LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Ross Miller, Chief Economist

October GRF tax revenue exceeded the estimate published by the Office of Budget and Management (OBM) by $127 million. Each individual GRF tax met or exceeded its estimate for the month, and the positive variances for the sales tax and the personal income tax (PIT) were $58 million and $46 million, respectively. With the strong performance for the month, year to date (YTD) GRF tax revenue was $261 million over estimate at the end of October.

Ohio's unemployment rate was 5.4% in September, unchanged from August. Ohio's rate was 0.6 percentage point higher than the national rate. Ohio's nonfarm payroll employment increased by 9,900 (0.2%) for the month. Employment in government accounted for over half the increase, with private sector employment increasing by 4,100 for the month.

Through October 2021, GRF sources totaled $12.58 billion:

- Revenue from the sales and use tax was $58.2 million above estimate;
- PIT receipts were $132.1 million above estimate.

Through October 2021, GRF uses totaled $15.43 billion:

- Program expenditures were $701.2 million below estimate;
- Expenditures in all program categories were below estimate, including Medicaid (by $302.8 million), Justice and Public Protection ($159.9 million), and Health and Human Services ($86.8 million).

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$150,309	$148,600	$1,709	1.2%
Nonauto Sales and Use	$906,380	$850,100	$56,280	6.6%
Total Sales and Use	*$1,056,689*	*$998,700*	*$57,989*	*5.8%*
Personal Income	$737,914	$691,500	$46,414	6.7%
Commercial Activity Tax	$91,088	$83,900	$7,188	8.6%
Cigarette	$75,937	$73,200	$2,737	3.7%
Kilowatt-Hour Excise	$30,843	$28,800	$2,043	7.1%
Foreign Insurance	$172,703	$171,500	$1,203	0.7%
Domestic Insurance	$603	$0	$603	---
Financial Institution	-$9,166	-$14,100	$4,934	35.0%
Public Utility	$5,378	$3,400	$1,978	58.2%
Natural Gas Consumption	$819	$300	$519	172.9%
Alcoholic Beverage	$6,488	$5,500	$988	18.0%
Liquor Gallonage	$4,769	$4,500	$269	6.0%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$64	$0	$64	---
Business and Property	$0	$0	$0	---
Estate	$1	$0	$1	---
Total Tax Revenue	**$2,174,129**	**$2,047,200**	**$126,929**	**6.2%**
Nontax Revenue				
Earnings on Investments	$11,882	$9,485	$2,397	25.3%
Licenses and Fees	$2,111	$1,383	$728	52.6%
Other Revenue	$1,055	$1,121	-$66	-5.9%
Total Nontax Revenue	**$15,048**	**$11,989**	**$3,059**	**25.5%**
Transfers In	**$1,050**	**$0**	**$1,050**	**---**
Total State Sources	**$2,190,227**	**$2,059,189**	**$131,038**	**6.4%**
Federal Grants	**$707,068**	**$747,754**	**-$40,686**	**-5.4%**
Total GRF Sources	**$2,897,296**	**$2,806,943**	**$90,352**	**3.2%**

*Estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2022 as of October 31, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$663,102	$662,000	$1,102	0.2%	$626,066	5.9%
Nonauto Sales and Use	$3,589,154	$3,532,100	$57,054	1.6%	$3,327,643	7.9%
Total Sales and Use	*$4,252,256*	*$4,194,100*	*$58,156*	*1.4%*	*$3,953,709*	*7.6%*
Personal Income	$3,200,977	$3,068,900	$132,077	4.3%	$3,603,427	-11.2%
Commercial Activity Tax	$546,631	$505,300	$41,331	8.2%	$431,101	26.8%
Cigarette	$267,648	$260,200	$7,448	2.9%	$272,796	-1.9%
Kilowatt-Hour Excise	$108,702	$110,600	-$1,898	-1.7%	$112,236	-3.1%
Foreign Insurance	$183,439	$179,500	$3,939	2.2%	$175,660	4.4%
Domestic Insurance	$2,252	$200	$2,052	1026.2%	$824	173.4%
Financial Institution	-$12,571	-$20,800	$8,229	39.6%	-$16,152	---
Public Utility	$39,977	$35,100	$4,877	13.9%	$35,355	13.1%
Natural Gas Consumption	$13,693	$14,300	-$607	-4.2%	$13,720	-0.2%
Alcoholic Beverage	$25,125	$20,800	$4,325	20.8%	$21,238	18.3%
Liquor Gallonage	$19,774	$19,000	$774	4.1%	$19,381	2.0%
Petroleum Activity Tax	$1,425	$1,700	-$275	-16.2%	$878	62.3%
Corporate Franchise	$500	$0	$500	---	$287	74.0%
Business and Property	$0	$0	$0	---	$15	-100.0%
Estate	$5	$0	$5	---	$12	-60.1%
Total Tax Revenue	**$8,649,835**	**$8,388,900**	**$260,935**	**3.1%**	**$8,624,487**	**0.3%**
Nontax Revenue						
Earnings on Investments	$11,884	$9,485	$2,399	25.3%	$17,577	-32.4%
Licenses and Fees	$11,027	$10,381	$646	6.2%	$14,096	-21.8%
Other Revenue	$149,097	$87,293	$61,804	70.8%	$82,053	81.7%
Total Nontax Revenue	**$172,008**	**$107,159**	**$64,849**	**60.5%**	**$113,726**	**51.2%**
Transfers In	**$42,945**	**$30,362**	**$12,582**	**41.4%**	**$79,832**	**-46.2%**
Total State Sources	**$8,864,788**	**$8,526,422**	**$338,366**	**4.0%**	**$8,818,046**	**0.5%**
Federal Grants	**$3,719,998**	**$3,920,139**	**-$200,140**	**-5.1%**	**$4,743,542**	**-21.6%**
Total GRF SOURCES	**$12,584,786**	**$12,446,561**	**$138,225**	**1.1%**	**$13,561,587**	**-7.2%**

*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 October of $12.58 billion were $138.2 million (1.1%) over the estimate released by OBM. Positive variances of $260.9 million (3.1%) for GRF tax sources, $64.8 million (60.5%) for nontax revenue, and $12.6 million (41.4%) for transfers in were partly offset by a negative variance of $200.1 million (5.1%) for federal grants.[2] 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 October 2021 and YTD through October in FY 2022.

GRF tax sources have performed well in the first four months of FY 2022. The largest tax sources had positive variances, including the PIT, $132.1 million; the sales and use tax, $58.2 million; the commercial activity tax (CAT), $41.3 million; and the cigarette tax, $7.4 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 alcoholic beverage tax, the foreign insurance tax, and the domestic insurance tax exceeded their respective estimates by $4.9 million, $4.3 million, $3.9 million, and $2.1 million. The financial institutions tax (FIT) posted net refunds totaling $12.6 million, while net refunds of $20.8 million were anticipated, resulting in a YTD positive variance of $8.2 million for this tax source.[3] The kilowatt-hour tax posted a negative variance of $1.9 million, the only tax with a substantial shortfall through October 2021.

GRF sources for the month of October were $2.90 billion, an amount $90.4 million (3.2%) above estimate. GRF tax and nontax categories were above their respective estimates by $126.9 million (6.2%) and $3.1 million (25.5%), while revenue from transfers in was $1.0 million, though GRF income from this category was not anticipated for the month (and is not expected until June 2022). The positive variances were partially offset by a deficit of $40.7 million (5.4%) for federal grants. All GRF tax sources met or were above their respective estimates for the month, including solid performances by the sales and use tax ($58.0 million), the PIT ($46.4 million), and the CAT ($7.2 million).

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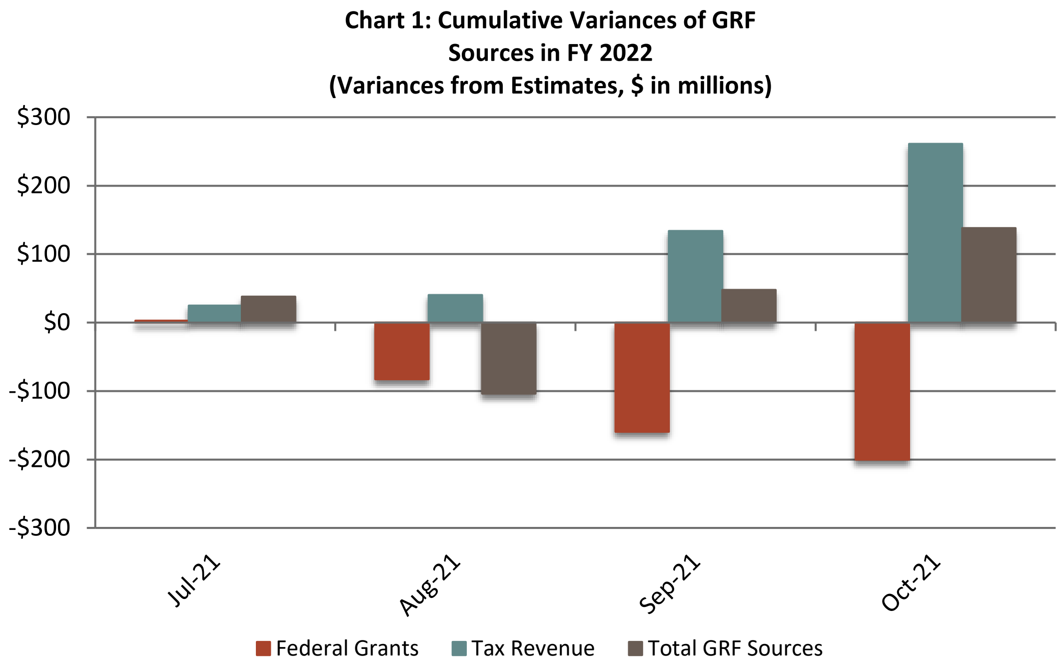
[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] Federal grants are typically federal reimbursements for Medicaid and other human services programs. Through October, Medicaid spending was $302.8 million below estimated expenditures, as caseloads have been generally below anticipated levels in FY 2022.

[3] The GRF typically pays out refunds under the FIT during the first half of a fiscal year as taxpayers make adjustments to previous tax filings. FIT receipts are generally expected at the end of January, March, and May, with the annual tax report due in October of each year.

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



As shown in Table 2, YTD GRF sources were $976.8 million (7.2%) below such sources through October in FY 2021 largely due to federal grants. YTD FY 2022 federal grants were $1.02 billion (21.6%) below revenue in this category a year ago. YTD GRF tax sources were $25.3 million (0.3%) above revenue in the July to October period in FY 2021. The PIT experienced a revenue decline of $402.4 million due to changes related to the filing of tax returns in 2020, as explained in more detail in the PIT section below. The PIT revenue decrease was offset by YTD revenue growth of $298.5 million for the sales and use tax and $115.5 million for the CAT, reflecting continuing economic recovery. Receipts from the remaining GRF tax sources rose, by a net $13.7 million, though revenue fell for the cigarette tax ($5.1 million) and the kilowatt-hour tax ($3.5 million). For the remaining GRF categories, nontax revenue rose $58.3 million, but transfers in fell $36.9 million.

Sales and Use Tax

FY 2022 YTD GRF revenue from the sales and use tax of $4.25 billion was above estimate by $58.2 million (1.4%), with nearly all of this overage due to October receipts. Compared with the corresponding period in FY 2021, YTD revenue from this tax source was $298.5 million (7.6%) higher.

The latest Beige Book publication from the Federal Reserve Bank of Cleveland (which includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia) reports strong demand in the retail industry, which has also experienced increased inflation in 2021. For example, excluding food and energy,[4] the consumer price index (CPI) rose in September to 4.0% above its year-ago level; used car and truck prices were 24% higher. A related measure, the

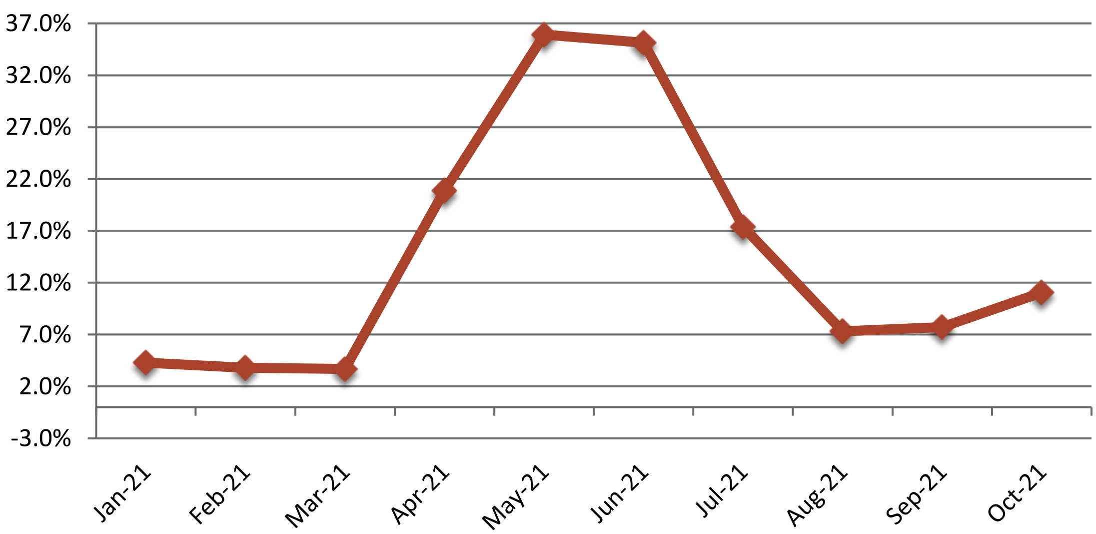
[4] Gasoline and food purchases at grocery stores and for consumption off premises are not in the sales and use tax base.

personal consumption expenditures price index, excluding food and energy prices, was 3.6% higher than in September 2020. Increases in both measures are the largest since 1991. Price increases tend to boost sales tax revenue, and most retail segments predominantly subject to sales taxes have shown strong sales in FY 2022. 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

Excluding a negative variance of $29.0 million in July, the nonauto sales and use tax has performed better than expected in FY 2022. Through October, GRF revenue from this tax source totaled $3.59 billion, $57.1 million (1.6%) above estimate and $261.5 million (7.9%) above receipts in the first four months of FY 2021. October 2021 GRF receipts of $906.4 million were above estimate by $56.3 million (6.6%) and $68.9 million (8.2%) above the corresponding month in FY 2021, a robust gain. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. Over the summer and early fall months, consumer spending has continued to slowly improve, while the economic impact of new variants of the COVID-19 virus appears to have been muted. Also, the end of pandemic-related federal assistance payments seems to have had, so far, little effect on nonauto sales and use tax growth. Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2021. Growth was modest at the start of the year, strengthened in the second calendar quarter as tax revenue compared favorably to depressed levels in the year-earlier period in 2020, then slowed to a more moderate level. However, revenue growth has picked up in the last three months.

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

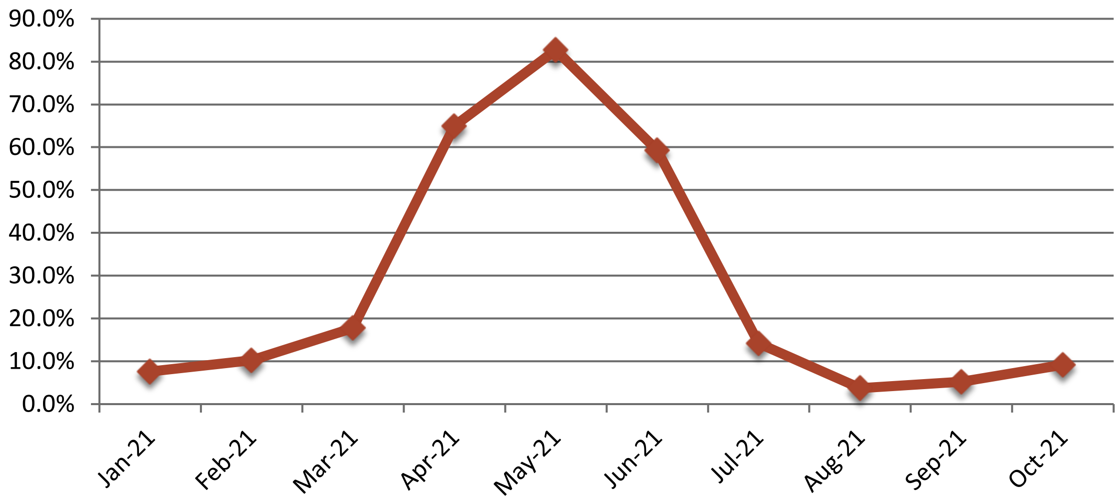


Auto Sales and Use Tax

The auto sales and use tax has been on target so far in FY 2022. Through October, receipts from this GRF source totaled $663.1 million, $1.1 million (0.2%) above estimate and $37.0 million

(5.9%) above revenue in the corresponding period in FY 2021. For the month of October, GRF revenue from this tax source was $150.3 million, $1.7 million (1.2%) above estimate and $11.5 million (8.3%) above receipts in October 2020. Chart 3, below, shows year-over-year growth in auto sales and use tax collections, including high growth rates in the spring of 2021 related to pandemic-depressed revenues a year earlier from both low demand and low supply of vehicles. Slower year-over-year revenue growth started in June and is continuing into FY 2022, with a trend comparable to that of the nonauto sales and use tax.

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



Auto sales tax revenue growth has been supported by price increases, driven by auto parts shortages and taut supply chains. Data provided by the Ohio Bureau of Motor Vehicles have shown an increase in total spending on passenger vehicles and trucks in FY 2022. Unit purchases of both new and used motor vehicles were down sharply, but average prices were considerably higher than in the year-earlier period, particularly for used vehicles, which account for the majority of motor vehicle titles issued.

Personal Income Tax

Through October, FY 2022 GRF revenue from the PIT totaled $3.20 billion, $132.1 million (4.3%) above the estimate, largely due to stronger than anticipated revenue from employer withholding and from annual returns. PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[5] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically

[5] 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.

driven by employer withholdings, which is the largest component of gross collections (generally over 81% of gross collections for an entire fiscal year).

In October, PIT receipts to the GRF of $737.9 million were $46.4 million (6.7%) above estimate. Gross collections were $72.3 million (8.6%) above estimate, boosted by positive variances of $31.5 million for payments due with annual returns and $18.2 million for employer withholding. Additionally, quarterly estimated payments and miscellaneous payments had positive variances of $17.9 million and $4.0 million, respectively. Refunds and distributions to the LGF were above their respective estimates by $24.3 million and $1.6 million, thus reducing the positive variance of gross collections by a total of $25.9 million.

FY 2022 GRF receipts from the PIT were $402.4 million (11.2%) below such revenue in FY 2021 through October. This decrease was due to a year-over-year decline of $586.2 million in the months of July and August. The large year-over-year PIT revenue decline is attributable to the delay of income tax filings for tax year (TY) 2019 from April to July 2020. Generally, income tax returns are filed in mid-April each year, but the filing of TY 2019 tax returns was delayed due to the COVID-19 pandemic.[6] 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 October, 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 $128.7 million above anticipated revenue, with positive variances of $58.1 million from employer withholding, $44.6 million from payments due with annual returns, $18.4 million for quarterly estimated payments, and $10.2 million from miscellaneous payments, partially offset by a shortfall of $2.6 million for payments from trusts. YTD refunds were $6.0 million below projections, but LGF distributions were $2.7 million above estimate. Thus, the YTD positive variance for the GRF was $132.1 million.

Compared with the same period in FY 2021, gross collections fell $580.8 million in the first four months of FY 2022. Employer withholding and miscellaneous payments were above their prior-year levels by $128.7 million and $10.1 million, respectively. However, revenue from annual returns, quarterly estimated payments, and trust payments fell $556.5 million, $116.5 million, and $46.7 million, respectively. FY 2022 refunds were below those in FY 2021 by $183.6 million, while LGF distributions were higher than in the year-earlier period by $5.2 million. Therefore, YTD PIT GRF revenue was $402.4 million less than receipts in FY 2021 through October.

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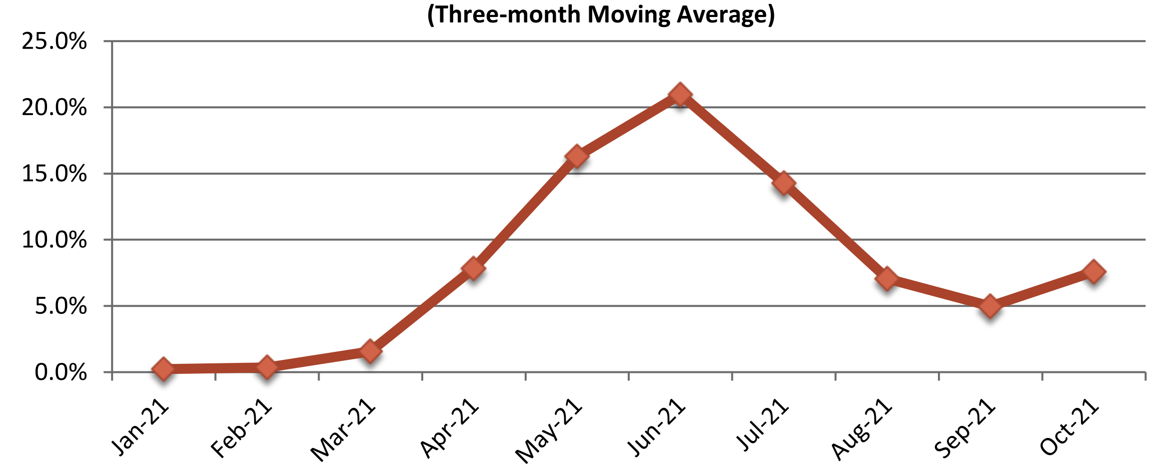
[6] Among measures designed to help consumers and businesses weather the impact of the COVID-19 pandemic, H.B. 197 of the 133rd General Assembly authorized the Tax Commissioner to delay various state tax payments during the period of the Governor's emergency declaration. In response to enactment of the 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	$58.1	1.9%	$128.7	4.3%
Quarterly Estimated Payments	$18.4	6.5%	-$116.5	-27.7%
Trust Payments	-$2.6	-13.3%	-$46.7	-73.3%
Annual Return Payments	$44.6	44.5%	-$556.5	-79.3%
Miscellaneous Payments	$10.2	51.1%	$10.1	50.6%
Gross Collections	$128.7	3.7%	-$580.8	-13.8%
Less Refunds	-$6.0	-2.2%	-$183.6	-41.1%
Less LGF Distribution	$2.7	1.7%	$5.2	3.3%
GRF PIT Revenue	$132.1	4.3%	-$402.4	-11.2%

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 on September 1, as a result of a tax rate reduction in H.B. 110.[7]

Chart 4: Monthly Witholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



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

Commercial Activity Tax

October receipts to the GRF from the CAT were $91.1 million, $7.2 million (8.6%) above estimate, bringing the YTD positive variance for this tax source to $41.3 million (8.2%), up from $34.1 million in the first fiscal quarter. For the fiscal year, YTD GRF receipts from CAT taxpayers were $546.6 million, $115.5 million (26.8%) above weaker revenues in FY 2021 through October due to poor first-quarter receipts that year. (Low tax payments related to pandemic-related business closures and recession in spring 2020 showed up in that quarter because payments are based on gross receipts in the previous calendar quarter.) Thus, revenue growth relative to the year-ago period is likely to decline in the next few months.

Through October, gross collections totaled $658.8 million, an increase of $118.6 million (20.9%) relative to gross collections in FY 2021 through October. Refunds were $38.2 million, a decrease of $18.2 million (32.3%) from FY 2021. (The reduction in refunds boosted GRF revenue growth.) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $4.4 million. (Moneys in the fund help defray Ohio Department of Taxation costs of administering the CAT and other taxes.)

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). YTD distributions to Fund 7047 and Fund 7081 were $83.6 million and $12.9 million, respectively. The distributions to Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property and the phase down of property taxes on public utility tangible personal property.

Cigarette and Other Tobacco Products Tax

Through October in FY 2022, GRF revenue from the cigarette and other tobacco products (OTP) tax totaling $267.6 million was above estimate by $7.4 million (2.9%). This total included $229.6 million from the sale of cigarettes and $38.0 million from the sale of OTP. For the month of October, receipts from this source of $75.9 million were $2.7 million (3.7%) above estimate, but $0.9 million (1.1%) below revenue in October 2020.

FY 2022 YTD revenue was $5.1 million (1.9%) below year-earlier revenue in FY 2021. OTP sales increased by $3.2 million (9.1%) while receipts from cigarette sales decreased $8.3 million (3.5%). 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.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of October 2021
($ in thousands)
(Actual based on OAKS reports run November 5, 2021)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$808,287	$753,254	$55,032	7.3%
Higher Education	$209,400	$211,205	-$1,805	-0.9%
Other Education	$15,063	$21,837	-$6,774	-31.0%
Total Education	**$1,032,750**	**$986,297**	**$46,453**	**4.7%**
Medicaid	$1,036,606	$1,111,255	-$74,649	-6.7%
Health and Human Services	$134,308	$182,981	-$48,673	-26.6%
Total Health and Human Services	**$1,170,914**	**$1,294,236**	**-$123,322**	**-9.5%**
Justice and Public Protection	$274,987	$313,873	-$38,886	-12.4%
General Government	$47,881	$68,008	-$20,127	-29.6%
Total Government Operations	**$322,869**	**$381,881**	**-$59,013**	**-15.5%**
Property Tax Reimbursements	$311,767	$279,395	$32,372	11.6%
Debt Service	$83,027	$83,047	-$20	0.0%
Total Other Expenditures	**$394,794**	**$362,442**	**$32,352**	**8.9%**
Total Program Expenditures	**$2,921,326**	**$3,024,855**	**-$103,529**	**-3.4%**
Transfers Out	**$31,890**	**$15,000**	**$16,890**	**112.6%**
Total GRF Uses	**$2,953,216**	**$3,039,855**	**-$86,639**	**-2.9%**

*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 October 31, 2021
($ in thousands)
(Actual based on OAKS reports run November 5, 2021)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$2,919,308	$2,987,073	-$67,764	-2.3%	$2,765,321	5.6%
Higher Education	$772,307	$817,394	-$45,087	-5.5%	$757,277	2.0%
Other Education	$45,251	$49,888	-$4,637	-9.3%	$34,953	29.5%
Total Education	**$3,736,866**	**$3,854,355**	**-$117,489**	**-3.0%**	**$3,557,551**	**5.0%**
Medicaid	$5,389,714	$5,692,529	-$302,815	-5.3%	$6,717,927	-19.8%
Health and Human Services	$501,005	$587,802	-$86,797	-14.8%	$473,729	5.8%
Total Health and Human Services	**$5,890,719**	**$6,280,331**	**-$389,611**	**-6.2%**	**$7,191,655**	**-18.1%**
Justice and Public Protection	$950,904	$1,110,756	-$159,852	-14.4%	$964,628	-1.4%
General Government	$190,472	$221,478	-$31,006	-14.0%	$156,589	21.6%
Total Government Operations	**$1,141,376**	**$1,332,234**	**-$190,859**	**-14.3%**	**$1,121,217**	**1.8%**
Property Tax Reimbursements	$850,313	$850,723	-$410	0.0%	$820,883	3.6%
Debt Service	$841,524	$844,367	-$2,843	-0.3%	$477,663	76.2%
Total Other Expenditures	**$1,691,837**	**$1,695,090**	**-$3,253**	**-0.2%**	**$1,298,546**	**30.3%**
Total Program Expenditures	**$12,460,798**	**$13,162,009**	**-$701,211**	**-5.3%**	**$13,168,970**	**-5.4%**
Transfers Out	**$2,972,942**	**$2,948,000**	**$24,942**	**0.8%**	**$411,475**	**622.5%**
Total GRF Uses	**$15,433,740**	**$16,110,009**	**-$676,269**	**-4.2%**	**$13,580,445**	**13.6%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on November 8, 2021)

	Month of October 2021				Year to Date through October 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$970,865	$1,023,180	-$52,315	-5.1%	$5,134,156	$5,404,579	-$270,423	-5.0%
Non-GRF	$1,315,459	$1,760,536	-$445,077	-25.3%	$4,423,552	$5,033,327	-$609,775	-12.1%
All Funds	$2,286,324	$2,783,716	-$497,392	-17.9%	$9,557,707	$10,437,906	-$880,198	-8.4%
Developmental Disabilities								
GRF	$57,081	$57,381	-$300	-0.5%	$218,316	$221,114	-$2,798	-1.3%
Non-GRF	$194,407	$193,920	$487	0.3%	$809,602	$815,069	-$5,467	-0.7%
All Funds	$251,487	$251,300	$187	0.1%	$1,027,918	$1,036,183	-$8,265	-0.8%
Job and Family Services								
GRF	$7,400	$29,362	-$21,962	-74.8%	$33,274	$62,365	-$29,091	-46.6%
Non-GRF	$11,729	$0	$11,729	-	$58,351	$13,902	$44,449	319.7%
All Funds	$19,130	$29,362	-$10,232	-34.8%	$91,625	$76,267	$15,359	20.1%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,261	$1,333	-$72	-5.4%	$3,968	$4,471	-$503	-11.2%
Non-GRF	$2,573	$3,405	-$832	-24.4%	$12,151	$15,971	-$3,821	-23.9%
All Funds	$3,833	$4,737	-$904	-19.1%	$16,119	$20,442	-$4,324	-21.1%
All Departments:								
GRF	**$1,036,606**	**$1,111,255**	**-$74,649**	**-6.7%**	**$5,389,714**	**$5,692,529**	**-$302,815**	**-5.3%**
Non-GRF	**$1,524,168**	**$1,957,861**	**-$433,693**	**-22.2%**	**$5,303,655**	**$5,878,269**	**-$574,613**	**-9.8%**
All Funds	**$2,560,774**	**$3,069,116**	**-$508,342**	**-16.6%**	**$10,693,370**	**$11,570,798**	**-$877,428**	**-7.6%**

*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 November 8, 2021)

	Month of October 2021				Year to Date through October 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,791,317**	**$2,194,813**	**-$403,496**	**-18.4%**	**$7,002,501**	**$7,633,545**	**-$631,045**	**-8.3%**
CFC†	$652,571	$870,944	-$218,373	-25.1%	$2,547,551	$2,865,931	-$318,381	-11.1%
Group VIII	$577,798	$695,790	-$117,992	-17.0%	$2,226,983	$2,455,177	-$228,194	-9.3%
ABD†	$243,110	$304,409	-$61,300	-20.1%	$966,738	$1,041,143	-$74,405	-7.1%
ABD Kids	$81,981	$83,199	-$1,218	-1.5%	$327,176	$332,846	-$5,671	-1.7%
My Care	$235,857	$240,471	-$4,614	-1.9%	$934,053	$938,448	-$4,395	-0.5%
Fee-For-Service	**$602,438**	**$673,903**	**-$71,466**	**-10.6%**	**$2,986,631**	**$3,201,281**	**-$214,650**	**-6.7%**
ODM Services	$343,228	$376,111	-$32,883	-8.7%	$1,378,524	$1,472,514	-$93,991	-6.4%
DDD Services	$242,676	$243,402	-$726	-0.3%	$995,162	$1,001,494	-$6,332	-0.6%
Hospital – HCAP & Other†	$16,533	$54,391	-$37,857	-69.6%	$612,946	$727,273	-$114,327	-15.7%
Premium Assistance	**$101,844**	**$105,137**	**-$3,292**	**-3.1%**	**$405,135**	**$417,706**	**-$12,571**	**-3.0%**
Medicare Buy-In	$65,008	$68,533	-$3,525	-5.1%	$258,910	$272,201	-$13,291	-4.9%
Medicare Part D	$36,837	$36,604	$233	0.6%	$146,225	$145,505	$720	0.5%
Administration	**$65,175**	**$176,163**	**-$110,988**	**-63.0%**	**$299,102**	**$399,166**	**-$100,063**	**-25.1%**
Total	**$2,560,774**	**$3,150,017**	**-$589,242**	**-18.7%**	**$10,693,370**	**$11,651,698**	**-$958,329**	**-8.2%**

*September 2021 estimates from the Department of Medicaid
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program
Detail may not sum to total due to rounding.

Expenditures[8]

– *Melaney Carter, Director*

– *Ivy Chen, Principal Economist*

Overview

The preceding tables 3 and 4 show GRF uses for the month of October and for FY 2022 YTD through October, respectively.

Through October, FY 2022 GRF program expenditures totaled $12.46 billion. These expenditures were $701.2 million (5.3%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.97 billion and were $24.9 million (0.8%) over estimate for the YTD. Total GRF uses for these four months, therefore, totaled $15.43 billion, which were $676.3 million (4.2%) under estimate. For the month of October, GRF program expenditures totaled $2.92 billion and were $103.5 million (3.4%) under estimate. Transfers out of the GRF totaled $31.9 million in October and were over estimate by $16.9 million (112.6%), mainly due to timing. Combining program expenditures and transfers out, GRF uses were $86.6 million (2.9%) under estimate for the month of October.

All program categories were under their YTD estimates at the end of October. The largest negative YTD variance was for Medicaid at $302.8 million (5.3%), followed by Justice and Public Protection at $159.9 million (14.4%), Health and Human Services at $86.8 million (14.8%), and Primary and Secondary Education at $67.8 million (2.3%). These categories are discussed further below.

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 October by $74.6 million (6.7%) and below their YTD estimate by $302.8 million (5.3%) at the end of October. Non-GRF Medicaid expenditures were also below their monthly estimate, by $433.7 million (22.2%) and below their YTD estimate by $574.6 million (9.8%) at the end of October. Including both the GRF and non-GRF, all funds Medicaid expenditures were $508.3 million (16.6%) below estimate in October and $877.4 million (7.6%) below their YTD estimate at the end of October.

A significant driver of below estimate YTD Medicaid expenditures is below estimate spending on Managed Care. According to the Ohio Department of Medicaid (ODM), this variance is mostly due to payment timing for Managed Care services, as there was a delay in the deployment of new Managed Care rates. These payments will, however, be adjusted retroactively, and this will be reflected in expenditures in coming months.

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

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 October of $497.4 million (17.9%), and YTD expenditures were $880.2 million (8.4%) below estimate at the end of October. ODODD had an October all funds positive variance of $187,000 (0.1%) but ended the month with YTD expenditures $8.3 million (0.8%) 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 payment categories at the end of October. Managed Care had the largest negative variance of $631.0 million (8.3%), which was largely caused by delayed Managed Care payments, as was mentioned previously. Managed Care's largest negative variance was followed by Fee-For-Service's (FFS's) negative variance of $214.7 million (6.7%). According to ODM, the FFS negative variance is influenced by below estimate FFS caseloads. Administration and Premium Assistance rounded out the negative YTD variances among all payment categories with negative variances of $100.1 million (25.1%) and $12.6 million (3.0%), respectively.

From the beginning of the COVID-19 pandemic in March 2020 through October 2021, caseloads have increased by approximately 25,600 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility required as a condition of receiving increased financial assistance from the federal government and an increase in the number of new applications and approvals due to the economic impacts of the COVID-19 pandemic. Despite the increasing trends in monthly caseloads, caseloads were under ODM estimate for each of the first three months of FY 2022. October ended with a small positive variance in caseloads of just over 2,000 cases (0.1%) above estimate.

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 October, this category was under estimate by $159.9 million (14.4%), a negative variance that grew in October. The negative October variance in this category of $38.9 million (12.4%) was driven by a negative variance of $34.4 million for DRC. Most other agencies in the category also had negative variances.

DRC's negative monthly variance was mainly due to a negative variance of $30.6 million in appropriation line item (ALI) 501321, Institutional Operations, which increased this ALI's negative YTD variance to $66.1 million. This ALI is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management.

It was reported in last month's issue of *Budget Footnotes* that a negative monthly variance of $50.0 million in the Department of Public Safety's (DPS's) ALI 761408, Highway Patrol Operating Expenditures, would be reversed in October; however, this did not happen. This ALI provides GRF support for the Highway Patrol's operating expenditures that is in addition to the funds collected for this purpose from various taxes, fees, and fines related to the registration and operation of vehicles on public highways. The estimates were for the entire $50.0 million appropriation to be expended in September. This amount has not yet been expended, which is the biggest contributor to DPS's negative YTD variance at the end of October of $60.9 million.

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.

The negative October variance of $48.7 million (26.6%) came primarily from negative monthly variances of $21.9 million for OhioMHAS and $17.5 million for ODJFS. All other agencies in the category also had negative October variances. The YTD variance in this category at the end of October was $86.8 million (14.8%).

Significant monthly variances for ALIs in the ODJFS budget include:

- A negative variance of $6.0 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $10.9 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $3.9 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $21.8 million. This ALI is used primarily to support county public children services agencies.

A significant monthly variance for ALIs in the OhioMHAS budget was:

- A negative monthly variance of $14.7 million in ALI 336421, Continuum of Care Services, which offset a positive variance for this ALI in September, resulting in a YTD negative variance for this ALI of $1.8 million. This ALI is primarily distributed to local boards for mental health and alcohol, drug, and gambling addiction services to meet locally determined needs. Timing-related variances are common for this ALI.

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education, except for property tax reimbursement and Medicaid spending. In October, this category was over estimate by $55.0 million (7.3%), which decreased the category's negative YTD variance to $67.8 million (2.3%). October's positive variance was caused by a positive variance of $250.4 million in ALI 200550, Foundation Funding – All Students, that was partially offset by negative variances in other ALIs, most importantly ALI 200502, Pupil Transportation, which had a negative variance for the month of October of $179.3 million.

ALI 200550 is the main source of state support for public schools, including those operated by traditional school districts, joint vocational school districts, and community and science, technology, engineering, and mathematics (STEM) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. ALI 200502 is primarily used to support the transportation part of the school funding formula. Expenditures from these ALIs are governed by a variety of formulas and data and can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in these ALIs.

Issue Updates

Transportation Review Advisory Council Approves $291.5 Million in New Project Funding

– Terry Steele, Senior Budget Analyst

On September 22, 2021, the Transportation Review Advisory Council (TRAC) voted to approve $291.5 million in new funding commitments under the Ohio Department of Transportation's (ODOT) Major/New Construction Program. The Major/New Construction Program consists of highway projects that add capacity to the state's network of roads and have costs exceeding $12.0 million. This newly approved funding, combined with prior TRAC awards, results in total Major/New Construction allocations of just under $1.1 billion during the FY 2022 to FY 2025 period. The list of newly approved projects can be found here.

The table below summarizes these newly approved projects by their county and ODOT district location, their estimated costs, as well as the fiscal year in which the work is anticipated to take place. The funding approved by TRAC covers all phases of a project, including design, engineering, right-of-way acquisition, and construction. The table below sorts these new project funding commitments according to ODOT district.

New Project Funding Commitments Approved by TRAC – September 2021					
County	Total Projects	ODOT District	Commitment ($ in millions)		
			FY 2022	FY 2023	FY 2024
Hancock	1	1	$2.0	$2.0	-
Lucas	1	2	$8.5	-	-
Ottawa	1	2	$1.0	$9.0	-
Summit	3	4	$8.0	-	$64.0
Stark	1	4	$1.5	-	-
Licking	1	5	-	$9.5	-
Fairfield	2	5	$6.0	$0.5	-
Franklin	4	6	$19.8	$37.3	-
Delaware	1	6	-	$2.0	-
Madison	1	6	$7.5	-	-
Montgomery	1	7	$0.8	$0.8	-

New Project Funding Commitments Approved by TRAC – September 2021					
County	Total Projects	ODOT District	Commitment ($ in millions)		
			FY 2022	FY 2023	FY 2024
Montgomery/Greene	1	8	$3.0	-	-
Hamilton	3	8	$11.7	-	$25.0
Warren	1	8	-	-	$7.0
Butler	2	8	$1.5	$1.5	-
Greene	1	8	-	$25.6	-
Lawrence	1	9	$6.0	-	-
Ross	1	9	$1.5	$0.5	$3.5
Cuyahoga	4	12	$4.2	$20.3	-
		Total	**$83.0**	**$109.0**	**$99.5**
Total New Funding Commitments					**$291.5**

All funding of Major/New Construction projects is financed out of the Highway Operating Fund (Fund 7002). This fund is comprised of three main sources of revenue: (1) federal Highway Trust Fund distributions, (2) ODOT's portion of revenue from the Ohio Motor Fuel Tax (MFT), and (3) proceeds from bonds issued by the state and backed by future federal highway and Ohio MFT revenues.

Department of Development Unveils Loan Programs to Help Minority- and Women-owned Businesses

– Shannon Pleiman, Senior Budget Analyst

On October 6, 2021, the Department of Development unveiled two new loan programs that aim to help minority- and women- owned businesses. The new initiatives, the Women's Business Enterprise Loan Program and the Ohio Micro-Enterprise Loan Program, were funded with $5.0 million for each program in each fiscal year under H.B. 110. The Women's Business Enterprise Loan Program provides loans to existing women-owned businesses in the state that are three years or older. Loan proceeds can be used for machinery and equipment purchases, leasehold improvements, renovations, and real estate purchases. Loans range from $45,000 to $500,000 with a fixed interest rate of up to 3%. Loan terms are up to ten years for machinery and equipment and up to 15 years for owner-occupied real estate loans. There is a $300 application fee and a commitment fee of 1.5% of the loan amount.

The Ohio Micro-Enterprise Loan Program provides micro-loans at 0% interest to new and existing businesses that have been certified by the Department's Minority Business Development Division as either a Minority Business Enterprise or a Women-owned Business Enterprise. Loan proceeds can be used for working capital, machinery and equipment purchases, leasehold improvements, and inventory. Loan amounts range from $10,000 to $45,000 and are to be repaid within five years for loans used for working capital and seven years for loans used for equipment. There is no application fee under this loan program. More details on each loan program can be found on the Department's website.

The funding for these two programs is supported by a transfer from the State Small Business Credit Initiative Fund (Fund 3FJ0) to the MBD Financial Assistance Fund (Fund 5XH0). Fund 3FJ0 consists of money the state receives under the federal State Small Business Credit Initiative, a program of the U.S. Department of the Treasury, and the Small Business Jobs Act of 2010.

GRF Surplus Lines Insurance Tax Receipts Exceeded $60 Million in FY 2021

– Ruhaiza Ridzwan, Senior Economist

In FY 2021 surplus lines insurance taxes generated about $62.6 million in GRF revenue, $14.5 million (30.1%) above FY 2020 receipts.[9] This revenue source is included in license and fee revenue in Tables 1 and 2 of this publication and accounted for more than 70% of such revenue in FY 2021. As shown in the table below, surplus lines tax receipts more than doubled between FY 2012 and FY 2021, increasing from $29.8 million to $62.6 million. The surge in growth resulted in this source surpassing both the alcoholic beverage tax and the liquor gallonage tax as a source of GRF revenue in FY 2021.

Fiscal Year	Surplus Lines Tax Revenue	Growth
2012	$29,800,004	12.6%
2013	$32,258,762	8.3%
2014	$34,399,191	6.6%
2015	$37,595,467	9.3%
2016	$36,761,517	-2.2%
2017	$37,028,132	0.7%
2018	$38,592,552	4.2%

[9] A Department of Insurance official reports that the receipts in this row of the Ohio Administrative Knowledge System reports include taxes on risk retention group insurance. The official also reports that revenue growth rates from one year to the next fluctuate significantly because of market conditions, refunds, and other timing issues.

Fiscal Year	Surplus Lines Tax Revenue	Growth
2019	$44,071,609	14.2%
2020	$48,074,383	9.1%
2021	$62,551,377	30.1%

Data source: Ohio Administrative Knowledge System

In general, a "surplus lines" insurer (also known as a "non-admitted" insurer) is an insurer that is not licensed to do business in the state but is nonetheless approved by the Superintendent of Insurance to offer insurance in Ohio because coverage is not available through standard licensed insurers (also known as "admitted" insurers). Under existing Ohio law, a 5% tax is levied on surplus lines insurance. This tax is not related to the 1.4% tax on gross premiums paid by domestic and foreign insurers regulated by the Department of Insurance (or 1.0% for insurers that are health insuring corporations).

LBO economists do not know exactly why revenue from this source has surged, but a news release from industry observer AM Best provides some clues. The release, dated September 16, 2021, notes that ". . . the surplus lines market traditionally performs well during times of tumult and uncertainty." It goes on to note, with respect to the most recent year's growth, ". . . surplus lines insurer premium growth was due largely to a couple of key factors: opportunities attributable to market dislocation that created lower supply for the market demand; and [admitted] insurers maintaining discipline despite tumultuous economic conditions . . . . In some cases renewal carriers looked to get out of the business or risk class entirely, providing surplus lines insurers the opportunity to underwrite and price the risks . . . ." If this diagnosis is correct, recent revenue growth may plateau, or even reverse, when economic conditions return to a more normal state.

Controlling Board Approves $1.0 Million in Emergency Management Assistance Compact Funding to Assist in Hurricane Recovery

– Shaina Morris, Budget Analyst

On October 4, 2021, the Controlling Board approved an Adjutant General request to transfer cash and an appropriation of $1.0 million in FY 2022 from the Controlling Board Emergency Purposes Fund (Fund 5KMO) to GRF line item 745505, State Active Duty. The purpose of the request was to reimburse the Adjutant General's Department for state active duty costs incurred for assistance provided under the Emergency Management Assistance Compact (EMAC) to the state of Louisiana in the aftermath of Hurricane Ida. The request is comprised of payroll costs for Ohio National Guard soldiers activated under state active duty in support of Hurricane Ida relief as well as equipment, fuel, sustenance, and travel costs. The state of Louisiana will reimburse the state of Ohio for these costs, and once the funds are received, they will be credited back to Fund 5KMO.

On September 8, 2021, Governor DeWine approved the activation of the Ohio National Guard from the 112th Transportation Battalion based in North Canton and the 1485th and 1486th

Transportation companies based in Coshocton and Mansfield, respectively. The assistance was requested by Louisiana Governor, John Bel Edwards. Approximately 170 Ohio Army National Guard members and 70 vehicles assisted in transporting food, water, and equipment in support of hurricane relief efforts. Ohio's mission lasted from September 13 through September 25. Approximately 3,500 National Guard members from across the nation responded to Louisiana's request through EMAC.

EMAC is the first national disaster-relief compact since the Civil Defense and Disaster Compact of 1950 to be ratified by Congress. Since ratification and signing into law in 1996, 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands have enacted legislation to become EMAC members. The compact offers assistance during governor-declared states of emergency through a mutual aid framework that allows states to send personnel and equipment to help disaster relief efforts in other states.

Third Round of Ohio Prisoner Extradition Reimbursement Program Funding Totals $200,000

– Maggie West, Senior Budget Analyst

On September 22, 2021, Governor DeWine announced the availability of $200,000 for the third round of funding for the Ohio Prisoner Extradition Reimbursement Program administered by the Department of Public Safety's Office of Criminal Justice Services (OCJS). The program assists local law enforcement agencies and DRC with extraditions by reimbursing costs incurred to return charged or convicted Tier 1 offenders arrested on outstanding warrants in other in-state or out-of-state jurisdictions. Tier 1 criminal offenses include felony offenses of violence, other felony offenses that pose a substantial risk to public or officer safety, and the offense of misdemeanor domestic violence. Under the program, local law enforcement agencies and DRC are eligible to receive reimbursement for mileage, personnel, and other expenses associated with transporting offenders from another jurisdiction.

The Ohio Prisoner Extradition Reimbursement Program was established in response to recommendations made by the Ohio Governor's Warrant Task Force, which was charged with examining Ohio's existing warrant system and providing recommendations on how to improve the process of issuing, prioritizing, and serving warrants. The Task Force issued its final report in May 2019. Funding for this round of extradition reimbursement is supported using a $200,000 earmark included in H.B. 110 in both FY 2022 and FY 2023 from GRF appropriation item 768425, Justice Program Services. There is no maximum amount per extradition but, law enforcement agencies are generally limited to five requests for reimbursement, and extraditions from within the same or adjacent county are ineligible for reimbursement. Parameters are subject to change based on availability of funding and demand, and priority is given to local law enforcement requests. This round of funding is for qualified expenses occurring on or after July 1, 2021.

From July 1, 2019, through October 25, 2021, the program has reimbursed local law enforcement agencies and DRC a total of $320,804 for the costs of extraditing 73 offenders. Of those extraditions, 23 were in-state and 50 were out-of-state, 11 of which were for offenders returning to Ohio to serve a sentence at DRC.

DHE Receives New Seven-year, $28 Million Gear-Up Grant

– Jason Glover, Budget Analyst

In late September 2021, the Department of Higher Education (DHE) announced that Ohio will receive a new seven-year, $28.0 million Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up) grant from the U.S. Department of Education. The Gear-Up Program is designed to assist low-income and first generation college students to prepare for college, raise their academic expectations, improve their academic performance, and increase their high school graduation rates. About one-half of the grant funding will be used to support a comprehensive system of school and community-based services including academic preparation, after-school and summer enrichment services, advising, tutoring, and mentoring at 17 high-poverty middle and high schools in six communities (Bedford, Conneaut, Mansfield, Mount Healthy, North College Hill, and Reynoldsburg) with low college participation and high remediation rates. These consortia will help outside partners replicate their efforts in other parts of the state. The other half of the funding will be used to provide scholarships to Gear-Up high school graduates who attend a college or university. Scholarship amounts range from $400 to $750 per semester depending on the type of institution attended. Gear-Up requires a 1:1 match from state, local, institutional, or private funding sources. DHE indicates that it uses expenditures for the Ohio College Opportunity Grant and State Share of Instruction programs to meet the matching requirement. Ohio's current, seven-year Gear-Up grant totaling $24.5 million operates in the communities of Crooksville, Marion, Norwood, and Parma and ends in FY 2022.

State Library Board Awards $2.3 Million in Federal COVID-19 Relief Grants to 45 Libraries for Community Outreach Initiatives

– Jason Glover, Budget Analyst

In September 2021, the State Library Board awarded a total of $2.3 million in federal ARPA outreach grants to 45 libraries to assist them in addressing community needs resulting from the COVID-19 pandemic. The competitive grants are supported by Ohio's share of federal funds appropriated to the Institute of Museum and Library Services (IMLS) as part of ARPA. IMLS is an independent federal agency that advises policymakers on library, museum, and information services and distributes federal funds to state library administrative agencies. The grant recipients submitted proposals that focused on three areas related to outreach: outreach and education, community connections, and outreach initiatives. Individual grants ranged from $5,000 to $100,000 depending on the proposal's outreach area. Moneys are expected to be used for a variety of items including bookmobile vehicles, wireless hotspots, "24/7" materials lockers, self-checkout kiosks, remote classroom technology, and digitization equipment. General descriptions of each type of proposal, along with the range of award amounts, the number of recipients, and the total award amounts are provided in the table below. A full list of the 45 recipients and award amounts is on the State Library Board's website. According to the State Library Board, this round of grants will likely be the final one supported by ARPA funds.

ARPA Outreach Grants				
Type of Proposal	**Description**	**Grant Range**	**# of Recipients**	**Total**
Outreach Initiatives	Supports large-scale, well-coordinated outreach endeavors	$50,000 to $100,000	19	$1,587,873
Community Connections	Supports library efforts to meet users where they are in the community	$25,000 to $50,000	14	$562,916
Outreach and Education	Supports programs or initiatives that enhance the development of library staff and/or library users	$5,000 to $25,000	12	$155,340
		Total	**45**	**$2,306,129**

Ohio Department of Aging Awards $5.3 Million to Support Nutrition Programs

– Ryan Sherrock, Economist

On October 21, 2021, the Ohio Department of Aging (ODA) awarded more than $5.3 million in COVID-19 relief funds to support nutrition services (both home and congregate meals) at 75 senior centers and adult day facilities. Senior centers and adult day facilities provide essential nutritional services to older Ohioans in the form of meals and snacks. These funds will be used to maintain this nutritional support, help these facilities safely reopen and operate meal programs, and address costs associated with COVID-19. Examples of eligible funding uses include the purchase of the following: sanitation supplies and personal protective equipment, food preparation supplies, meal delivery equipment such as refrigerated trucks or mobile carts, and kitchen and dining equipment. Funds may also be used to connect older adults to community services such as nutrition education and health and wellness programs. The awardees serve older adults in 42 counties. Awards ranged from $4,400 to $350,000. Award amounts were based on a number of factors, including facility type, demographic information (e.g., number of older adults served per week and the facility's current funding sources), and estimated COVID-19 losses and costs.

These awards are the third round of provider relief funding granted to senior centers and adult day facilities through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. All adult day services providers and senior centers were eligible to apply, regardless of whether they received funding in the first or second rounds. The first round of funding totaled about $4.8 million and was released in the fall of 2020. The second round was about $4.9 million, which was released in the spring of 2021. OBM, with input from ODA, will actually make the payments to awardees.

Ohio Health Centers Awarded $33.9 Million in ARPA Construction Funds

– Jacquelyn Schroeder, Senior Budget Analyst

On September 28, 2021, the U.S. Department of Health and Human Services (HHS) awarded $33.9 million to 50 Ohio-based health centers to support construction and renovation projects in response to COVID-19. The goal of these awards is to modernize facility infrastructure to promote health equity and health outcomes in medically underserved areas and vulnerable communities, which are disproportionately affected by COVID-19 and other health conditions. Specifically, funds will be used for the construction of new facilities, renovation or expansion of existing facilities, investment in telehealth technology, and the purchase of new equipment, such as freezers to store vaccines. Funds may also be used to support capital projects that expand access to COVID-19 testing, vaccination, and treatment. The health centers receiving funds are part of the Health Resources and Services Administration (HRSA) Health Center Program. In total, $954.26 billion from the ARPA was distributed to nearly 1,300 HRSA health centers in all 50 states, the District of Columbia, and U.S. territories. Ohio received the sixth highest amount of funding, behind California, New York, Texas, Florida, and Illinois.

Health centers under HRSA's Health Center Program are community-based facilities that provide comprehensive and culturally competent primary health care services to individuals in medically underserved areas and populations, including people experiencing homelessness, agricultural workers, public housing residents, and veterans. HRSA health centers provide access to mental health, substance use disorder, oral health, and pharmacy services in communities where economic, geographic, or other barriers limit access to care. Other services also include health education, transportation, and translation. These health centers deliver services regardless of an individual's ability to pay and provide a sliding fee scale for services charged. According to HHS, over 91% of HRSA health center patients are living at or below 200% of the federal poverty guidelines ($43,920 for a family of three in 2021) and nearly 63% are racial or ethnic minorities.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

– Phil Cummins, Senior Economist

Overview

Growth of the nation's economy is picking up in the 2021 fourth quarter, after slower growth in the third quarter related to a surge in COVID-19 infections that is now easing, to temporary weather effects, and to supply issues that remain problematic. The broadest measure of economic activity, inflation-adjusted gross domestic product (real GDP), rose at only a 2.0% annual rate in the third quarter, weakest since the 2020 recession. Industrial output fell in September, due in part to hurricane disruptions and in part to shortages, notably of semiconductors. But employment growth strengthened in October, with gains widespread across industries. The course of the economy remains tied to the course of the pandemic. Price inflation continues to be elevated, and wage increases turned higher in the third quarter.

The beginning of monetary policy tightening was announced following an early November meeting of the Federal Open Market Committee of the Federal Reserve, the nation's central bank. The committee plans to reduce purchases of U.S. Treasury and agency mortgage-backed securities from $120 billion per month to $105 billion this month and $90 billion in December, with similar reductions expected next year depending on the economy. At this rate of decline, the program would phase out next June. The central bank's short-term interest rate target is being kept at its very low zero to 0.25% range for now.

Ohio's economy is growing more slowly in 2021 than the national economy, as indicated by employment growth. In this year's first nine months, nonfarm payroll employment in the state rose 1.5%, compared with 3.7% for the nation. Ohio added 9,900 jobs in September. The state's unemployment rate, 5.4% for the third consecutive month, remained above the U.S unemployment rate since August. The housing market remained strong. Business activity in the region was also strong, though growth moderated, held back by product shortages, according to the most recent report of the Federal Reserve Bank of Cleveland.

The National Economy

Total nonfarm payroll employment nationwide rose a strong 531,000 in October, rebounding from an upward-revised 312,000 gain in September. U.S. unemployment as a share of the labor force fell further to 4.6% in October, lowest since March 2020. These changes are shown in charts 5 and 6.

Employment gains were widespread in October, with sizable job increases in leisure and hospitality (+164,000, +1.1%), professional and business services (+100,000, +0.5%), manufacturing (+60,000, +0.5%), and transportation and warehousing (+54,400, +0.9%). Job losses were reported in local government education (-43,400, -0.6%) and state government education (-21,500, -0.9%). The U.S. Bureau of Labor Statistics (BLS), the source agency for these figures, notes that the COVID-19 pandemic has distorted seasonal hiring and layoffs in education, but also that employment in that sector remains well below prior levels. Total nonfarm payroll employment in October was 18.2 million higher than at the recession low point in April 2020 but 4.2 million lower than at the prepandemic peak in February 2020.

The number of people counted as unemployed, without a job and actively seeking work, declined to 7.4 million in October, the fewest since March 2020. Of these, 2.3 million had been unemployed for more than six months. Labor force participation, including both persons employed and the unemployed, remained low as a share of the population age 16 and older. BLS notes that the labor force participation rate has fluctuated in a narrow range, 61.4% to 61.7%, since June 2020, down from a recent peak of 63.4% in January 2020, and higher levels in 2013 and before. The decline since January 2020 is equivalent to about 4.7 million people not in the labor force.

The number of job openings declined in August to 10.4 million from 11.1 million at the end of July, highest in the history of this series dating to 2000. Job openings in August were 38% higher than the prepandemic peak number in 2018. The number of positions that employers seek to fill varies with the business cycle.

The nation's industrial production fell 1.3% in September after a 0.1% decline in August. Ongoing effects of Hurricane Ida, which made landfall August 29, accounted for about 0.6 percentage point of the September decline in the total index, as well as for a 2.3% decline in mining during the month and part of a 0.7% decline in manufacturing. Motor vehicle and parts production declined 7.2% in September, held back by semiconductor shortages. Utility production fell 3.6% in September, seasonally adjusted, after elevated output in August in response to above average temperatures.

Real GDP rose in the July to September quarter at a 2.0% annual rate, sharply slower growth than in 2021's first half when economic growth averaged a 6.5% annual rate. The slower growth reflects lower consumer spending for durable goods, particularly motor vehicles, and slower growth of consumer spending for nondurables. Increases in consumer outlays for services were widespread among types of service but less rapid than in the second quarter, notably at restaurants, hotels, and motels. Residential fixed investment fell in the July to September period for the second consecutive quarter. Growth of nonresidential fixed investment in the third quarter was supported by increased spending on intellectual property products, especially software, but outlays for structures and equipment declined. The U.S. Bureau of Economic Analysis, the source agency for these figures, noted that the upturn in COVID-19 cases in the quarter led to more restrictions and delays in reopening businesses in parts of the U.S. and that pandemic-related federal assistance payments were reduced.

Real GDP appears to be growing more rapidly in the current quarter. One indicator is published by the Federal Reserve Bank of Atlanta, its GDPNow, described on its website as "a running estimate of real GDP growth based on available economic data for the current measured quarter." The GDPNow estimate of fourth quarter real GDP growth was 8.5% (annual rate) based on data available as of November 4.

The CPI rose 0.4% in September to 5.4% higher than a year earlier, matching year-over-year price changes in June and July. The most rapid month-to-month price increases this year were in March through June. Year-over-year increases in the CPI in 2021 have been the most rapid since 2008. Food prices rose 0.9% in September to 4.6% above a year earlier. Energy prices rose 1.3% in September to 25% higher than a year ago, as gasoline prices were up 42% from September 2020 and utility piped gas service prices were 21% higher. Excluding food and energy, the CPI rose 0.2% in September to 4.0% above its year-ago level; used car and truck prices were 24% higher.

A related inflation measure closely watched by the Federal Reserve, the personal consumption expenditures price index, increased 4.4% in September from a year earlier. Excluding food and energy prices, this index was 3.6% higher than in September of last year. Increases in both measures are the largest since 1991.

Wages and salaries of U.S. private industry workers increased 1.6% in this year's third quarter, a 6.5% annual rate, the largest quarter-to-quarter increase in this series that starts in 2001, the Employment Cost Index from BLS. Compared with a year earlier, private industry wages and salaries were 4.6% higher, also the highest on record. For state and local government workers nationwide, wages and salaries rose 1.0% in the quarter, one of the larger increases in the past 20 years.

The Ohio Economy

In September, Ohio's unemployment rate remained at 5.4%, unchanged since July, but decreased from 7.4% in September 2020. The state's unemployment rate remained above the U.S. unemployment rate since August. U.S. unemployment rates were 4.8% in September, 5.2% in August, and 7.8% in September of last year. The number of unemployed Ohioans was 303,000 in September, lower by 2,000 from August and by 115,000 from September of last year.

The state's total nonfarm payroll employment, seasonally adjusted, grew by 9,900 in September from the revised total in August, or 0.2%, following a decrease of 2,300 jobs in August. Increases in employment in the latest month were reported in goods-producing industries (+500), private-service providing industries (+3,600), and government (+5,800). The largest gains occurred in trade, transportation, and utilities; state government (including at state universities); and construction. Losses occurred in manufacturing, educational and health services, and leisure and hospitality.

Compared to a year ago, total nonfarm payroll employment increased by 88,700, or 1.7%. The increase was largely in leisure and hospitality; trade, transportation, and utilities; professional and business services; local government; construction; and state government. Losses occurred in federal government employment, as most temporary decennial Census workers employed a year earlier were laid off, and in mining and logging. Ohio's employment and unemployment are shown in charts 5 and 6 below.

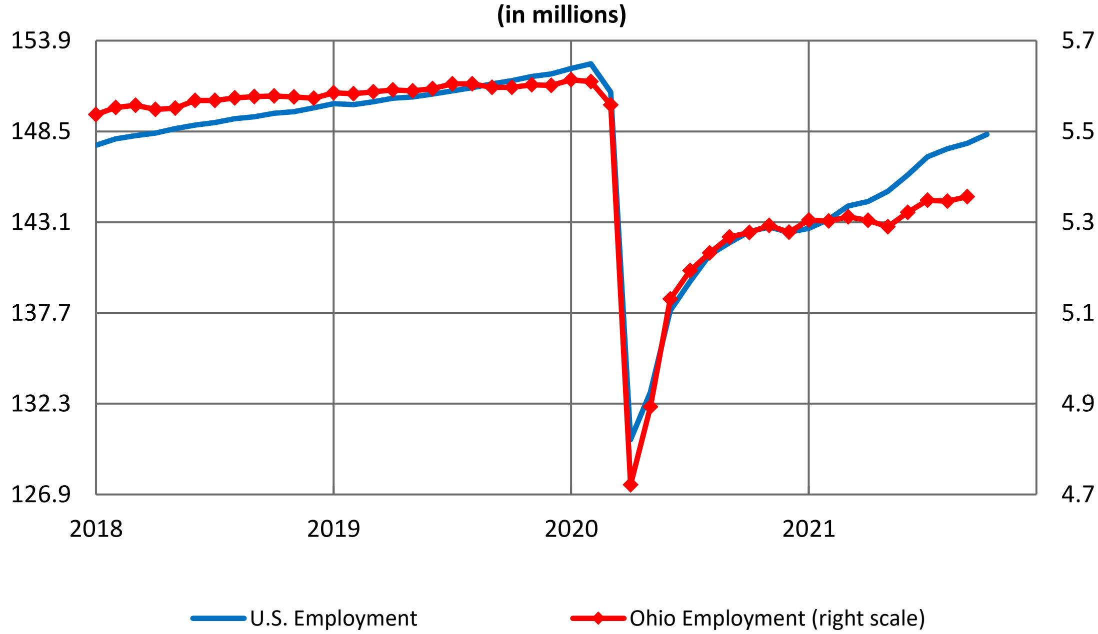
Among Ohio metropolitan areas, the Cincinnati area had the strongest nonfarm payroll employment growth in the year ended in September at 4.0% while the Toledo area had the weakest at 0.2%. In September, the Cincinnati area also had the lowest unemployment rate in the state at 4.1%. The unemployment rate in Toledo area was 5.3%. The highest unemployment rate in the state was in the Lima area at 6.1%. Unemployment rates in all metropolitan areas in Ohio were lower than in September of last year. These data are not seasonally adjusted.

Ohio's personal consumption expenditures (PCE) decreased by 2.1% between 2019 and 2020. In 2020, Ohioans spent an average of $39,866 per capita on good and services, including $7,507 on health care, $6,664 on housing and utilities, $3,540 on food and beverages for off-premises consumption, and $755 on gasoline and other energy goods. Compared to surrounding states, Ohio's PCE fell less than in Pennsylvania (-4.0%), Michigan (-2.9%), and West Virginia (-2.5%), but more than in Indiana (-1.1%) and Kentucky (-0.9%). These figures are measured in dollars of current purchasing power, not adjusted for inflation.

In September, the number of existing homes sold in Ohio increased by 0.9% compared to September of last year, according to the Ohio Realtors trade group. The average statewide sales price of homes sold in September was $242,561, an increase of 8.8% compared to September of last year. From January through September, existing home unit sales increased by 6.1% compared to the corresponding period in 2020. Statewide sales prices of homes sold in January through September this year averaged $239,608, 13.9% higher than in the corresponding months in 2020.

Business activity in the Cleveland Federal Reserve District[10] remained strong, but expanded at a moderate pace in the latest six weeks restrained by ongoing supply disruptions. Labor markets remained tight, but hiring rose modestly. Most contacts across industries noted nonlabor input costs continued to rise. Retailers reported strong demand, but auto dealer sales slowed due to inventory shortages and higher prices. Residential and nonresidential construction and real estate activity remained elevated. Bankers reported demand for auto loans and mortgages was "somewhat elevated" but constrained by tight inventories; business lending activity remained soft. Freight services rose moderately, but some contacts noted that truck driver and tractor trailer shortages continued to impede meeting demand.

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



[10] The Federal Reserve Bank of Cleveland, the fourth of 12 Federal Reserve districts, includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia. Information in the latest report was collected after August 30, 2021, and on or before October 8, 2021.

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