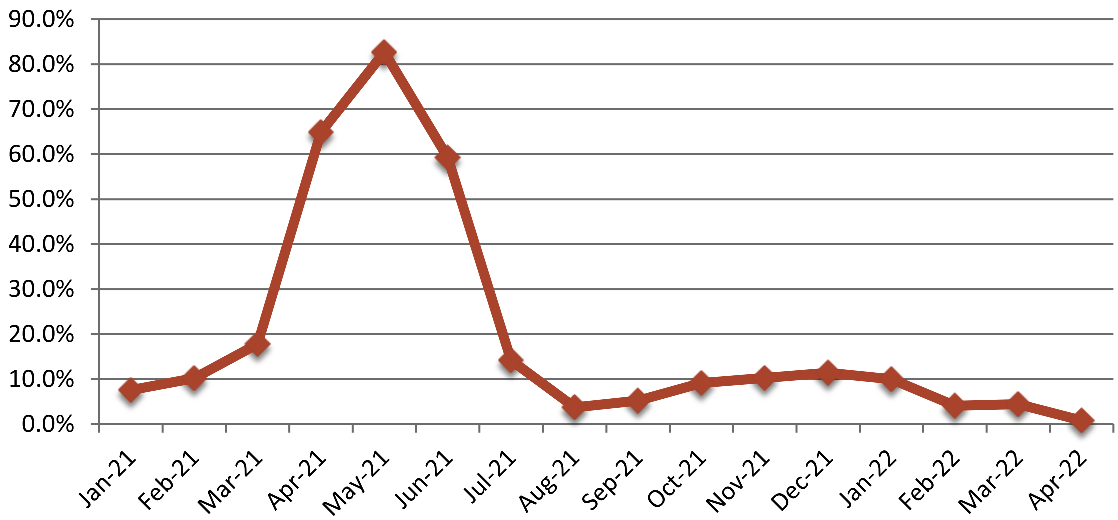
Auto Sales and Use Tax

FY 2022 YTD GRF revenue from the auto sales and use tax totaled $1.59 billion, an amount $67.4 million (4.4%) above estimate and an increase of $80.0 million (5.3%) compared to receipts during the corresponding period in FY 2021. In April, GRF revenue from this tax source was $192.9 million, $20.1 million (11.6%) above estimate, but a decrease of $9.8 million (4.8%) compared to revenue in April 2021, the first time in FY 2022 year-over-year revenue growth has been negative for a month. 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. However, the auto

[6] YTD revenue growth would have been stronger, but H.B. 110 of the 134th General Assembly repealed the sales tax paid by businesses on purchases of employment services and employee placement services, which has reduced revenue by an estimated $72 million this fiscal year.

sales and use tax has lost altitude of late and revenue growth has slowed further in calendar year (CY) 2022. It was 0.8%, on average, in the last three months, much lower than the FY 2022 first-half growth rate of 8.0% between July and December 2021.

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



As noted in this space in previous months, auto sales tax revenue growth in FY 2022 has been largely attributable to strong increases in average sale prices of vehicles. Unit sales have softened, mainly due to supply chain issues, including shortages of semiconductors. The latest data on new and used vehicles from the Ohio Bureau of Motor Vehicles show that during the first three quarters of FY 2022, total spending on passenger vehicles and trucks grew by 8.7%, compared to the year-earlier period. However, combined unit purchases of new and used motor vehicles were down by 10.4%, but average prices went up 21.3%. Nationwide, unit sales of light motor vehicles (autos and light trucks) have also slowed. Based on the latest data from the U.S. Bureau of Economic Analysis, compared to a year ago, unit sales have decreased by at least 10% each month in CY 2022, including a decrease of about 19% in April.

Personal Income Tax

FY 2022 YTD GRF revenue from the PIT amounted to $8.94 billion, which was $1.78 billion (24.9%) above estimate, with about half of this positive variance achieved at the conclusion of the income tax filing season in April. This strong performance is attributable to higher than expected revenue from annual returns, employer withholding, and quarterly estimated tax payments, and lower than anticipated 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,[7] trust

[7] 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.

payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (generally over 81% of gross collections for an entire fiscal year).

In April 2022, GRF revenue from the PIT totaling $1.90 billion was above estimate by $894.7 million (89.2%) and an increase of $1.03 billion (118.9%) compared to such revenue in April 2021, due in part to the shifting of income tax filings for TY 2020 returns from mid-April to mid-May 2021, due to the late enactment of the American Rescue Plan Act (ARPA), which included several tax changes impacting TY 2020 returns. Therefore, PIT revenue growth in May will probably be negative.

April 2022 gross collections were $2.57 billion, an amount $827.7 million (47.4%) above projections, mainly as a result of annual returns having been above estimated revenue by $701.3 million (98.5%). Employer withholding, quarterly estimated payments, miscellaneous payments, and trust payments were also $102.8 million, $19.7 million, $2.3 million, and $1.7 million, respectively, above their targets. In addition, refunds were $75.0 million below estimate for the month. On the other hand, LGF distributions were higher than OBM's estimate by $8.0 million.

FY 2022 YTD GRF receipts from the PIT were $1.04 billion (13.2%) above revenue in FY 2021 through April. Through March 2022, year-over-year revenue growth was just $10.9 million (0.2%), restrained by a year-over-year decline totaling $586.2 million in the months of July and August. That large decline was attributable to the delay of income tax filings for 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.[8] (YTD revenue growth next month is expected to decline, as May 2022 actual revenue is likely to be much less than receipts in May 2021 due to the shifting of income tax filing described above.)

For FY 2022 through April, 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 $1.45 billion above anticipated revenue, with positive variances of $825.6 million from payments due with annual returns, $449.4 million from employer withholding, $148.2 million from quarterly estimated payments, and $24.0 million from miscellaneous payments. Those positive variances were partly offset by a shortfall of $1.5 million for payments from trusts. YTD refunds were $364.1 million below projections, but LGF distributions were $29.2 million above estimate, so $335.0 million was added to YTD gross collections to arrive at the YTD positive GRF variance of $1.78 billion.

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

FY 2022 PIT Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		Changes from FY 2021	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$449.4	5.5%	$715.2	9.0%
Quarterly Estimated Payments	$148.2	19.7%	-$14.4	-1.6%
Trust Payments	-$1.5	-1.8%	-$19.6	-19.6%
Annual Return Payments	$825.6	88.4%	$645.8	58.0%
Miscellaneous Payments	$24.0	35.1%	$23.8	34.7%
Gross Collections	**$1,445.7**	**14.4%**	**$1,350.9**	**13.3%**
Less Refunds	-$364.1	-14.6%	$286.0	15.5%
Less LGF Distribution	$29.2	8.0%	$23.2	6.3%
GRF PIT Revenue	**$1,780.7**	**24.9%**	**$1,041.7**	**13.2%**

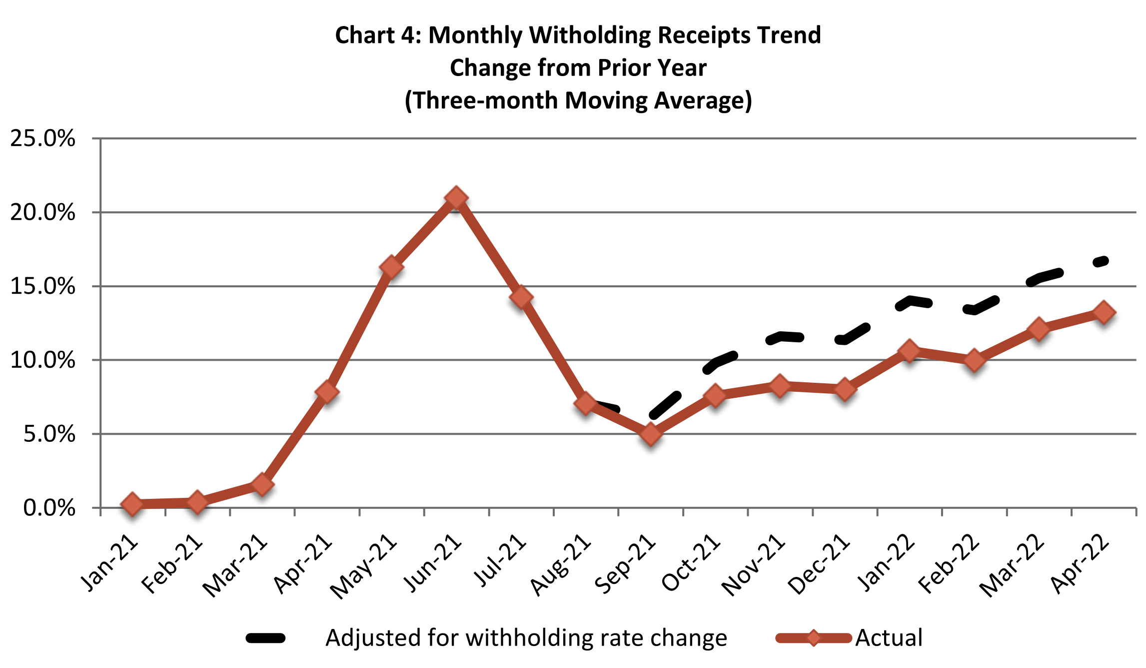
Compared with the same period in FY 2021, gross collections increased $1.35 billion in FY 2022 through April. Revenue from annual returns, employer withholding, and miscellaneous payments were above their prior-year levels by $645.8 million, $715.2 million, and $23.8 million, respectively. However, trust payments and quarterly estimated payments fell $19.6 million and $14.4 million, respectively. FY 2022 refunds increased by $286.0 million relative to refunds in the year-earlier period, and LGF distributions were $23.2 million higher than in the corresponding period last year. Therefore, YTD PIT GRF revenue was $1.04 billion more than receipts in FY 2021 through April.

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.[9] 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.

The PIT performance in FY 2022 has been driven by gains in various components of taxpayers' incomes. Wages, salaries, and other types of compensation have been growing

[9] H.B. 110 enacted several changes that will decrease PIT revenue this fiscal year relative to prior law. Most significantly, H.B. 110 reduced nonbusiness income tax rates by 3% in TY 2021 and thereafter, except that it eliminated the top bracket and further reduced 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.

faster than projections in forecasts used as the foundation of H.B. 110. Also, strong investment returns from both the stock and real estate markets in CY 2021 may have led to increased capital gains realizations by PIT taxpayers. To a smaller extent, various federal pandemic unemployment assistance programs in the last couple of years may have had some positive PIT revenue effects. For example, Ohio income taxes are generally not withheld from distributions from the Ohio Department of Job and Family Services (ODJFS) and thus must be paid with annual tax returns (in contrast, federal income taxes are withheld from unemployment compensation). The recent strength in Ohio's PIT revenue mirrors similarly strong income tax revenue at the federal level. Federal income tax revenue for the first half of this federal fiscal year (i.e., October through March) was 36% greater than it was during the first half of federal fiscal year 2021.



Commercial Activity Tax

FY 2022 YTD GRF revenue from the CAT totaling $1.58 billion through April was $155.4 million (10.9%) above estimate and $277.0 million (21.2%) greater than revenue during the corresponding period in FY 2021. In April, GRF revenue from this tax source was $97.8 million, which was $26.7 million (37.5%) above estimate and an increase of $23.0 million (30.8%) compared to revenue in the same month last year.

FY 2022 GRF revenue growth in the last seven months, i.e., excluding first-quarter receipts, compared to receipts in the corresponding period in FY 2021 was 17.6%,[10] and in CY 2022, the CAT has experienced revenue growth of about 19.3%, on average. This remarkable

[10] Low tax payments related to pandemic-related business closures and recession in the spring of 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.

growth has been buoyed by price inflation,[11] which in turn boosts taxable growth receipts, and a reduction in tax refunds.

YTD through April, gross collections totaled $1.95 billion, an increase of $277.3 million (16.6%) compared to gross collections during the corresponding period in FY 2021. Refunds were $75.3 million, a decrease of $50.3 million (40.3%) from refunds during the corresponding period in FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $12.5 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 $242.3 million and $37.3 million, respectively. The distributions to Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property and the phase down of property taxes on public utility tangible personal property. 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 reimbursement payments are generally transferred back to the GRF. Though the last payment for quarterly calendar taxpayers due in May is yet to be recorded, based on YTD results, it is probable the CAT will exceed the OBM GRF fiscal year's estimate of $1.80 billion at the end of June.

Cigarette and Other Tobacco Products Tax

FY 2022 YTD GRF revenue from the cigarette and other tobacco products (OTP) tax totaled $684.7 million, which was $4.9 million (0.7%) below estimate and $30.0 million (4.2%) below revenue in the corresponding period last fiscal year. FY 2022 YTD total revenue included $593.5 million from the sale of cigarettes and $91.2 million from the sale of OTP. OTP sales increased by $7.4 million (8.9%) from last year while receipts from cigarette sales decreased $37.4 million (5.9%). For the month of April, receipts from this source of $68.4 million were $2.2 million (3.1%) below estimate and $6.5 million (8.7%) below revenue in April 2021.

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.

[11] For example, the producer price index (PPI) for final demand moved up about 11% for the 12 months ended in March, the largest increase since this measure was first calculated in November 2010. The PPI for goods was up about 16% while that of services was up about 9%.

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$790,273	$976,935	-$186,662	-19.1%
Higher Education	$191,413	$193,852	-$2,439	-1.3%
Other Education	$8,978	$9,962	-$983	-9.9%
Total Education	**$990,664**	**$1,180,749**	**-$190,085**	**-16.1%**
Medicaid	$614,878	$1,039,983	-$425,106	-40.9%
Health and Human Services	$148,666	$152,796	-$4,130	-2.7%
Total Health and Human Services	**$763,544**	**$1,192,779**	**-$429,235**	**-36.0%**
Justice and Public Protection	$285,189	$296,914	-$11,725	-3.9%
General Government	$47,505	$59,311	-$11,806	-19.9%
Total Government Operations	**$332,694**	**$356,224**	**-$23,531**	**-6.6%**
Property Tax Reimbursements	$563,314	$395,745	$167,569	42.3%
Debt Service	$92,267	$92,277	-$10	0.0%
Total Other Expenditures	**$655,580**	**$488,022**	**$167,559**	**34.3%**
Total Program Expenditures	**$2,742,482**	**$3,217,774**	**-$475,292**	**-14.8%**
Transfers Out	**$85,031**	**$0**	**$85,031**	**---**
Total GRF Uses	**$2,827,512**	**$3,217,774**	**-$390,262**	**-12.1%**

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

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$7,348,848	$7,309,360	$39,488	0.5%	$7,056,009	4.2%
Higher Education	$2,024,798	$2,048,532	-$23,734	-1.2%	$1,962,605	3.2%
Other Education	$79,906	$85,524	-$5,618	-6.6%	$64,884	23.2%
Total Education	**$9,453,552**	**$9,443,417**	**$10,135**	**0.1%**	**$9,083,498**	**4.1%**
Medicaid	$14,095,567	$13,290,515	$805,052	6.1%	$14,010,201	0.6%
Health and Human Services	$1,308,250	$1,475,440	-$167,190	-11.3%	$1,216,376	7.6%
Total Health and Human Services	**$15,403,817**	**$14,765,955**	**$637,862**	**4.3%**	**$15,226,577**	**1.2%**
Justice and Public Protection	$2,287,718	$2,420,948	-$133,230	-5.5%	$2,051,562	11.5%
General Government	$426,049	$497,682	-$71,633	-14.4%	$364,284	17.0%
Total Government Operations	**$2,713,767**	**$2,918,630**	**-$204,863**	**-7.0%**	**$2,415,846**	**12.3%**
Property Tax Reimbursements	$1,604,718	$1,468,769	$135,949	9.3%	$1,571,566	2.1%
Debt Service	$1,366,348	$1,372,120	-$5,772	-0.4%	$999,774	36.7%
Total Other Expenditures	**$2,971,066**	**$2,840,889**	**$130,177**	**4.6%**	**$2,571,340**	**15.5%**
Total Program Expenditures	**$30,542,201**	**$29,968,890**	**$573,311**	**1.9%**	**$29,297,260**	**4.2%**
Transfers Out	**$3,073,894**	**$2,970,400**	**$103,494**	**3.5%**	**$459,194**	**569.4%**
Total GRF Uses	**$33,616,095**	**$32,939,290**	**$676,805**	**2.1%**	**$29,756,455**	**13.0%**

*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 May 5, 2022)

	Month of April 2022				Year to Date through April 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$545,551	$969,536	-$423,985	-43.7%	$13,464,267	$12,623,678	$840,589	6.7%
Non-GRF	$1,275,744	$1,542,665	-$266,921	-17.3%	$12,390,007	$13,737,841	-$1,347,834	-9.8%
All Funds	$1,821,295	$2,512,201	-$690,906	-27.5%	$25,854,274	$26,361,518	-$507,245	-1.9%
Developmental Disabilities								
GRF	$62,359	$60,704	$1,654	2.7%	$551,189	$556,295	-$5,106	-0.9%
Non-GRF	$194,249	$194,159	$90	0.0%	$2,367,463	$2,194,206	$173,257	7.9%
All Funds	$256,608	$254,863	$1,745	0.7%	$2,918,652	$2,750,501	$168,151	6.1%
Job and Family Services								
GRF	$6,105	$8,865	-$2,759	-31.1%	$71,077	$100,822	-$29,745	-29.5%
Non-GRF	$11,963	$0	$11,963	-	$141,415	$158,168	-$16,753	-10.6%
All Funds	$18,069	$8,865	$9,204	103.8%	$212,492	$258,990	-$46,498	-18.0%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$862	$879	-$16	-1.8%	$9,034	$9,719	-$686	-7.1%
Non-GRF	$2,391	$3,543	-$1,152	-32.5%	$29,515	$40,907	-$11,391	-27.8%
All Funds	$3,254	$4,421	-$1,168	-26.4%	$38,549	$50,626	-$12,077	-23.9%
All Departments:								
GRF	**$614,878**	**$1,039,983**	**-$425,106**	**-40.9%**	**$14,095,567**	**$13,290,515**	**$805,052**	**6.1%**
Non-GRF	**$1,484,347**	**$1,740,366**	**-$256,019**	**-14.7%**	**$14,928,401**	**$16,131,121**	**-$1,202,720**	**-7.5%**
All Funds	**$2,099,225**	**$2,780,350**	**-$681,125**	**-24.5%**	**$29,023,967**	**$29,421,635**	**-$397,668**	**-1.4%**

*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 May 5, 2022)

	Month of April 2022				Year to Date through April 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,282,165**	**$1,923,478**	**-$641,313**	**-33.3%**	**$19,682,292**	**$20,132,834**	**-$450,542**	**-2.2%**
CFC†	$450,840	$687,808	-$236,967	-34.5%	$6,853,550	$7,184,479	-$330,929	-4.6%
Group VIII	$444,332	$625,164	-$180,832	-28.9%	$6,074,573	$6,302,560	-$227,987	-3.6%
ABD†	$164,657	$262,464	-$97,807	-37.3%	$2,550,991	$2,685,918	-$134,928	-5.0%
ABD Kids	$56,490	$89,695	-$33,205	-37.0%	$856,639	$858,498	-$1,859	-0.2%
My Care	$165,846	$258,347	-$92,501	-35.8%	$2,338,738	$2,449,776	-$111,038	-4.5%
P4P & Ins Fee†	$0	$0	$0	-	$1,007,801	$651,603	$356,199	54.7%
Fee-For-Service	**$622,679**	**$661,906**	**-$39,227**	**-5.9%**	**$7,462,809**	**$7,285,165**	**$177,644**	**2.4%**
ODM Services	$374,647	$414,941	-$40,294	-9.7%	$3,890,536	$3,840,410	$50,126	1.3%
DDD Services	$248,032	$246,965	$1,067	0.4%	$2,822,387	$2,661,282	$161,105	6.1%
Hospital - HCAP&Other†	$0	$0	$0	-	$749,886	$783,473	-$33,587	-4.3%
Premium Assistance	**$115,036**	**$119,691**	**-$4,654**	**-3.9%**	**$1,072,363**	**$1,100,089**	**-$27,726**	**-2.5%**
Medicare Buy-In	$75,532	$71,876	$3,656	5.1%	$698,626	$701,693	-$3,067	-0.4%
Medicare Part D	$39,504	$47,814	-$8,310	-17.4%	$373,737	$398,397	-$24,659	-6.2%
Administration	**$79,345**	**$75,275**	**$4,070**	**5.4%**	**$806,503**	**$903,547**	**-$97,044**	**-10.7%**
Total	**$2,099,225**	**$2,780,350**	**-$681,125**	**-24.5%**	**$29,023,967**	**$29,421,635**	**-$397,668**	**-1.4%**

*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[12]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

Program expenditures totaled $2.74 billion in April and were $475.3 million (14.8%) under estimate. This variance was driven by GRF Medicaid spending, which was $425.1 million (40.9%) under estimate for the month of April. For the YTD, GRF program expenditures totaled $30.54 billion and were $573.3 million (1.9%) over estimate. As with the monthly variance, the YTD variance was dominated by GRF Medicaid expenditures, which had a positive YTD variance of $805.1 million (6.1%). Other program categories with significant YTD variances at the end of April were: Property Tax Reimbursements with a YTD positive variance of $135.9 million (9.3%), that was dominated by a positive variance of $167.6 million in April; Health and Human Services, which had a small negative variance in April, and was under estimate by $167.2 million (11.3%) for the YTD; and Justice and Public Protection which had a negative YTD variance of $133.2 million (5.5%), that increased by $11.7 million in April.

In addition to program expenditures, total uses include transfers out. Transfers out had a positive variance of $85.0 million in April due to a transfer authorized in H.B. 397 of the 134th General Assembly that was not in the estimates. For the YTD, transfers out totaled $3.07 billion and had a positive YTD variance of $103.5 million (3.5%) at the end of April. Combining program expenditures and transfers out, total GRF uses for the first ten months of FY 2022 were $33.62 billion. These uses were $676.8 million (2.1%) 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 below their monthly estimate in April by $425.1 million (40.9%) but remained above their YTD estimate by $805.1 million (6.1%) at the end of April. The negative GRF variance for the month of April was a result of $569.0 million in recoupments from the managed care plans for the risk corridor. Under the risk corridor, the Ohio Department of Medicaid (ODM) and the managed care plans agree to share any losses or profits due to unanticipated changes in spending related to the public health emergency. Meanwhile, the continuation of the public health emergencyand 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 $256.0 million (14.7%) and below their YTD

[12] 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.

estimate by $1.20 billion (7.5%). This is in part due to 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 April for this ALI is $600.0 million. Including both the GRF and non-GRF, all funds Medicaid expenditures were $681.1 million (24.5%) below estimate in April and $397.7 million (1.4%) below their YTD estimate at the end of April.

Table 5 shows GRF and non-GRF Medicaid expenditures for ODM, the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all funds variance in April of $690.9 million (27.5%), which turned ODM's YTD variance to negative at $507.2 million (1.9%) at the end of April. ODODD had an April all funds variance of $1.7 million (0.7%) and ended the month with YTD expenditures $168.2 million (6.1%) 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 YTD estimates for three of the four major payment categories at the end of April. The Managed Care variance of $450.5 million (2.2%) was the largest followed by the Administration variance of $97.0 million (10.7%). The Premium Assistance variance of $27.7 million (2.5%) was the smallest of the negative variances. The YTD Managed Care variance is 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. By disbursing early, Ohio could receive the higher federal reimbursement rate associated with the public health emergency. The significant change in expenditures from March to April arose because in March both ODM and ODODD made additional payments to providers in accordance with ARPA. 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. 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 $177.6 million (2.4%). 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. H.B. 169 specifies that these 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 April 2022, caseloads have increased by approximately 23,300 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility required as a condition of receiving increased financial assistance from the federal government and an increase in the number of new applications and approvals due to the economic impacts of the COVID-19 pandemic. Despite the increasing trends in monthly caseloads, caseloads were under ODM estimate for each of the first five months of FY 2022. Beginning with December 2021, however, recent months have had positive caseload variances, with April's positive variance of 66,624 cases (2.0%) bringing the FY 2022 average monthly caseload to approximately 11,480 cases (0.4%) 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 federallydeclared 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%). For the YTD, this category was over estimate by $135.9 million (9.3%). This YTD variance should decrease by the end of the fiscal year.

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 April variance of $186.7 million (19.1%) continued to correct the timing-related positive variances this category experienced in prior months, decreasing the category's YTD positive variance to $39.5 million (0.5%).

ALI 200550, Foundation Funding – All Students, is the main cause of both the April and the YTD variance in this category. ALI 200550 had a negative monthly variance of $171.1 million in April that reduced the ALI's YTD positive variance to $117.2 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 being corrected by negative variances through the end of the fiscal year as ODE gradually recoups overpayments.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services programs, except for debt service. 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 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 April of all program categories, at $167.2 million (11.3%). This negative variance comes primarily from ODJFS, which had a negative YTD variance of $111.4 million.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $0.6 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $43.4 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $2.9 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $27.2 million. This ALI is used primarily to support county public children services agencies.
- A negative monthly variance of $9.0 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $19.6 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 April, this category was under estimate by $133.2 million (5.5%), a negative YTD variance that grew in April by $11.7 million. DRC dominated both the monthly and YTD variances in this category, with a negative April variance of $7.8 million and a negative YTD variance of $94.6 million. Most other agencies in this category also had negative YTD variances at the end of April.

DRC's YTD variance is mainly due to negative YTD variances of $62.2 million in ALI 501321, Institutional Operations, and $24.2 million in ALI 505321, Institution Medical Services. Both of these variances grew by over $4.0 million in April. 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 $85.0 million in April and above estimate by $103.5 million (3.5%) YTD. The April variance was due to a transfer of $85.0 million 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. H.B. 397

appropriates these funds to ALI 195576, Economic Development, in the Department of Development's budget.

The rest of the positive YTD variance in transfers out at the end of April primarily includes:

- $9.2 million transferred to the Board of Elections Reimbursement and Education Fund (Fund 5FG0), which 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

$1.13 Million in Funding for Foundation for Appalachian Ohio Approved by Controlling Board

– Eric Makela, Economist

On April 25, 2022, the Controlling Board approved a $1.13 million contract with Foundation for Appalachian Ohio for vision care services in the Appalachian region through the Treasurer of State's ResultsOHIO initiative. The Foundation serves 32 counties in the eastern and southern regions of the state. H.B. 110 included an appropriation in the Treasurer of State's budget for this purpose.

Under the contract, the Foundation will enter into an agreement with Vision to Learn as the provider of vision care services. Vision to Learn is a national nonprofit organization which provides vision care services to children from low-income communities. Under the service agreement, approximately 2,500 eye exams per year will be provided to K-12 students attending Title I public schools in the region. An estimated 80% of those students will receive prescription glasses at no charge. Services are to be provided on school grounds in a mobile vision clinic. In addition to state dollars, Vision to Learn is also funding project expenses through nonprofit sources, including annual funding from Foundation for Appalachian Ohio, Deerbrook Charitable Trust, and the Ohio Optometric Association.

ResultsOHIO is the Treasurer's initiative for entering into Pay for Success contracts under the terms of section 113.61 of the Revised Code. As provided in that section, state funding is provided only as particular performance targets, specified in advance, are met. R.C. 113.61 requires that attainment of the thresholds be assessed by an independent evaluator. The University of Cincinnati Evaluation Services Center will serve as the independent evaluator for this contract.

OhioMHAS Awards 988 Grants

– Wendy Risner, Division Chief

In March 2022, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) awarded grants to three Ohio entities to support the launch of the 988 mental health crisis number. As part of this launch, OhioMHAS has to ensure that there is adequate call, chat, and text coverage in all counties. As a result, OhioMHAS awarded grants to establish a 988 backup-call provider and 988 chat-text providers. Awardees for both grants must be able to provide coverage 24-hours a day, seven days a week, 365 days a year. Awardees must also meet other criteria including: have procedures in place to help those with little or no English proficiency; assess for suicide risks and take necessary actions to prevent deaths by suicide; collaborate with other community and emergency services to ensure the safe and continuous care of callers; connect with local mobile crisis teams, hospitals, and others as needed; and avert unnecessary hospital visits and law enforcement responses when possible. The Talbert House of Cincinnati was awarded the grant to serve as the 988 backup-call provider. The award for these activities is not to exceed $375,000. Coleman Health Services of Kent and Netcare

Access of Columbus were awarded 988 chat-text provider grants, which are not to exceed $300,000 each.

Federal legislation (National Suicide Hotline Designation Act of 2020) requires states to transition from the current ten-digit National Suicide Prevention Lifeline (NSPL) number to the three-digit 988 number by July 16, 2022. Currently, the federal Substance Abuse and Mental Health Services Administration is responsible for NSPL, which is a confidential 24/7 telephone line that connects individuals in crisis with trained counselors across the United States. The service provides referrals to local treatment facilities, support groups, and community-based organizations. With the 988 transition, states are required to take a more active role in the administration of the hotline. To facilitate this process, most states were awarded a 988 planning grant. OhioMHAS received a $360,000 grant in January 2021 and has had numerous meetings with various interested parties to support implementation in Ohio. On January 21, 2022, OhioMHAS submitted their revised final implementation plan, which outlines the goals and timelines associated with this transition.[13]

Department of Development Awards Nearly $2.3 million to Help Improve Birth Outcomes and Reduce Infant Mortality

– Jared Cape, LSC Fellow

On April 6, 2022, the Department of Development, in collaboration with the Department of Health and the Governor's Office of Children's Initiatives, awarded nearly $2.3 million in grant funding to the Coalition of Homelessness and Housing in Ohio (COHHIO) for the Housing Assistance to Improve Birth and Child Outcomes Program. The two-year program will provide rental assistance and intensive housing stabilization services in Franklin and Summit counties. COHHIO will assess the program's impact on housing and rental assistance to (1) reduce risk factors for infant mortality, (2) increase housing stability of low-income households with children, and (3) improve maternal and infant health outcomes. To support the program, H.B. 110 earmarked nearly $2.3 million under GRF line item 195503, Local Development Projects, in FY 2022.

ODM Begins Extended Postpartum Coverage

– Brandon T. Minster, Economist

Beginning April 1, 2022, the Ohio Department of Medicaid (ODM) began providing extended coverage to Medicaid-eligible pregnant women for 12 months postpartum. The coverage includes services besides those directly related to childbirth, including lactation support, behavioral healthcare, chronic disease management, and substance use disorder treatment. The 12-month postpartum period is when a majority of pregnancy-related deaths occur. For example, some complications of high-risk pregnancies – such as preeclampsia, blood clots, and heart problems – might not begin until this period. ODM expects the extended coverage to improve the health outcomes of both mother and child.

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

H.B. 110 required ODM to cover pregnant women for the maximum postpartum period allowed under federal law (which is currently 12 months). The bill provided $15 million all funds ($4 million state share) in FY 2022 and FY 2023 to support this requirement. Under the Ohio Medicaid program, an individual is typically eligible for coverage if his or her income is up to 138% of the federal poverty guidelines (about $37,800 for a family of three). However, the program provides expanded eligibility for pregnant women if their incomes are up to 205% of the federal poverty guidelines (about $47,200 for a family of three). Pregnant women enrolled through expanded eligibility would have previously received coverage for only 60 days postpartum.[14] This extension will instead allow them to receive a full year of postpartum coverage. Individuals enrolled through traditional Medicaid eligibility criteria will not be impacted by this extension.[15]

Many other states have also chosen to extend Medicaid postpartum coverage. In fact, as of April 14, 2022, 35 states, including Ohio, have already done so or have plans to. This is in part due to a provision in the federal ARPA, which provides states with a streamlined process to provide this coverage. Previously, states could extend coverage, but it required a lengthier, more time-consuming process. The ARPA provision allows states to extend coverage for a five-year period beginning on April 1, 2022.

DHE and ODE Award Grants to Help Combat Educator Shortage

– Andrew Ephlin, Budget Analyst

In March 2022, the Department of Higher Education (DHE) and ODE jointly announced the recipients of federally funded grants to increase the number of candidates admitted to and completing educator licensure programs and address educator shortages across the state. Under the grant program, 29 four-year institutions with educator preparation programs, including 18 private, nonprofit and 11 public institutions, will receive a total of $5.2 million, which is supported by an earmark of state activity funds provided under ARPA's Elementary and Secondary School Emergency Relief Fund and appropriated in H.B. 169 of the 134th General Assembly. These 29 lead institutions may collaborate with community colleges, school districts, and educational service centers in carrying out their projects. The table below summarizes the awards by the sector of the lead institution. As the table shows, private, nonprofit institutions receive the majority of the funds, at $2.9 million (56%), while public universities receive the remaining $2.3 million (44%). Individual grant awards range from $120,000 to $375,300. The grants must be expended by September 30, 2024.

Most institutions will mainly use the grants to provide scholarships and other direct student support to recruit, enroll, and retain students in educator preparation programs. As the table below also shows, the institutions will collectively allocate at least $3.3 million (63%) of their

[14] The Families First Coronavirus Response Act provides a 6.2 percentage point increase in the federal share of certain Medicaid expenditures. In order to receive this enhanced match, states must meet certain requirements, including providing continuous coverage for individuals enrolled March 18,2020, through the end of the month in which the public health emergency ends.

[15] Individuals enrolled through traditional Medicaid would continue to receive services unless they were no longer eligible due to income or other requirements.

grant funding for scholarships (two institutions have not yet reported final scholarship allocations to DHE; see table note). Private, nonprofit institutions generally have allocated a greater share of their grant awards to scholarships than public institutions. Scholarships are available for classroom teachers and other positions for which a shortage can be identified, including school psychologists and speech language pathologists. The scholarships are in addition to any other financial aid a student receives. For additional information about the grants, see DHE's Addressing Educator Shortages in Ohio grant documentation, which may be accessed by conducting a keyword "Educator Shortage" search on the DHE website: ohiohighered.org.

Summary of Educator Shortage Grant Awards by Sector of Lead Institution ($ in millions)				
Sector	Number of Lead Institutions	Total Grant Award	Scholarship Allocation*	Share for Scholarships
Private, Nonprofit	18	$2.9	$2.1	74%
Public	11	$2.3	$1.1	49%
Total	**29**	**$5.2**	**$3.3**	**63%**

*Two institutions, one public and one private, nonprofit, had not provided DHE with a revised scholarship budget based on the institution's final grant award and, thus, are not included in this column

DHE Awards 30 Institutions $2.5 Million in Commercial Truck Driver Student Aid

– Jason Glover, Budget Analyst

In April 2022, DHE awarded a total of $2.5 million to 30 institutions under the Commercial Truck Driver Student Aid Program. Under the program, DHE makes awards to eligible schools that, in turn, distribute the funds in the form of a forgivable loan and a grant of equal amounts to each eligible student who commits to reside in and be employed in the state for a minimum of one year after completing a qualifying commercial driver license (CDL) training program. The total amount of the grant and loan awarded to each student cannot exceed the lesser of $20,000 or the cost of tuition and related expenses of a CDL training program. A student who accepts aid under the program must sign a promissory note to pay back the loan funds if the student does not satisfy the residency, employment, or training program requirements. DHE will forgive an individual's loan after one year of documented employment and residency in Ohio. H.B. 110 funds the program with an appropriation of $2.5 million from GRF line item 235595, Commercial Truck Driver Student Aid Program, in each of FY 2022 and FY 2023, with earmarks of $1.25 million in each of those fiscal years to be distributed by DHE, separately, as grants and loans.

The institutions applying to participate in the program were eligible to request up to $200,000. The total amount requested by the institutions exceeded available funding. In general, DHE opted to award each institution an equal amount of $83,278.[16] The table below

[16] According to DHE, Cuyahoga Community College requested $79,940, less than its equal share, and received the requested amount.

summarizes the grant recipients and total award amounts by sector. As the table shows, DHE awarded half of the funds, or $1.25 million, to 15 private, for-profit schools. Nine community colleges received approximately $750,000, followed by six Ohio Technical Centers that received approximately $500,000. Each institution will distribute its funding to eligible students enrolled in a qualifying CDL training program from May 1, 2022, to April 30, 2023. DHE is planning a second round of funding later in CY 2022 to award eligible students enrolled in a qualifying program from May 1, 2023, to April 30, 2024.

Commercial Truck Driver Student Aid Awards, FY 2022		
Sector	**Institutions**	**Awards**
Private, For-Profit Schools	160 Driving Academy,* Big Rig Truck Driving School, Capital Transportation Academy, Drivers Edge CDL Training Academy, Great Lakes Truck Driving School, Hamrick School, Northeast Ohio Truck Driver Training, Ohio Business College,* Trainco Truck Driving Schools, and Valley College	$1,249,170
Community Colleges	Belmont, Clark State, Cuyahoga, Eastern Gateway, Northwest State, Owens, Southern State, Stark State, and Terra State	$746,164
Ohio Technical Centers	Apollo Career Center, Brown and Clermont Adult Career Campuses, Butler Tech, Mid-East Career and Technology Centers, Vantage Career Center, and Washington County Career Center	$499,668
	Total	**$2,495,002**

*160 Driving Academy has five locations and Ohio Business College has two locations that each received awards

Controlling Board Approves $96.7 Million in Transportation Infrastructure Spending

– Terry Steele, Senior Budget Analyst

On April 4, 2022, the Controlling Board approved a Ohio Department of Transportation (ODOT) request for an additional $96.7 million in Highway Operating Fund (HOF) appropriations in FY 2022 for state and local bridge maintenance and replacement projects under the Federal Highway Administration (FHWA) Bridge Formula Program. The additional funding, appropriated under HOF line item 772422, Highway Construction – Federal, comes from money Ohio received through the federal Infrastructure Investment and Jobs Act (IIJA) enacted by the U.S. Congress in November 2021. It requires a state match of $20.5 million, or slightly over 20% of the federal funding. The funding approved by the Controlling Board represents the bulk of the $104.3 million funding ODOT is slated to receive under the Bridge Formula Program. Examples of existing bridge programs that will be supplemented with this federal funding include the ODOT District Bridge Preservation and the Major Bridge programs. On the local level, the additional funding will go toward the Local County Bridge, the Local Major Bridge Partnership, and the Municipal Bridge programs. Guidelines concerning the state apportionments under the federal Bridge Formula Program can be found in the April 8, 2022, FHWA notice announcing the awards.

ODOT Awards Nearly $8.0 Million in Project Funding Under Township Stimulus Program

– Jared Cape, LSC Fellow

On February 28, 2022, ODOT announced $8.0 million in awards under the Township Stimulus Program. The Township Stimulus Program is a one-time program providing federal funds to townships for projects located within township limits. Overall, 56 townships within all 12 ODOT districts received awards, ranging from $6,000 to $250,000, the maximum award amount under the program. Eight projects received the maximum award. Township Stimulus Program funds may be used for: (1) sidewalks, (2) roadway resurfacing, chip-sealing, full-depth repairs, or widening, (3) guardrails, (4) pavement markings, and (5) culvert rehabilitation or replacement. Of the awarded funding, nearly $6.0 million goes toward roadway projects, just over $1.1 million is for sidewalks, and slightly less than $1.0 million is for culverts. ODOT provides 100% of eligible costs for all phases of the project, up to the specified project funding limit. The project funds are prepaid to the township and must be spent by December 31, 2024. If project costs come in lower than the awarded amount, the township may apply the awarded funds to another township project rather than returning the funds to ODOT. The amounts awarded to townships in each county are displayed in the table below. For more information, see the list of award recipients and projects (PDF), which is available on ODOT's website: transportation.ohio.gov/programs.

Township Stimulus Program Funding by ODOT District		
ODOT District	Townships	District Total
1	6	$904,298
2	4	$544,800
3	5	$587,837
4	5	$1,000,909
5	4	$523,682
6	3	$749,168
7	7	$1,024,129
8	3	$474,151
9	6	$1,096,697
10	7	$421,654
11	5	$387,091

Township Stimulus Program Funding by ODOT District		
ODOT District	**Townships**	**District Total**
12	1	$248,000
Total	**56**	**$7,962,416**

Office of Criminal Justice Services Releases 2022 Law Enforcement Certification Report

– Maggie West, Senior Budget Analyst

On March 31, 2022, the Office of Criminal Justice Services issued its 2022 Law Enforcement Certification Report.[17] The report summarizes certification data on the first eight standards adopted by the Ohio Collaborative Community-Police Advisory Board, which was created by executive order in 2015 to improve community-police relations. The eight standards, as measured in the 2022 report, are presented in four groups as shown in the table below.

According to the report, 569 of Ohio's 877 state and local law enforcement agencies have adopted and fully implemented the Group 1 standards, compared to 529 agencies the previous year, representing nearly an 8% increase. The number of agencies certified in both Group 1 and Group 2 standards increased from 419 to 481 (a 15% increase) and agencies certified in Group 1, Group 2, and Group 3 standards increased from 299 to 345 (a 15% increase). Certification in all four group standards has been obtained by 291 agencies, an increase of nearly 41% from the previous year's 207.

Of Ohio's 33,904 law enforcement officers statewide, 29,484 (87%) are employed by a law enforcement agency that is certified in at least one standard or is in the process of becoming certified, and 88% of Ohioans are served by such an agency.

Two additional standards were recently added, bringing the total to ten. The most recent standards address law enforcement response to mass protests or demonstrations and agency wellness. Certification data for these standards is not included in this year's report but is expected to be included in future reports.

Ohio Collaborative Community-Police Advisory Board Uniform Minimum Standards, as of 2022	
Group	**Standard**
Group 1	1. Use of Force and Use of Deadly Force 2. Agency Employee Recruitment and Hiring

[17] See Law Enforcement Certification 2022 Public Report (PDF) which is available on Criminal Justice Services's website: ocjs.ohio.gov.

Ohio Collaborative Community-Police Advisory Board Uniform Minimum Standards, as of 2022	
Group	**Standard**
Group 2	3. Community Engagement 4. Body-Worn Cameras 5. Law Enforcement Telecommunications
Group 3	6. Bias-Free Policing 7. Investigation of Employee Misconduct
Group 4	8. Law Enforcement Vehicular Pursuit

Attorney General Issues 2021 Capital Crimes Report

– Jessica Murphy, Budget Analyst

On April 1, 2022, the Office of the Attorney General issued its annual report on capital crimes for 2021.[18] The report provides information on each aggravated murder case that resulted in a death sentence since 1981, the year that Ohio adopted its current death penalty statutes. Since 1981, Ohio has issued 341 death sentences to 336 individuals. Of the 341 death sentences, 82 sentences were removed based on judicial action, 56 sentences (one of every six) have been carried out, 35 offenders died prior to execution, 21 sentences were commuted, and ten offenders were found ineligible for the death penalty due to intellectual disability or serious mental illness.

As of December 31, 2021, Ohio had 134 offenders on death row. The majority of death row inmates are serving their sentences at Chillicothe Correctional Institution.

Under Ohio law, the death penalty applies to the offense of aggravated murder when the offender also is convicted of one or more specifications of an aggravating circumstance or the offense of terrorism when the most serious underlying offense is aggravated murder. A defendant must have been at least 18 at the time the crime was committed to be sentenced to death. Ohio currently lacks a means of lethal injection, which is the only method of execution permitted under state law. The most recent execution (July 18, 2018) utilized a three-drug protocol. In response to continuing litigation surrounding that three-drug protocol, executions have been delayed until a new method is developed.

[18] See 2021 Capital Crimes: State and Federal Cases (PDF), which is available on the Attorney General's website: ohioattorneygeneral.gov.

Tracking the Economy

– *Ruhaiza Ridzwan, Senior Economist*

– *Phil Cummins, Senior Economist*

Overview

The economy appears to have continued to advance through April, though severely elevated inflation, cutbacks in monetary and fiscal stimulus, and war in Europe raise concerns about the longevity of the expansion. Economic indicators have turned decidedly mixed recently. Nationwide nonfarm payroll employment rose by 428,000 in April and unemployment remained low at 3.6% of the country's labor force. Industrial production rose vigorously through March. However, inflation-adjusted gross domestic product (real GDP) was reported to have contracted during the first quarter, as total production of goods and structures fell by more than the rise in provision of services. The GDP figures show rising aggregate demand, with the increment met from increased imports. Inflation rose in recent months to the most rapid pace since the early 1980s.

Monetary policy was tightened in early May. The Federal Open Market Committee of the Federal Reserve (the Fed), the nation's central bank, raised its target short-term interest rate for federal funds by half of a percentage point to a range of 3/4% to 1%. This follows an increase in March in the interest rate target range by a quarter percentage point. The Fed also announced that it will start reducing its asset holdings in June, reinvesting principal payments that it receives only to the extent that they exceed $30 billion per month on Treasury securities and $17.5 billion on agency debt and agency mortgage-backed securities. After three months these rates of reduction in the size of the Fed's portfolio will be doubled. Allowing the Fed asset holdings to run off will tend to boost longer-term interest rates. In announcing this tightening of monetary policy, the Committee noted high inflation related to the pandemic, that will likely be made worse by Russia's war on Ukraine and related developments.

Ohio added 18,300 jobs in March, continuing an uptrend. The state's unemployment rate fell to 4.1%, lowest since July 2019. The number of existing home sales in the state decreased in this year's first quarter, compared to a year earlier, while the average statewide sales price of homes increased more than 10%. Economic activity in the region continued to expand.

The National Economy

In April, total nonfarm payroll employment rose by 428,000, its 16th consecutive monthly increase, to 151.3 million. The total remained 1.2 million below its February 2020 peak. Employment gains in April were widespread among industries, with particularly large increases in leisure and hospitality, 78,000; manufacturing, 55,000; and transportation and warehousing, 52,000. Aggregate hours worked and aggregate payrolls, indicators of production and incomes respectively, continued to rise in April.

The nation's unemployment rate was unchanged in April at 3.6% of the labor force, near its prerecession low of 3.5% in 2019 and early 2020. The number of people without jobs and actively seeking work totaled 5.9 million. Of this number, 1.5 million had been out of work and looking for employment for more than six months. Labor force participation, the share of the working-age population (age 16 and over) either employed or actively looking for jobs, edged down to 62.2% from 62.4% in March, the highest in two years. The number of labor force participants had recovered almost to prepandemic levels, but with population growth the number of working-age persons who were not in the labor force was more than 3 million higher.

Labor markets remain tight, as indicated by statistics on job openings and on voluntary separations from employment. The number of job openings nationwide totaled 11.5 million at the end of March, highest ever in statistics collected since 2000, though up only a little from numbers in recent months. Numerous job openings were reported in professional and business services, 2.1 million; health care and social assistance, 2.0 million; accommodation and food services, 1.5 million; retailing, 1.3 million; and other fields. The number of people choosing to leave their jobs during the month rose in March to the highest level in the series history at 4.5 million. Employees are more likely to quit jobs if they are confident they can find other positions, possibly better ones.

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

Nationwide industrial production expanded at a robust 8.1% annual rate in the first quarter of 2022, rising briskly in each month through March, continuing the strong upturn of the previous six quarters from recession lows in 2020. Manufacturing output grew in the first quarter at a 5.4% annual rate, with solid increases in several durable goods industries as well as in paper and in plastics and rubber products. Mining output rose at an 8.0% rate in the first quarter as oil and gas well drilling, and support activities for other types of mining, turned higher likely in response to elevated prices for hydrocarbons and metals. Output of natural gas and electric utilities rose sharply in the quarter reflecting unseasonably cold January temperatures and a resulting surge of heating demand.

The country's real GDP fell in the first quarter at a 1.4% annual rate, in the initial publication of this statistic from the U.S. Bureau of Economic Analysis (BEA), the first decline in this measure of U.S. economic output since the 2020 recession. Domestic production of goods (i.e., tangible products) contracted in the quarter, while goods imports rose strongly for the second straight quarter. U.S. production of services continued to expand in the quarter but production of structures fell for the fourth consecutive quarter. Nominal (current dollar) GDP rose in the latest quarter. Prices rose more rapidly, as the GDP price index increased at an 8.0% annual rate, highest since the early 1980s.

Final demand grew in the first quarter, as real consumer spending rose at a 2.7% annual rate and residential fixed investment increased at a 2.1% rate. Nonresidential fixed investment gained at a 9.2% rate, on rising outlays for equipment, software, and other intellectual property. Business investment in structures contracted for the fourth consecutive quarter, though oil and natural gas well drilling, counted in the GDP accounts as part of investment in structures, rose sharply in response to high prices, particularly for crude oil. Increases in these final demand components were partially offset, in calculation of real GDP, by declines in real government spending and real exports, and smaller additions to business inventories after very large increases in the 2021 fourth quarter. In releasing the data, BEA noted that the first quarter spike in COVID-19 cases disrupted business operations and government assistance payments expired or were reduced.

The first quarter real GDP decline appears anomalous in light of other available information. Specifically, estimated labor productivity (output per labor hour) in the nonfarm business sector declined in the quarter at a 7.5% annual rate, its steepest decline since 1947. Hours at nonfarm businesses increased at a 5.5% annual rate while GDP-based output calculated for the sector fell at a 2.4% rate. Hours and output tend to move in the same direction most of the time, with output usually growing more rapidly than labor hours, as businesses invest and increase efficiency.

Monthly data show real consumer spending expanding in each month of the first quarter, with growth of real outlays on services accounting for a growing share of total expenditures as spending on both durable and nondurable goods fell in February and March. Light motor vehicle sales rose further in April, constrained by very low dealer inventories. Construction activity on new residential units rose through March. This rise will likely slow in the current and future quarters as recent increases in mortgage interest rates appear to be taking a toll on sales of new and previously occupied homes.

The consumer price index (CPI) rose sharply in March, increasing 1.2% from February to 8.5% above its year-earlier level. The one-month increase in the index was its largest since 2005; the increase from the CPI's year-earlier level was the largest since 1981. Higher gasoline prices accounted for more than half of the total monthly increase, and food and shelter also were large parts of the all-items rise in the latest month. Excluding food and energy, the CPI rose 0.3% in March to 6.5% higher than a year earlier, its largest 12-month jump since 1982. Price increases in March were widespread among expenditure categories.

A related measure closely watched by the Fed, the personal consumption expenditures (PCE) price index, rose 0.9% in March to 6.6% higher than a year earlier. Excluding food and energy, the PCE price index was up from a year ago by 5.2% in March after a 5.3% year-over-year increase in February. The year-over-year increases are the largest since the early 1980s.

Pay increases have also heated up, though not by enough to keep pace with inflation, at least not for many workers. Private-sector wages and salaries rose 5.0% in the 12 months to March 2022, up from a 3.0% increase between March 2020 and March 2021. The cost of benefits rose 4.1% in the latest 12-month period, up from a 2.5% increase in the year-earlier 12-month period. Adjusted for inflation, wages and salaries fell 3.3% in the latest 12 months. Erosion of the real purchasing power of wages by high inflation will eventually sap consumer spending. These figures are in the employment cost index report, from the U.S. Bureau of Labor Statistics.

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

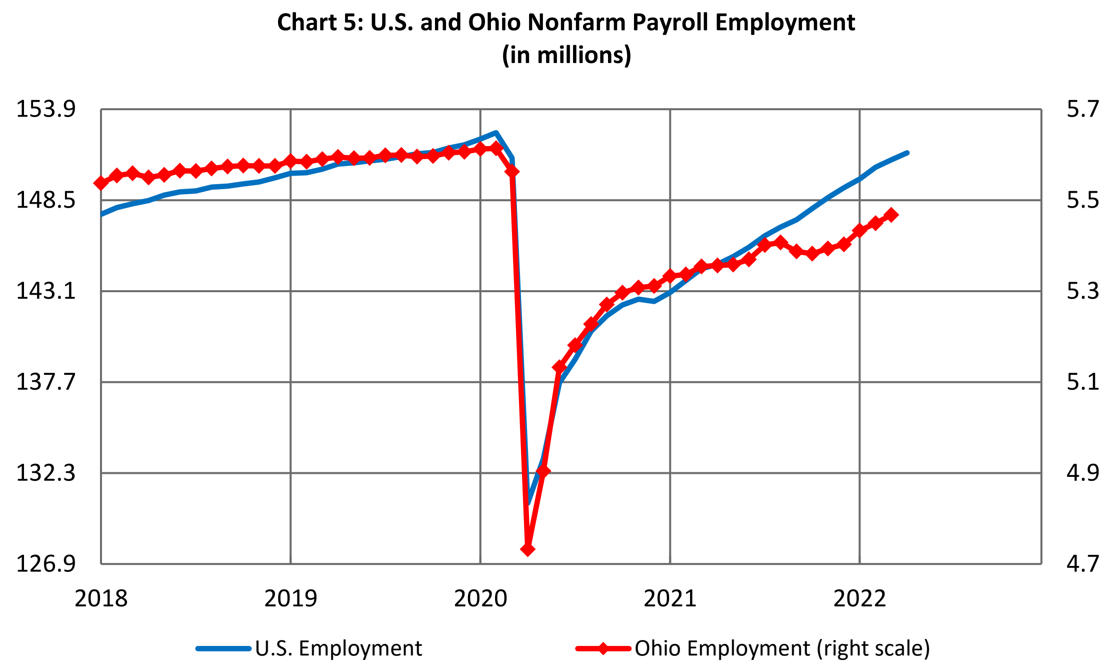
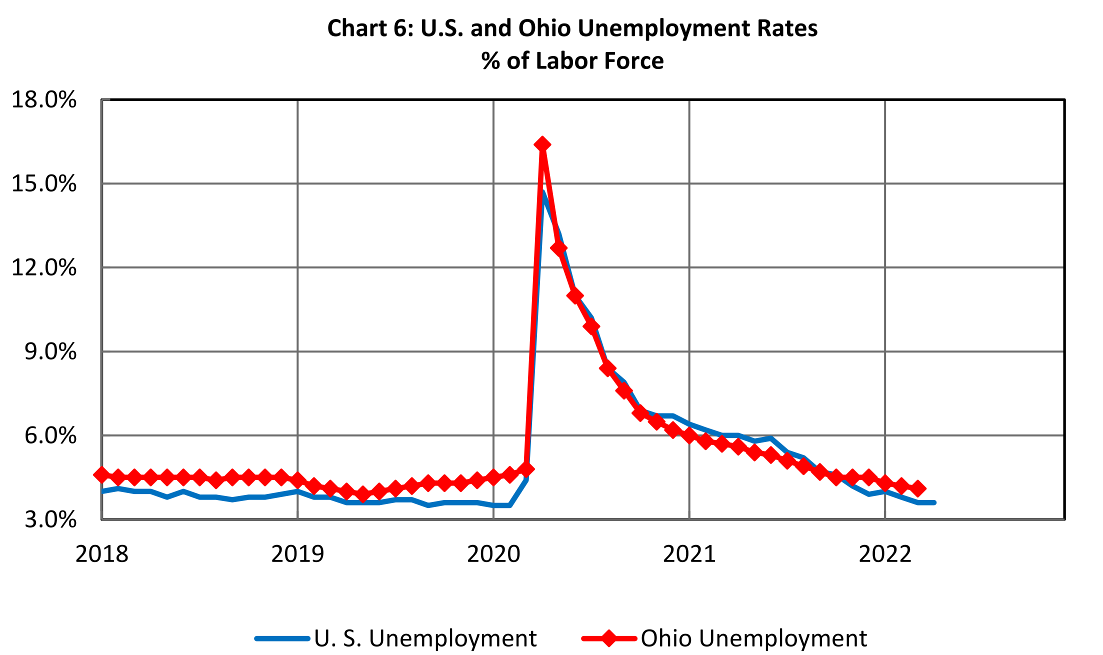


Chart 6 shows U.S. and Ohio unemployment rates.



The Ohio Economy

In March, Ohio continued to add jobs while its unemployment rate decreased for the third consecutive month. Through March, payroll employment grew this year at a higher pace than last year, with an average monthly gain of 21,600 jobs compared to job gains in the first three months of 2021 which averaged 14,400 per month or to the 7,700 per month jobs gain during the course of the 12 months of 2021. Ohio's unemployment rate declined from 4.2% in February to 4.1% in March, the lowest rate since July 2019. Ohio's unemployment rate was 5.7% in March of last year. The number of unemployed Ohioans was 237,000 in March, a decline of 5,000 from February. In March 2021, the number of unemployed Ohioans was 90,000 higher. In comparison, the U.S. unemployment rate was 3.6% in March, a decline from 3.8% in February, and 6.0% in March 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 5,467,700 in March, an increase of 18,300 from February's revised total of 5,449,400, seasonally adjusted. Chart 5 above shows trends in the state's employment compared with U.S. employment since January 2018. As shown in the chart, total employment in March was at its highest level since pandemic-related economic shutdowns in April 2020 but still had not returned to levels prior to the pandemic. The increase in employment from February to March was the result of increases in private service-providing industries (+11,600), goods-producing industries (+3,500), and government employment (+3,200). Increases in the private service-providing sector were mainly recorded in leisure and hospitality, professional and business services, and trade, transportation, and utilities. Increases in the goods-producing sector were in manufacturing and construction. Government employment increased at the local and state levels. Financial activities, other services, mining and logging, and federal government recorded job losses. Compared to a year ago, total nonfarm payroll employment increased by 113,400 (2.1%). The greatest increases in employment in Ohio were in leisure and hospitality (+48,500), trade, transportation, and utilities (+23,900), professional and business services (+15,300), construction (+12,300), durable goods manufacturing (+7,200), nondurable goods manufacturing (+5,800), and other services (+5,600). The decreases mainly occurred in educational and health services and state government. Employment in mining and logging remained the same as in March 2021.

March nonfarm payroll employment increased from a year earlier in all Ohio metropolitan areas, except the Lima metropolitan area. Unemployment rates in all metropolitan areas in March were lower than their rates in February and in March 2021, except for the Cleveland-Elyria metropolitan area where the rate was higher. Among all metropolitan areas in Ohio, the Cleveland-Elyria metropolitan area had the highest rate (6.7%) in March while the Columbus metropolitan area had the lowest rate (3.3%). Metropolitan areas nonfarm payroll employment and unemployment rate data are not seasonally adjusted, unlike state nonfarm payroll employment and unemployment rate data above.

In March, the number of existing homes sold in the state declined by 4.8% compared to March of last year, according to a monthly report published by Ohio Realtors. In the first three months of 2022, the total number of existing home units sold declined by 440 units or 1.4%, compared to the same 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 March 2022 averaged $237,439, or 10.3% higher than in the corresponding months in 2021, after double-digit average price increases for homes sold in 2020 and 2021. Rising mortgage interest rates and the sharply higher home prices appear to be putting a damper on residential real estate demand in the state. Continued concerns about COVID-19 infections may also be a factor, discouraging supply of homes to the market and so helping to keep price increases larger than otherwise.

Economic activity in the Federal Reserve Bank of Cleveland's district grew earlier this year at a modest pace.[19] Hiring in the region grew modestly. Wages rose across industries and occupations, but some employers reported that they "could not afford to increase pay further." Input price increases were more widespread, following a decrease earlier in the year in the share of firms reporting higher costs. Some manufacturers and contacts in the construction industry reported that the Russia-Ukraine war was a factor in the recent acceleration in input prices. General merchandise and apparel retailers noted that sales continued to be strong but one reported recent softening in sales. Auto dealers stated sales were limited due to scarce inventories and higher prices even though buyer demand was generally strong. Manufacturers reported a strong increase in sales. Residential construction and real estate activity continued to be robust even though interest rates were increasing and supply chain problems delayed new home construction. Nonresidential construction remained elevated. Leasing demand for industrial, retail, and apartment spaces continued to be strong while office leasing activity edged up. Lending activity grew moderately, particularly for commercial and industrial loans. Residential new mortgages increased, but residential refinancing mortgages declined. The volume of freight services, at high levels, decreased modestly, attributed to ongoing supply chain disruptions and war-related uncertainties.

[19] The Cleveland Federal Reserve District includes all of Ohio and parts of three adjacent states. The Bank's latest Beige Book section is based on information gathered in the approximately seven weeks through April 11.