LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2022 **Issue: October 2021**

Highlights

– Jean J. Botomogno, Principal Economist

GRF sources ended the first quarter of FY 2022 with a positive variance of $48 million compared to the estimate published by the Office of Budget and Management (OBM). GRF taxes were above estimates by $134 million, but federal grants posted a shortfall of $159 million. The remaining GRF categories were above estimates, including a positive variance of $62 million for nontax revenue. The sales and use tax, the largest contributor to GRF tax revenues, was on target relative to estimate; and the next three biggest tax sources were above estimates by good amounts.

Ohio nonfarm payroll employment decreased by 2,400 in August, with job gains in the goods producing sector outpaced by losses among employers in the service sector. Ohio's unemployment rate was 5.4% in August, unchanged from July's unemployment rate, and higher than the national rate of 5.2%.

Through September 2021, GRF sources totaled $9.69 billion:

- ❖ Revenue from the sales and use tax was $0.2 million above estimate;
- ❖ Personal income tax (PIT) receipts were $85.7 million above estimate.

Through September 2021, GRF uses totaled $12.48 billion:

- ❖ Program expenditures were $597.7 million below estimate;
- ❖ GRF Medicaid expenditures were $228.2 million below estimate;
- ❖ Spending in most other program categories was also below estimate, including a negative variance of $121.0 million for Justice and Public Protection.

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$153,508	$158,900	-$5,392	-3.4%
Nonauto Sales and Use	$865,294	$815,900	$49,394	6.1%
Total Sales and Use	*$1,018,802*	*$974,800*	*$44,002*	*4.5%*
Personal Income	$1,031,409	$983,900	$47,509	4.8%
Commercial Activity Tax	$13,969	$8,300	$5,669	68.3%
Cigarette	$79,468	$84,900	-$5,432	-6.4%
Kilowatt-Hour Excise	$24,429	$29,700	-$5,271	-17.7%
Foreign Insurance	$10,731	$7,700	$3,031	39.4%
Domestic Insurance	$36	$0	$36	---
Financial Institution	-$3,382	-$7,400	$4,018	54.3%
Public Utility	-$277	$100	-$377	-377.4%
Natural Gas Consumption	$0	$100	-$100	-100.0%
Alcoholic Beverage	$5,104	$4,000	$1,104	27.6%
Liquor Gallonage	$4,811	$4,800	$11	0.2%
Petroleum Activity Tax	$1,425	$1,700	-$275	-16.2%
Corporate Franchise	$28	$0	$28	---
Business and Property	$0	$0	$0	---
Estate	$1	$0	$1	---
Total Tax Revenue	**$2,186,554**	**$2,092,600**	**$93,954**	**4.5%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$3,497	$3,167	$329	10.4%
Other Revenue	$128,277	$985	$127,292	12924.8%
Total Nontax Revenue	**$131,774**	**$4,152**	**$127,622**	**3073.7%**
Transfers In	**$6,585**	**$0**	**$6,585**	**---**
Total State Sources	**$2,324,912**	**$2,096,752**	**$228,160**	**10.9%**
Federal Grants	**$666,552**	**$743,133**	**-$76,581**	**-10.3%**
Total GRF Sources	**$2,991,465**	**$2,839,885**	**$151,579**	**5.3%**

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

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2022 as of September 30, 2021
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 1, 2021)

State Sources	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Tax Revenue						
Auto Sales	$512,793	$513,400	-$607	-0.1%	$487,223	5.2%
Nonauto Sales and Use	$2,682,774	$2,682,000	$774	0.0%	$2,490,157	7.7%
Total Sales and Use	*$3,195,567*	*$3,195,400*	*$167*	*0.0%*	*$2,977,380*	*7.3%*
Personal Income	$2,463,063	$2,377,400	$85,663	3.6%	$2,905,817	-15.2%
Commercial Activity Tax	$455,543	$421,400	$34,143	8.1%	$347,599	31.1%
Cigarette	$191,712	$187,000	$4,712	2.5%	$195,993	-2.2%
Kilowatt-Hour Excise	$77,859	$81,800	-$3,941	-4.8%	$82,180	-5.3%
Foreign Insurance	$10,737	$8,000	$2,737	34.2%	$6,845	56.8%
Domestic Insurance	$1,650	$200	$1,450	724.9%	$824	100.3%
Financial Institution	-$3,405	-$6,700	$3,295	49.2%	-$3,977	---
Public Utility	$34,600	$31,700	$2,900	9.1%	$31,340	10.4%
Natural Gas Consumption	$12,874	$14,000	-$1,126	-8.0%	$13,691	-6.0%
Alcoholic Beverage	$18,637	$15,300	$3,337	21.8%	$15,546	19.9%
Liquor Gallonage	$15,005	$14,500	$505	3.5%	$14,738	1.8%
Petroleum Activity Tax	$1,425	$1,700	-$275	-16.2%	$878	62.3%
Corporate Franchise	$435	$0	$435	---	$271	60.7%
Business and Property	$0	$0	$0	---	$15	-100.0%
Estate	$4	$0	$4	---	$11	-68.2%
Total Tax Revenue	**$6,475,705**	**$6,341,700**	**$134,005**	**2.1%**	**$6,589,152**	**-1.7%**
Nontax Revenue						
Earnings on Investments	$1	$0	$1	---	$1	38.8%
Licenses and Fees	$8,916	$8,997	-$81	-0.9%	$11,496	-22.4%
Other Revenue	$148,043	$86,173	$61,870	71.8%	$81,221	82.3%
Total Nontax Revenue	**$156,960**	**$95,170**	**$61,790**	**64.9%**	**$92,718**	**69.3%**
Transfers In	**$41,895**	**$30,362**	**$11,533**	**38.0%**	**$79,832**	**-47.5%**
Total State Sources	**$6,674,560**	**$6,467,233**	**$207,328**	**3.2%**	**$6,761,702**	**-1.3%**
Federal Grants	**$3,012,930**	**$3,172,385**	**-$159,454**	**-5.0%**	**$3,687,287**	**-18.3%**
Total GRF SOURCES	**$9,687,491**	**$9,639,617**	**$47,873**	**0.5%**	**$10,448,989**	**-7.3%**

*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]

– Philip A. Cummins, Senior Economist

Overview

FY 2022 GRF sources through September of $9.69 billion were $47.9 million (0.5%) above the estimate released by OBM in September 2021. Positive variances of $134.0 million (2.1%) for GRF tax sources, $61.8 million (64.9%) for nontax revenue, and $11.5 million (38.0%) for transfers in were partly offset by a negative variance of $159.5 million (5.0%) 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 September 2021 and year to date (YTD) through the first quarter of FY 2022.

Regarding GRF tax sources through September 2021, the largest tax sources all had positive variances, including the PIT, $85.7 million; the commercial activity tax (CAT), $34.1 million; the cigarette tax, $4.7 million; and the sales and use tax, $0.2 million. Among the smaller taxes, the alcoholic beverage tax, the public utility excise tax, the foreign insurance tax, and the domestic insurance tax surpassed their respective estimates by $3.3 million, $2.9 million, $2.7 million, and $1.4 million. The financial institutions tax (FIT) posted net refunds totaling $3.4 million, while net refunds of $6.7 million were anticipated, resulting in a first-quarter positive variance of $3.3 million for this tax source.[3] GRF taxes short of their respective estimates included the kilowatt-hour excise tax, by $3.9 million, and the natural gas consumption tax, by $1.1 million.

GRF sources for September were $2.99 billion, an amount $151.6 million (5.3%) above estimate, mostly due to a timing-related positive variance of $127.6 million (3,073.7%) for nontax revenue. A payment of $125.8 million from JobsOhio's liquor profits, which was to be made in August occurred in September, more than offsetting last month's shortfall of $71.4 million for the nontax revenue category. GRF tax revenue was above estimate by $94.0 million (4.5%), and revenue from transfers in was $6.6 million, though it was not anticipated in September. The positive variances were partially offset by a deficit of $76.6 million (10.3%) for federal grants. Among the largest tax sources, positive variances from the PIT, the sales and use tax, and the CAT were partly offset by a negative variance from the cigarette tax, for a combined net positive variance of $91.7 million. Combined receipts for the remaining tax sources provided a net positive variance of $2.2 million.

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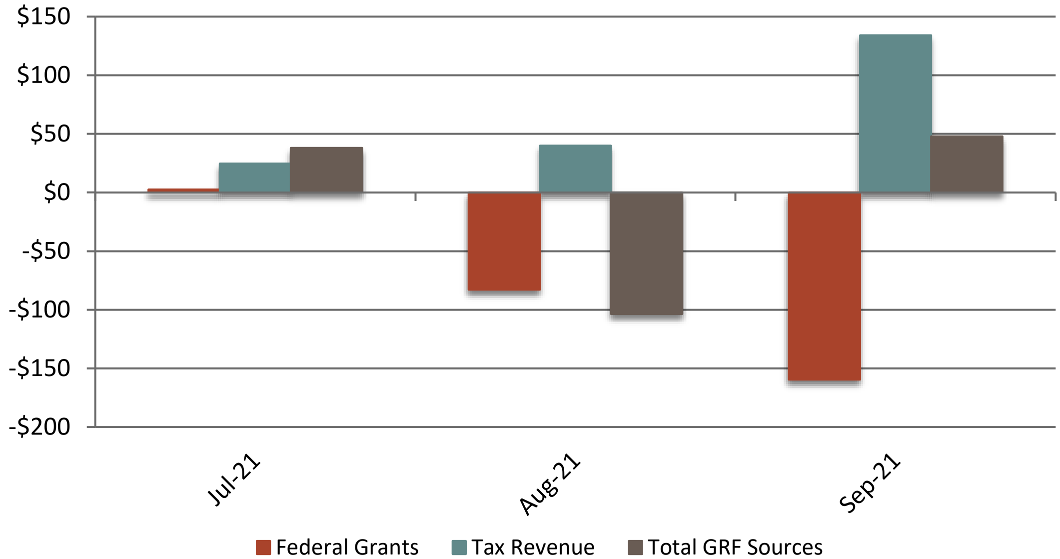
[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

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

[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.

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

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



As shown in Table 2, YTD GRF sources were $761.5 million (7.3%) below such sources through September in FY 2021. YTD FY 2022 federal grants were $674.4 million (18.3%) below such sources in the first three months of FY 2021. GRF tax sources were $113.4 million (1.7%) below revenue in the corresponding period last year, due to a shortfall of $442.8 million (15.2%) from the PIT. The decrease in PIT revenue was due to the delay in the filing deadline for tax year (TY) 2019 tax returns from April to July in 2020, with receipts realized in the first quarter of FY 2021, as explained in more detail in the PIT section below. On the other hand, YTD revenue growth for the sales and use tax and the CAT were strong, up $218.2 million (7.3%) and $107.9 million (31.1%), respectively, reflecting economic recovery. Revenue from the remaining GRF tax sources rose, by a net $3.2 million. For the remaining GRF categories, nontax revenue rose $64.2 million and transfers in fell $37.9 million.

Sales and Use Tax

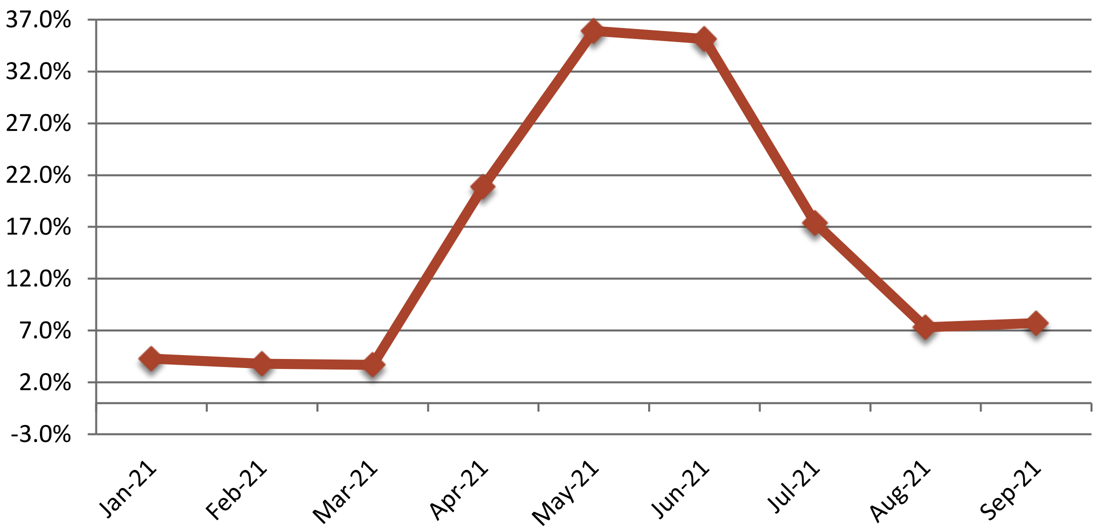
FY 2022 YTD GRF revenue from the sales and use tax of $3.20 billion was on target relative to anticipated revenue, with a positive variance for the nonauto portion offsetting a shortfall from the auto portion of the tax. Compared with the corresponding period in FY 2021, YTD revenue from this tax source was $218.2 million (7.3%) higher, as noted above. 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

Through September, FY 2022 GRF revenue from the nonauto sales and use tax totaled $2.68 billion, $0.8 million (0.0%) above estimate and $192.6 million (7.7%) above receipts in the

July to September period in FY 2021. September 2021 GRF receipts of $865.3 million were above estimate by $49.4 million (6.1%), erasing a combined negative variance of $48.6 million in July to August 2021. This tax source in September was $126.9 million (17.2%) 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. 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 2020, then slowed in recent months to a more moderate level.

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



Auto Sales and Use Tax

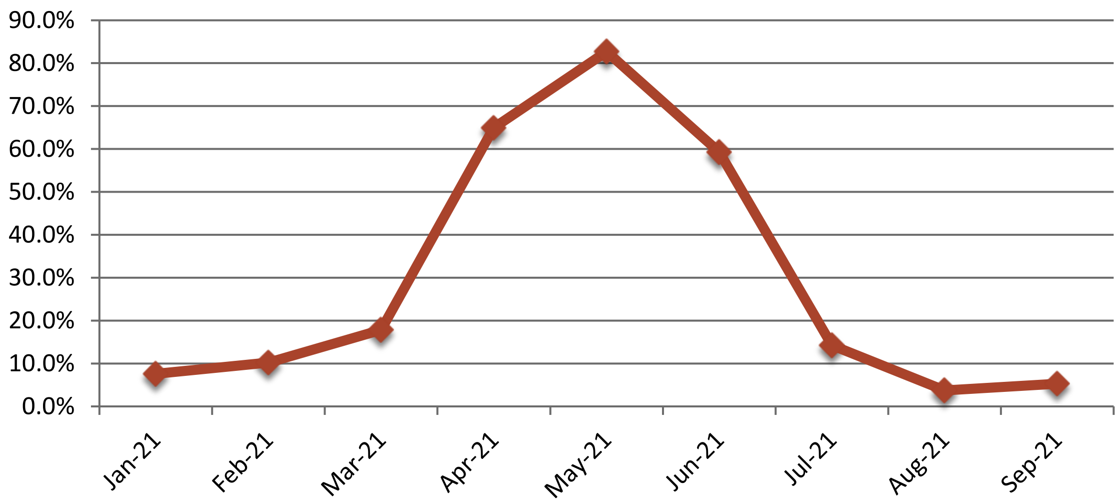
Through September, auto sales and use tax receipts totaled $512.8 million, $0.6 million (0.1%) below estimate, but $25.6 million (5.2%) above revenue in the corresponding period in FY 2021. For the month of September, GRF revenue from this tax source was $153.5 million, $5.4 million (3.4%) below estimate and $5.2 million (3.5%) above receipts in September 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.

Data provided by the Ohio Bureau of Motor Vehicles, in the table below, show an increase in total spending on passenger vehicles and trucks in the first quarter of FY 2022, compared to the corresponding quarter last year. Though unit purchases of both new and used motor vehicles were down sharply from a year earlier, average prices were considerably higher than in the year-earlier quarter, particularly for used vehicles, which account for the majority of titles issued.

As a result, total spending on new and used vehicles was 8.0% higher in the first quarter of FY 2022 than a year earlier.[4]

New and Used Vehicles Titled			
FY 2022 1st Quarter	Titles	Spending ($ in millions)	Average Price
New vehicles	88,405	$3,924	$44,389
Used vehicles	442,465	$5,857	$13,237
Total	**530,870**	**$9,781**	**$18,425**
Growth from FY 2021 1st Quarter			
New vehicles	-12.8%	-2.5%	11.9%
Used vehicles	-12.6%	16.5%	33.2%
Total	**-12.6%**	**8.0%**	**23.6%**

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



Personal Income Tax

Through September, FY 2022 revenue from the PIT to the GRF totaled $2.46 billion, $85.7 million (3.6%) above the estimate, largely due to stronger than anticipated withholding receipts as well as lower than expected refunds. PIT revenue to the GRF is comprised of gross

[4] Growth in spending is larger than tax revenue growth, due in large part to the trade-in exemption on purchases of new vehicles in existing law.

collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[5] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (generally over 81% of gross collections for an entire fiscal year).

In September, PIT receipts to the GRF of $1.03 billion were $47.5 million (4.8%) above estimate. Gross collections were $52.2 million (4.9%) above estimate, bolstered by positive variances of $38.9 million for employer withholding and $13.9 million for payments due with annual returns. Miscellaneous payments and quarterly estimated payments had positive variances of $1.8 million and $0.9 million, respectively, while trust payments were below their anticipated level by $3.3 million. Refunds were above estimate by $4.0 million, and distributions to the LGF were above estimate by $0.7 million.

FY 2022 GRF receipts from the PIT were $442.8 million (15.2%) below such revenue in FY 2021 through September, including a decline of $514.3 million from July 2020 to July 2021. The large year-over-year PIT revenue decline is 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.[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 September, 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 $56.4 million above anticipated revenue, with positive variances of $39.9 million from employer withholding, $13.1 million from payments due with annual returns, $6.2 million from miscellaneous payments, and $0.5 million for quarterly estimated payments, partially offset by a negative variance of $3.3 million for payments from trusts. YTD refunds were $30.3 million below projections, but LGF distributions were $1.1 million above estimate. Thus, the fiscal YTD positive variance for the GRF was $85.7 million.

Compared with the same period in FY 2021, gross collections fell $652.1 million in the first three months of FY 2022. Employer withholding and miscellaneous payments were above their prior year levels by $111.8 million and $6.1 million, respectively. However, revenue from annual returns, quarterly estimated payments, and trust payments fell $584.9 million, $136.4 million, and $48.7 million, respectively. FY 2022 refunds were below those in FY 2021 by $210.3 million,

[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.

[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.

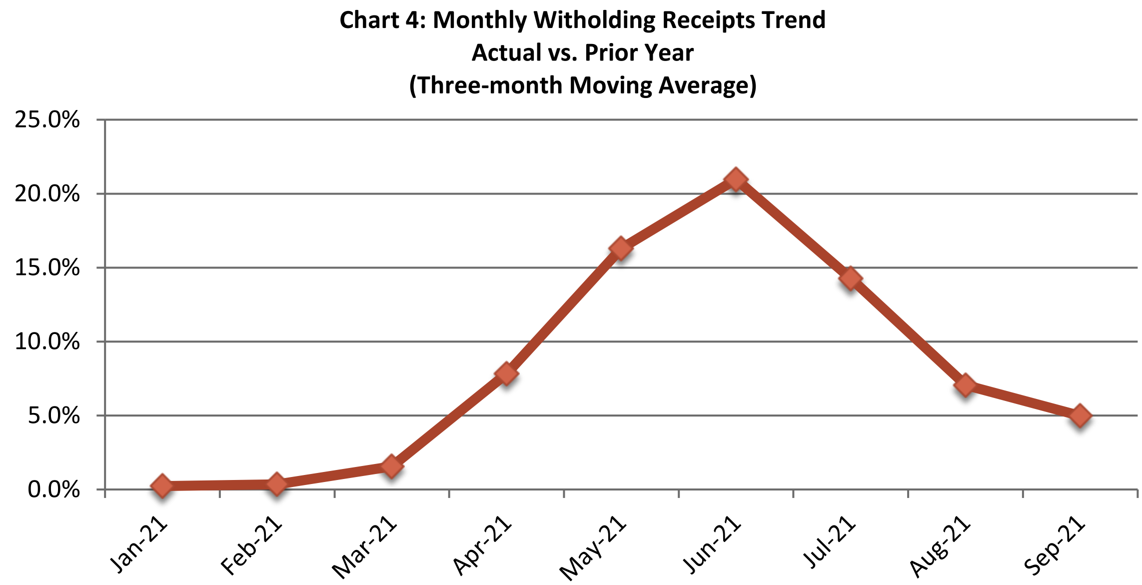
while LGF distributions were higher than in the year-earlier period by $1.0 million. Therefore, YTD PIT GRF revenue was $442.8 million less than receipts in FY 2021 through September.

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	$39.9	1.7%	$111.8	5.0%
Quarterly Estimated Payments	$0.5	0.2%	-$136.4	-34.5%
Trust Payments	-$3.3	-24.0%	-$48.7	-82.3%
Annual Return Payments	$13.1	27.0%	-$584.9	-90.4%
Miscellaneous Payments	$6.2	41.2%	$6.1	40.7%
Gross Collections	$56.4	2.1%	-$652.1	-19.4%
Less Refunds	-$30.3	-19.4%	-$210.3	-62.5%
Less LGF Distribution	$1.1	0.9%	$1.0	0.8%
GRF PIT Revenue	$85.7	3.6%	-$442.8	-15.2%

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 September 1, as a result of a tax rate reduction in H.B. 110 (the main operating budget act for the current biennium)[7] described in more detail below. This withholding rate reduction accounts for part of the decline in September in the rate of growth of the three-month average shown in the chart.

[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

September receipts to the GRF from the CAT were $14.0 million, $5.7 million (68.3%) above estimate, bringing the YTD positive variance for this tax source to $34.1 million (8.1%), up from $28.5 million in the first two months. For the quarter, GRF receipts from CAT taxpayers were $455.5 million, $107.9 million (31.1%) above weak revenues in FY 2021 through September, when pandemic-related business closures and recession in spring 2020 reduced CAT revenue, as payments for this tax generally are based on gross receipts in the previous calendar quarter. First-quarter gross collections totaled $570.5 million, an increase of $115.7 million (25.4%), relative to gross collections in FY 2021 through September. Refunds were $30.9 million, a decrease of $12.2 million (28.3%) from FY 2021. Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $3.7 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%). First-quarter distributions to Fund 7047 and Fund 7081 were $69.7 million and $10.7 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. Any receipts in excess of amounts needed for such payments are generally transferred to the GRF. OBM estimates excess CAT receipts to be $212.8 million on June 30, 2022.

Cigarette and Other Tobacco Products Tax

In the first three months of FY 2022, GRF revenue from the cigarette and other tobacco products (OTP) tax totaling $191.7 million was above estimate by $4.7 million (2.5%). This total included $162.9 million from the sale of cigarettes and $28.8 million from the sale of OTP. For the month of September, receipts from this source of $79.5 million were $5.4 million (6.4%) below estimate and $10.4 million (11.6%) below revenue in September 2020.

FY 2022 YTD revenue was $4.3 million (2.2%) below year-earlier revenue in FY 2021. OTP sales increased by $2.5 million (9.7%) while receipts from cigarette sales decreased $6.8 million (4.0%). 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 September 2021
($ in thousands)
(Actual based on OAKS reports run October 4, 2021)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$316,597	$432,932	-$116,335	-26.9%
Higher Education	$197,873	$235,910	-$38,037	-16.1%
Other Education	$12,759	$11,302	$1,457	12.9%
Total Education	**$527,229**	**$680,144**	**-$152,915**	**-22.5%**
Medicaid	$955,091	$1,028,625	-$73,534	-7.1%
Health and Human Services	$129,863	$136,617	-$6,754	-4.9%
Total Health and Human Services	**$1,084,954**	**$1,165,242**	**-$80,288**	**-6.9%**
Justice and Public Protection	$178,651	$270,451	-$91,800	-33.9%
General Government	$51,311	$57,979	-$6,667	-11.5%
Total Government Operations	**$229,962**	**$328,429**	**-$98,467**	**-30.0%**
Property Tax Reimbursements	$239,931	$357,869	-$117,938	-33.0%
Debt Service	$375,666	$378,465	-$2,799	-0.7%
Total Other Expenditures	**$615,596**	**$736,334**	**-$120,737**	**-16.4%**
Total Program Expenditures	**$2,457,742**	**$2,910,149**	**-$452,407**	**-15.5%**
Transfers Out	**$0**	**$750**	**-$750**	**-100.0%**
Total GRF Uses	**$2,457,742**	**$2,910,899**	**-$453,157**	**-15.6%**

*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 September 30, 2021
($ in thousands)
(Actual based on OAKS reports run October 4, 2021)

Program Category	Actual	Estimate*	Variance	Percent	FY 2021**	Percent
Primary and Secondary Education	$2,111,022	$2,233,818	-$122,797	-5.5%	$2,395,750	-11.9%
Higher Education	$562,907	$606,189	-$43,282	-7.1%	$566,239	-0.6%
Other Education	$30,187	$28,051	$2,137	7.6%	$25,379	18.9%
Total Education	**$2,704,116**	**$2,868,058**	**-$163,942**	**-5.7%**	**$2,987,367**	**-9.5%**
Medicaid	$4,353,108	$4,581,274	-$228,166	-5.0%	$5,265,222	-17.3%
Health and Human Services	$366,697	$404,821	-$38,124	-9.4%	$329,919	11.1%
Total Health and Human Services	**$4,719,805**	**$4,986,095**	**-$266,290**	**-5.3%**	**$5,595,142**	**-15.6%**
Justice and Public Protection	$675,917	$796,883	-$120,966	-15.2%	$682,021	-0.9%
General Government	$142,591	$153,470	-$10,879	-7.1%	$102,633	38.9%
Total Government Operations	**$818,507**	**$950,353**	**-$131,846**	**-13.9%**	**$784,653**	**4.3%**
Property Tax Reimbursements	$538,546	$571,328	-$32,782	-5.7%	$498,980	7.9%
Debt Service	$758,497	$761,320	-$2,823	-0.4%	$411,621	84.3%
Total Other Expenditures	**$1,297,043**	**$1,332,648**	**-$35,605**	**-2.7%**	**$910,601**	**42.4%**
Total Program Expenditures	**$9,539,472**	**$10,137,154**	**-$597,682**	**-5.9%**	**$10,277,763**	**-7.2%**
Transfers Out	**$2,941,052**	**$2,933,000**	**$8,052**	**0.3%**	**$411,398**	**614.9%**
Total GRF Uses	**$12,480,523**	**$13,070,154**	**-$589,630**	**-4.5%**	**$10,689,161**	**16.8%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on October 7, 2021)

	Month of September 2021				Year to Date through September 2021			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$897,158	$976,073	-$78,915	-8.1%	$4,163,291	$4,381,399	-$218,108	-5.0%
Non-GRF	$1,915,047	$2,003,129	-$88,083	-4.4%	$3,108,092	$3,272,790	-$164,698	-5.0%
All Funds	$2,812,204	$2,979,202	-$166,998	-5.6%	$7,271,383	$7,654,189	-$382,806	-5.0%
Developmental Disabilities								
GRF	$48,669	$51,385	-$2,717	-5.3%	$161,235	$163,733	-$2,498	-1.5%
Non-GRF	$194,440	$190,733	$3,707	1.9%	$615,195	$621,150	-$5,954	-1.0%
All Funds	$243,108	$242,118	$990	0.4%	$776,431	$784,882	-$8,452	-1.1%
Job and Family Services								
GRF	$8,354	$96	$8,258	8571.6%	$25,874	$33,003	-$7,129	-21.6%
Non-GRF	$14,713	$166	$14,546	8752.8%	$46,622	$13,902	$32,720	235.4%
All Funds	$23,066	$263	$22,804	8686.3%	$72,496	$46,905	$25,591	54.6%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$911	$1,071	-$160	-14.9%	$2,708	$3,139	-$431	-13.7%
Non-GRF	$4,487	$6,032	-$1,545	-25.6%	$9,578	$12,567	-$2,989	-23.8%
All Funds	$5,398	$7,103	-$1,705	-24.0%	$12,286	$15,705	-$3,419	-21.8%
All Departments:								
GRF	**$955,091**	**$1,028,625**	**-$73,534**	**-7.1%**	**$4,353,108**	**$4,581,274**	**-$228,166**	**-5.0%**
Non-GRF	**$2,128,686**	**$2,200,061**	**-$71,375**	**-3.2%**	**$3,779,487**	**$3,920,408**	**-$140,921**	**-3.6%**
All Funds	**$3,083,777**	**$3,228,686**	**-$144,909**	**-4.5%**	**$8,132,595**	**$8,501,682**	**-$369,087**	**-4.3%**

*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 October 7, 2021)

	Month of September 2021				Year to Date through September 2021			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,757,447**	**$1,798,676**	**-$41,229**	**-2.3%**	**$5,211,183**	**$5,438,732**	**-$227,549**	**-4.2%**
CFC†	$633,292	$652,240	-$18,948	-2.9%	$1,894,980	$1,994,988	-$100,007	-5.0%
Group VIII	$561,195	$578,730	-$17,535	-3.0%	$1,649,184	$1,759,387	-$110,202	-6.3%
ABD†	$242,236	$245,724	-$3,488	-1.4%	$723,628	$736,734	-$13,105	-1.8%
ABD Kids	$81,814	$83,438	-$1,624	-1.9%	$245,194	$249,648	-$4,453	-1.8%
My Care	$238,911	$238,544	$366	0.2%	$698,196	$697,976	$220	0.0%
Fee-For-Service	**$1,150,865**	**$1,265,244**	**-$114,379**	**-9.0%**	**$2,384,194**	**$2,527,378**	**-$143,184**	**-5.7%**
ODM Services	$324,150	$355,397	-$31,247	-8.8%	$1,035,296	$1,096,404	-$61,108	-5.6%
DDD Services	$230,303	$236,964	-$6,661	-2.8%	$752,486	$758,092	-$5,606	-0.7%
Hospital – HCAP&Other†	$596,412	$672,882	-$76,470	-11.4%	$596,412	$672,882	-$76,470	-11.4%
Premium Assistance	**$101,258**	**$104,882**	**-$3,624**	**-3.5%**	**$303,291**	**$312,569**	**-$9,278**	**-3.0%**
Medicare Buy-In	$64,523	$68,429	-$3,907	-5.7%	$193,902	$203,668	-$9,766	-4.8%
Medicare Part D	$36,735	$36,452	$283	0.8%	$109,389	$108,901	$488	0.4%
Administration	**$74,207**	**$59,885**	**$14,323**	**23.9%**	**$233,928**	**$223,003**	**$10,925**	**4.9%**
Total	**$3,083,777**	**$3,228,686**	**-$144,909**	**-4.5%**	**$8,132,595**	**$8,501,682**	**-$369,087**	**-4.3%**

*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

Through September, FY 2022 GRF program expenditures totaled $9.54 billion. These expenditures were $597.7 million (5.9%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.94 billion and were $8.1 million (0.3%) over estimate for the YTD. Total GRF uses for these three months, therefore, totaled $12.48 billion, which was $589.6 million (4.5%) under estimate. For the month of September, GRF program expenditures totaled $2.46 billion and were $452.4 million (15.5%) under estimate. There were no transfers out of the GRF in September, although it was estimated that $750,000 would be transferred out in that month. As reported last month, $500,000 of that amount was actually transferred in August. Combining program expenditures and transfers out, GRF uses were $453.2 million (15.6%) under estimate for the month of September.

Except for the Other Education category, which was $1.5 million over estimate, all categories were under estimate for the month of September. The most significant negative September GRF variances were: Property Tax Reimbursements ($117.9 million, 33.0%), Primary and Secondary Education ($116.3 million, 26.9%), Justice and Public Protection ($91.8 million, 33.9%), and Medicaid ($73.5 million, 7.1%). These categories are discussed 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 September by $73.5 million (7.1%) and below their YTD estimate by $228.2 million (5.0%) at the end of September. Non-GRF Medicaid expenditures were also below their monthly estimate, by $71.4 million (3.2%) and below their YTD estimate by $140.9 million (3.6%) at the end of September. Including both the GRF and non-GRF, all funds Medicaid expenditures were $144.9 million (4.5%) below estimate in September and $369.1 million (4.3%) below their YTD estimate at the end of September.

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.

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

[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.

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 September of $167.0 million (5.6%), and YTD expenditures were $382.8 million (5.0%) below estimate at the end of September. ODODD had a September all funds positive variance of $990,000 (0.4%) but ended the month with YTD expenditures $8.5 million (1.1%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for three of the four payment categories at the end of September. Managed Care had the largest negative variance of $227.5 million (4.2%), 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 (FFS)'s negative variance of $143.2 million (5.7%). According to ODM, the FFS negative variance is influenced by below estimate FFS caseloads. Premium Assistance had the smallest negative variance of $9.3 million (3.0%), and Administration had a positive YTD variance of $10.9 million (4.9%).

From the beginning of the COVID-19 pandemic in March 2020 through September 2021, caseloads have increased by approximately 26,000 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. September ended with a caseload variance just over 2,500 cases below estimate (0.1%).

Property Tax Reimbursements

This program category contains GRF spending for reimbursements to school districts and other local governments for property tax losses due to property tax rollbacks and the homestead exemption. In September, this category was under estimate by $117.9 million (33.0%), which more than offset the category's positive variance of $85.2 million from August, resulting in a negative YTD variance of $32.8 million (5.7%). Reimbursements are made twice a year. The current payment is based on a property tax settlement conducted in August. Reimbursements will be made as counties request them through December. 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.

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. In September, this category was under estimate by $116.3 million (26.9%), which increased the category's negative YTD variance to $122.8 million (5.5%). September's negative variance was dominated by a negative variance of $109.6 million in appropriation line item (ALI) 200550, Foundation Funding. This ALI is the main source of state support for public schools in the state, including those operated by traditional school districts, joint vocational school districts, and community and STEM schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. Expenditures from this ALI 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 this ALI.

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.

The negative September variance in this category of $91.8 million (33.9%) was driven by negative variances of $54.8 million for the Department of Public Safety (DPS) and $15.5 million for DRC. Most other agencies in the category also had negative variances.

The negative monthly variance for DPS was caused by a negative monthly variance of $50.0 million in ALI 761408, Highway Patrol Operating Expenditures. This amount is the entire appropriation amount for this ALI for FY 2022. The estimates were for the entire amount to be expended in September, but this did not happen. Now the plan is for this amount to be expended in October. 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.

DRC's negative monthly variance was mainly due to a negative variance of $15.6 million in ALI 501321, Institutional Operations, which increased this ALI's negative YTD variance to $35.4 million. This ALI is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management.

Health and Human Services

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

In September, a negative variance of $17.8 million for ODJFS was partially offset by a positive variance of $17.7 million for OhioMHAS. The remaining negative September variance in this category of $6.8 million (4.9%) was the result of most other agencies having negative monthly variances. The negative YTD variance in this category at the end of September was $38.1 million (9.4%).

Significant monthly variances for ALIs in the ODJFS budget include:

- A negative variance of $9.4 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $15.0 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $6.4 million in ALI 600523, Family and Children Services, which increased the negative YTD variance for this ALI to $17.9 million. This ALI is used primarily to support county public children services agencies.

- A positive variance of $5.0 million in ALI 600452, Ohio Governor Imagination Library. This ALI supports childhood literacy efforts. The September variance is a timing issue that reverses a negative variance from August and eliminates any YTD variance in this ALI.

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

- A positive variance of $14.4 million in ALI 336421, Continuum of Care Services, which offset a small negative variance for this ALI in August, resulting in a YTD positive variance for this ALI of $12.9 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.

Issue Updates

State Repays $1.5 Billion Unemployment Compensation Debt

– Nicholas J. Blaine, Senior Budget Analyst

On September 1, 2021, ODJFS initiated repayment of the $1.47 billion it borrowed from the U.S. Department of Labor (USDOL) to pay unemployment compensation (UC) benefits during the COVID-19 pandemic. Ohio began borrowing funds to pay these benefits in June 2020 when the state's UC fund was depleted. H.B. 168 of the 134th General Assembly required ODJFS and OBM to resolve the debt using funds received from the federal ARPA. If the state had not repaid the loaned amounts by September 6, 2021, the state would have been assessed a 2.28% interest charge on the remaining balance, which would have been passed to employers via a surcharge assessed by ODJFS. Additionally, if the debt was not repaid by November 10, 2021, employers would have been subject to a graduated loss of the Federal Unemployment Tax Act (FUTA) credit in 2022.

UC is a federal and state partnership for income maintenance during periods of involuntary unemployment that provides partial compensation for lost wages to eligible individuals. Currently, FUTA levies a tax of 6.0% on the first $7,000 of each employee's taxable wage ($420 per employee). However, states with an unemployment program approved by USDOL receive a credit of 5.4 percentage points resulting in an effective tax rate of 0.6% ($42 per employee). If the state has an outstanding loan balance on January 1 for two consecutive years and the balance is still outstanding on November 10 of the second year, USDOL will annually reduce the credit by 0.3% ($21 per employee) until the advance is repaid.

Controlling Board Approves $12.0 Million in ARPA Funds for the Ohio Department of Aging

– Ryan Sherrock, Economist

On September 20, 2021, the Controlling Board approved a request from the Ohio Department of Aging (ODA) to increase appropriations by $12.0 million to account for additional federal funds received under ARPA. These funds will be awarded to Ohio's 12 regional area agencies on aging (AAAs)[9] who will in turn distribute funds to organizations within their local aging networks. Funds will be used to support an increase in demand for Older Americans Act (OAA) services resulting from the COVID-19 pandemic. Specifically, funds will be used to increase or expand access to: nutrition assistance and family caregiver services, disease prevention efforts, and supportive services, including COVID-19 vaccination outreach and activities to prevent and mitigate social isolation related to COVID-19. The $12.0 million in this request is to address immediate needs throughout the remainder of calendar year (CY) 2021. In total, ODA anticipates that it will receive about $52.6 million in OAA funds from ARPA. The majority of these

[9] Most aging programs in Ohio are administered at the local level by AAAs, which represent all 88 counties. The AAAs distribute federal, state, and, in some cases, local funds and organize and coordinate community-based services for older adults.

funds will be available for expenditure until September 2024. ODA will seek appropriations to expend these remaining funds at a later date.

OAA services are available to individuals aged 60 and older, but are targeted for those with the greatest economic or social needs, particularly low-income and minority individuals, and those residing in rural areas. While means testing is prohibited, participants can make voluntary contributions for services received. In addition, states are allowed to implement cost-sharing in the form of a sliding-scale fee for certain services. However, individuals cannot be denied services due to failure to make cost-sharing payments.

Controlling Board Approves $5.0 Million in ARPA Funds for the Ohio Expositions Commission

– Shannon Pleiman, Senior Budget Analyst

On August 30, 2021, the Controlling Board approved an OBM request to appropriate $5.0 million in federal funds to cover staffing costs for the Ohio Expositions Commission. The funding is supported by federal ARPA money deposited into the State Fiscal Recovery Fund (Fund 5CV3). Specifically, the approved request appropriates $4.4 million for FY 2022 and $600,000 for FY 2023 under Fund 5CV3, line item 723411, Expositions Commission – ARPA Recovery. With this funding, the Commission will be able to increase staffing from 39 full-time employees to 62 full-time employees, nearly the level employed by the Commission before the COVID-19 pandemic, which forced the Commission to curtail events at the state fairgrounds and cut staffing. With the additional federal funding, the Commission will be able to operate a full event schedule at its Ohio Expo Center.

The Commission hosts the annual Ohio State Fair and typically around 200 nonfair events annually at the Ohio Expo Center. Revenue from these events are deposited into the Ohio Expositions Fund (Fund 5060) and support all the expenses related to the operations at the Expo Center, including staffing. In CY 2019, receipts from the Ohio State Fair and nonfair events totaled approximately $16.8 million. Due to health measures in place because of the COVID-19 pandemic, the Commission did not hold any of its revenue-generating events from March 2020 through May 2021. As a result, revenue deposited into Fund 5060 amounted to $6.2 million during this time period, at one point causing the Commission to reduce its staff to seven full-time employees. Of the revenue deposited during the March 2020 to May 2021 period, $1.0 million came from a transfer from the State Fair Reserve Fund (Fund 6400) approved by the Controlling Board on July 13, 2020, due to the cancellation of the 2020 State Fair. Fund 6400 is used when revenues from the Ohio State Fair are unexpectedly low.

Controlling Board Approves $919,200 in Additional ARPA Arts Support Funding

– Shaina Morris, Budget Analyst

On August 2, 2021, the Controlling Board approved an Ohio Arts Council (OAC) request to create the ARPA Arts Support Fund (Fund 3HY0) with appropriations of $919,200 in FY 2022 to related line item 370505, ARP Act Arts Support. The purpose of the request was to properly account for and then disburse a one-time award from the National Endowment of the Arts (NEA).

The NEA award is from its ARPA funding to support arts organizations in their response to and recovery from the COVID-19 pandemic.

Signed in March 2021, ARPA provided $135 million to NEA to make grants "to prevent, prepare for, respond to, and recover from the coronavirus." In accordance with ARPA, 40% ($54 million) of NEA's $135 million is to be directed to regional arts organizations and state arts agencies to be distributed through their funding programs (the source of Ohio's share). NEA will distribute the remaining 60% in the form of direct grants to qualifying organizations. While the awards may be used for certain administrative expenses, as permitted by ARPA, OAC has indicated that no funds will be used for this purpose. All Ohio funds will be expended in the form of grants. According to OAC, the NEA/ARPA funds were budgeted into the FY 2022 agency grant budget, which was approved by the OAC board in late July. Currently, grantees are in the process of accepting awards and payments will be distributed in the coming weeks.

Mansfield-Lahm Air National Guard Base Selected as Preferred Site for Nation's New Cyber Warfare Wing

– Shaina Morris, Budget Analyst

On August 25, 2021, the U.S. Air Force announced the selection of the Mansfield-Lahm Air National Guard Base, home of the 179th Airlift Wing as the preferred site for the Air National Guard's first Cyber Warfare Wing.

In November 2020, the Department of Defense had narrowed their consideration for the new mission site to only two locations: Mansfield and Minneapolis-St. Paul International Airport in Minnesota. Officials from the Air Force and National Guard Bureau conducted an on-site visit in early August to assess the viability of housing the Air National Guard's first cyberspace wing. The criteria for the decision were manpower, recruiting and retention, building capacity and connectivity, environmental costs, construction costs, and costs of living.

The Air Force has not yet announced a timeline for the new mission; however, the next step is expected to be an environmental assessment of the site. According to staff of the Ohio Adjutant General, Mansfield could begin the cyberspace mission in late 2022, and add 175 additional positions that are STEM[10] and information technology focused. Hiring is expected to booster Ohio's efforts of attracting in-demand cybersecurity jobs.

Currently the 179th Airlift Wing flies the C-130 Hercules transport aircraft on missions across the United States and around the world. In addition, the unit participates in disaster relief efforts and other domestic emergencies as required. There are approximately 1,000 airmen assigned to the wing. In order to accommodate the new Cyber Warfare Wing, the Air Force is weighing the retirement of eight of the C-130 Hercules from its aging inventory.

In recent years, Ohio has invested in a variety of cyber related functions for the Adjutant General's Department including the Ohio Cyber Range, a virtual cybersecurity training ground that opened in May 2018, and the Ohio Cyber Reserve (OhCR), which was created in 2019. OhCR is made up of volunteer, trained, civilians under the command of the Adjutant General, and are available for the Governor to assist eligible municipalities with cybersecurity vulnerabilities and

[10] STEM stands for Science, Technology, Engineering, and Mathematics.

to provide recommendations to reduce cyber threats. Both the Ohio Cyber Range and OhCR received dedicated GRF funding in the most recently enacted budget: $2.1 million and $750,000, respectively, in FY 2022 and FY 2023.

DHE Announces Recipients of $7.6 Million in Regional Workforce Training Grants

– Jason Glover, Budget Analyst

In September 2021, The Department of Higher Education (DHE) awarded $7.6 million in capital funds to 37 institutions under the Regionally Aligned Priorities in Delivering Skills (RAPIDS) Program. RAPIDS grants provide funding for capital equipment and facilities used to train students and current workers for the specific workforce requirements of varying regions throughout the state. As seen in the table below, DHE awarded each of JobsOhio's seven RAPIDS investment regions amounts ranging from a total of approximately $1.9 million to nine institutions in the Northeast region to a total of approximately $866,000 to five institutions in the Central region in this round of grants. Individual institution awards ranged from approximately $541,000 for Youngstown State University to approximately $78,000 for Northwest State Community College. Most of the projects address advanced manufacturing while others focus on or also involve the healthcare, information technology, or construction fields. Each region's grant recipients and total award amounts for the regions are provided below.

RAPIDS Grants, FY 2021 to FY 2022		
Region	**University or Community College**	**Award**
Northeast	Akron, Cleveland State, Cuyahoga, Kent State, Lakeland, Lorain County, NEOMED, Stark State, Youngstown State	$1,902,500
East	Belmont, Eastern Gateway, Washington State, Zane State	$1,066,250
Southeast	Hocking, Ohio, Rio Grande, Shawnee State, Southern State	$986,493
Northwest	Bowling Green State, Northwest State, Owens, Rhodes State, Terra State, Toledo	$926,250
Southwest	Cincinnati, Cincinnati State, Miami	$926,250
West	Central State, Clark State, Edison State, Sinclair, Wright State	$926,250
Central	Central Ohio Technical, Columbus State, Marion Technical, North Central State, Ohio State	$866,007
	Total	**$7,600,000**

Number of High School Diplomas Awarded by Adult Programs Decreased in FY 2021

– Sarah Anstaett Darnell, LSC Fellow

In FY 2021, 1,260 adults ages 22 and older received high school diplomas through the 22+ Adult High School Diploma Program (22+ Program) and the Adult Diploma Program (ADP), a decrease of 16.8%, or 254 graduates compared to FY 2020 due in part to the effects of the COVID-19 pandemic. Program applications were not awarded from April to August 2020 as part of state spending controls to help balance the state budget in the wake of the pandemic, reducing the number of enrolled students in both programs. The 22+ Program helps adults earn a locally issued high school diploma from a school district, community school, or two-year college while ADP helps adults earn a state-issued diploma and an industry-recognized credential or certificate in an in-demand job. Beginning in FY 2022, H.B. 110 lowers the minimum age to participate in ADP from 22 to 20.

State subsidy to ADP providers decreased by about $775,000 (34.1%) in FY 2021, while payments for the 22+ Program increased by $1.1 million (22.5%). The increase for the 22+ Program is mainly due to the timing of payments to providers. Approximately $2.6 million (42%) of the $6.3 million in 22+ Program payments during FY 2021 came from FY 2020 funds. ODE makes subsidy payments when providers submit invoices to the Department. 22+ Program providers receive up to $5,000 annually for each individual enrolled in the program depending on the extent of the individual's successful completion of high school graduation requirements. ADP payments to participating institutions are calculated according to a formula providing certain tiers of funding based on the number of hours of technical training required in a student's career pathway training program and the student's grade level upon initial enrollment into the program.

The GRF supports both programs in line item 200572, Adult Education Programs. The table below summarizes the numbers of graduates and state subsidies for the two programs.

22+ High School Diploma Program and Adult Diploma Program Graduates and State Subsidy FY 2018 to FY 2021

Measure	Program	FY 2018	FY 2019	FY 2020	FY 2021
Graduates	22+ High School Diploma	646	784	1,068	905
	Adult Diploma	562	698	446	355
	Total	**1,208**	**1,482**	**1,514**	**1,260**
State Subsidy for Providers	22+ High School Diploma	$3,653,106	$5,211,948	$5,103,419	$6,251,192
	Adult Diploma	$2,204,582	$2,803,077	$2,271,744	$1,496,715
	Total	**$5,857,688**	**$8,015,025**	**$7,375,163**	**$7,747,907**

DNR Dedicates the Moonville Rail Trail

– Tom Wert, Senior Budget Analyst

On September 7, 2021, the Department of Natural Resources (DNR) dedicated the Moonville Rail Trail in Vinton County. The Moonville Rail Trail is a 16-mile-long hiking, biking, and equestrian trail system running from Zaleski (Vinton County) to New Marshfield (Athens County) built along the former Marietta and Cincinnati railroad route through what was previously hazardous abandoned mine lands (AML). The trail passes through Zaleski State Forest, and includes points of interest along the way including the New Marshfield School, the King Switch Tunnel, and the Moonville Tunnel.

Funding for the $1.65 million project was provided through the federal AML Economic Revitalization Program (AMLER) administered by the U.S. Department of Interior. The program provides funding to address AML issues and generate economic growth in six Appalachian states and three Native American tribes that are experiencing job loss and economic decline related to reduced coal production. The federal AML Economic Revitalization program is overseen by DNR's Division of Mineral Resources Management. Grants received under the program are deposited to the credit of the Abandoned Mine Reclamation Fund (Fund 3B50). Ohio received $25.0 million in grant funding through this program in FY 2021. The Division has thus far identified 17 projects under AMLER in FY 2021, five of which have been completed. An additional six of these projects are currently under construction.

Tracking the Economy

– Eric Makela, Economist, and other LBO staff

Overview

The economy continues to advance, but growth is slower than earlier in the year. Nationally, growth of total nonfarm payrolls in September was the slowest this year, while the unemployment rate fell to its lowest level since March 2020. Aggregate industrial production continues to climb and as of August 2021 was 5.9% above its level a year prior. Inflation adjusted gross domestic product (real GDP) rose at a seasonally adjusted 6.7% rate in the second quarter of 2021. Consumer prices increased 0.3% in August, a brisk pace but down from larger increases in each of the previous six months. The central bank's Federal Open Market Committee (FOMC) met in late September to debate the nation's monetary policy. The Committee kept its target short-term interest rate at its current very low level, but members expect to raise interest rates sooner than they anticipated earlier this year, possibly starting next year.

The seasonally adjusted number of jobs in Ohio decreased by 2,400 in August, with job gains in the goods-producing sector outpaced by losses among employers in the service sector. The state unemployment rate was 5.4% during the month, unchanged from July. Real GDP in Ohio increased at a seasonally adjusted annual rate of 5.2% in the second quarter of 2021, a pace consistent with economic recovery but below the national rate of growth. Wage and salary incomes continue to rise and increased at a 7.2% annualized rate in the second quarter of 2021. Residential housing unit sales and sale prices increased in August 2021, based on Ohio Realtors data. Employers in the vast majority of industries have yet to recoup pandemic-induced job losses, and as of August aggregate nonfarm payrolls remained a seasonally adjusted 264,000 workers, or 4.7%, below their levels in the month prior to the pandemic shutdowns in Ohio.

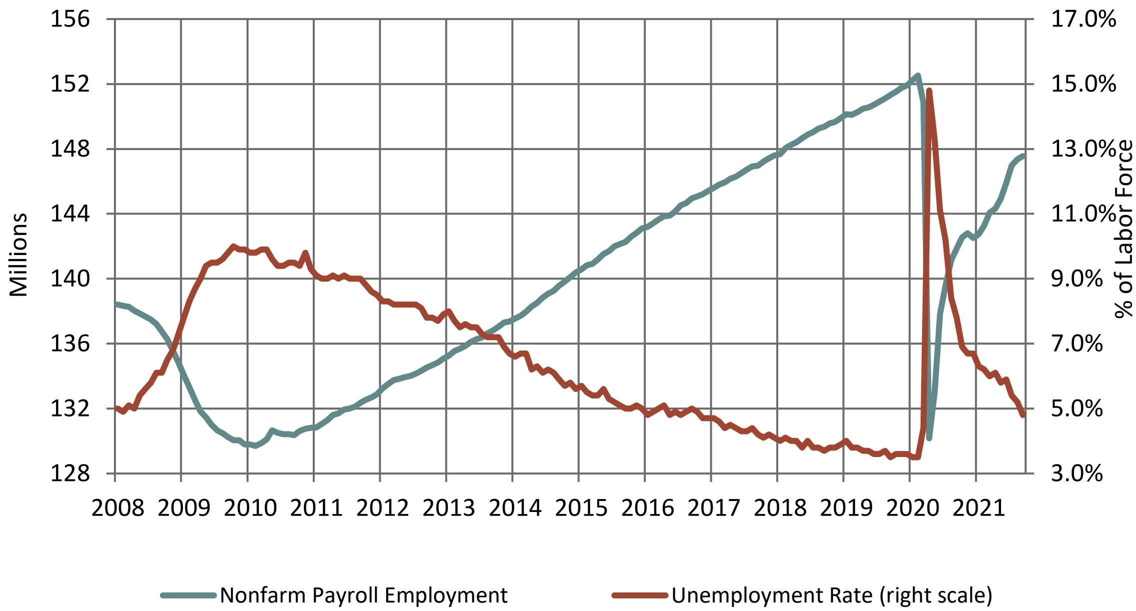
The National Economy

Employment growth in the nation slowed further in September. Total nonfarm payroll employment rose 194,000, seasonally adjusted, following larger monthly increases earlier this year. The nationwide average unemployment rate fell to 4.8% in September, its lowest level since March 2020 (survey conducted in the second week of the month, before many of the pandemic shutdowns were put in place). U.S. employment and the unemployment rate are shown in Chart 5.

Nonfarm payrolls in September were up more than 17 million employees from the 2020 recession trough but remained nearly five million below the peak in February 2020. In September, employment gains were reported in numerous private-sector industry groups, including the leisure and hospitality sector (+74,000), professional and business services (+60,000), retailing (+56,000), transportation and warehousing (+47,000), information (+32,000), social assistance (+30,000), manufacturing (+26,000), construction (+22,000), wholesale trade (+17,000), and mining (+5,000). Seasonally adjusted, employment fell in September by 144,000 in local government education and by 17,000 in state government education, as seasonal hiring in the month was less than usual. The U.S. Bureau of Labor Statistics notes that staffing patterns in education have been distorted by the pandemic.

The number of people counted as unemployed in September totaled 7.7 million. Of these, 2.7 million had been out of work and actively looking for jobs for more than six months. This number continues to decline but is 1.6 million higher than in February 2020. Labor force participation, people either employed or trying to find jobs, was 61.6% of the civilian noninstitutional population in September, down from 63.4% in January 2020. This decline corresponds to 3.1 million fewer people either employed or seeking jobs than at the beginning of last year. The labor force participation rate has fluctuated in a narrow range for the past 16 months. Employers continue to report difficulty hiring paid employees.

Chart 5: U.S. Employment and Unemployment



Real GDP increased at a seasonally adjusted 6.7% rate during the second quarter of 2021, according to the most recent data released by the Bureau of Economic Analysis.[11] During the quarter, consumer spending grew at a brisk 12.0% rate, as outlays on both goods (+13.0%) and services (+11.5%) rose at rates above their long-term trends. Business fixed investment and exports rose, while residential fixed investment and government spending contracted, and business drew down inventories. In the third quarter, total consumer spending through August slowed abruptly as outlays on durable goods declined. Motor vehicle sales dropped precipitously through September, depressed by supply issues.

Personal income decreased at a rapid 21.6% rate during the second quarter, as federal pandemic support programs were pared back. Much of the federal stimulus was disbursed early in 2021. Employee compensation grew in the second quarter at a 7.5% annual rate, and income growth continued in July and August.

Industrial production increased a seasonally adjusted 0.4% in August, held down by disruptions of oil and gas extraction and production in related manufacturing industries caused by Hurricane Ida. The Federal Reserve Board's industrial production index (IPI) was 5.9% higher in August 2021 than in the same month last year. The aggregate IPI, including manufacturing, mining, and electric and gas utilities, was at its highest point in August 2021 since December 2019. The pandemic has stymied production of some products and encouraged production

[11] Growth percentages in this paragraph are all seasonally adjusted at annualized rates.

growth in others. More specifically, the IPIs for computers, video, and audio equipment (+22.2%), information processing equipment (+14.0%), defense and space equipment (+12.5%), and chemical materials (+8.6%) have signaled rapid growth between December 2019 and August 2021. Production of paper products (-10.6%) and energy materials (-4.9%) decreased during that time.

Consumer prices continue to rise, and the consumer price index (CPI) for all items was 5.3% higher in August 2021 than a year prior.[12] Year-over-year inflation measured by the CPI was driven by the rise in prices paid for energy (+25.0%),[13] commodities (+9.0%), and services (+3.0%).[14] In August, seasonally adjusted price increases were measured in many major expense categories: food (+0.4%), energy (+2.0%), services (+0.1%), commodities (+0.6%), and housing (+0.4%).[15]

The number of residential housing starts in the United States is on track to be higher in 2021 than in 2019 and 2020; the number of residential units on which construction began was 21.5% higher through August 2021 as compared with the previous year. On a seasonally adjusted basis, the monthly rate of housing starts increased 3.9% in August 2021 and was 17.4% above the number of housing starts in August 2020. On a national basis, the number of residential building permits[16] issued and the number of residential units completed are also up year over year.

The FOMC last met on September 21 and 22 to discuss current and future economic conditions and to decide on appropriate monetary policy actions. In its press release, the FOMC reiterated the strong linkages between the economy and the pandemic's trajectory. At the end of its meetings, the Committee decided to retain the current range for the federal funds rate, between 0.00% and 0.25%. FOMC policy makers intend that the rate remain in this range until maximum employment in the economy is achieved and long-run inflation trends near 2%; the Committee did note the Federal Reserve System could moderate the pace of securities purchases in upcoming months.

The Ohio Economy

Total nonfarm payroll employment dipped by a seasonally adjusted 2,400 (-0.0%) jobs in August 2021 and results were mixed among industries. Within the private sector, goods-producing industries added workers during the month, as small gains in manufacturing (+900, 0.1%) and mining and logging (+100, 1.2%) outpaced losses in construction (-600, -0.3%). Within the private service sector, employment gains were greatest in professional and business services (+6,300, 0.9%) while decreases in employment were scattered among industries,

[12] The CPI for all items less the more volatile food and energy subcategories increased 4.0% over that time.

[13] The energy category includes both commodities such as gasoline and fuel oil, as well as services such as electricity and consumer natural gas service.

[14] The services category for the cost of shelter includes rent payments and owners' equivalent rent for a primary residence.

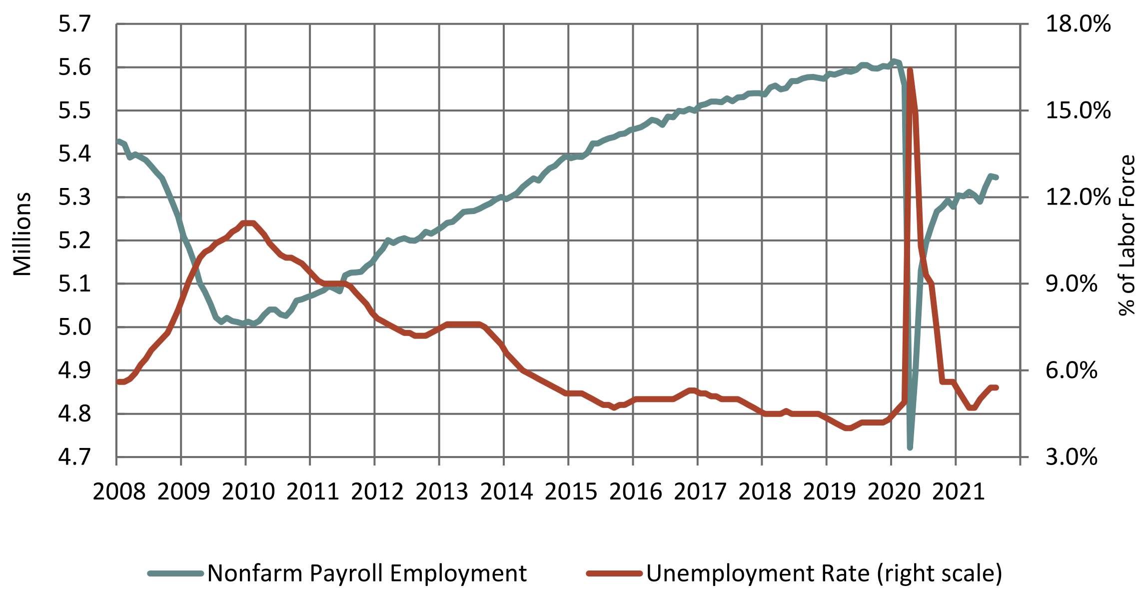
[15] Not all categories presented here are mutually exclusive.

[16] The Census Bureau's Building Permits Survey polls only jurisdictions which require residential building permits.

including educational and health services (-4,800, -0.5%), retail trade (-2,100, -0.4%), financial activities (-1,600, -0.5%), and leisure and hospitality (-1,500, -0.3%). Chart 6 displays the unemployment rate and nonfarm payroll employment in Ohio.

Nonfarm payroll employment in Ohio rose by 113,500 (2.2%) between August 2020 and August 2021, during which time the private sector added 115,800 jobs and government employers shed 2,300 positions in the state.[17] Over the same year, employers in goods-producing industries added 19,500 (+2.2%) positions while employers in private service-providing industries accounted for 96,300 (+2.7%) additional jobs. The pandemic and subsequent containment measures continue to take their toll on the state. Between February 2020 and August 2021, private employers in only one major industry sector, transportation and utilities (+13,900, 5.6%), attained an industry-wide net gain in jobs. In August, the total number of jobs in the state was lower by 264,000 (-4.7%), as compared to February 2020, the month prior to the start of pandemic-related shutdowns.

Chart 6: Ohio Employment and Unemployment



The state's seasonally adjusted unemployment rate remained unchanged at 5.4% in August, increased from the 12-month low of 4.7% in March and April 2021 but well down from 16.4% in April 2020. The number of labor force participants was nearly 5.64 million in August 2021, up from 5.54 million at the April 2020 recession trough but down from 5.90 million in February 2020.

Unemployment rates were down in August from elevated year-ago levels in all of Ohio's metropolitan statistical areas (MSAs). The largest net changes in unemployment rates were in the Weirton-Steubenville and Youngstown-Warren-Boardman MSAs, where the unemployment rates dropped from 10.8% to 6.4% and from 11.2% to 6.8%, respectively. As of August, the MSA

[17] Government employment totals are skewed by the decline in temporary 2020 Census workers; federal employment declined by 10,400 year over year.

with the lowest unemployment rate was Cincinnati, where 4.4% of the labor force was unable to find work. The table, below, summarizes the annual changes in unemployment rates for each of the state's metropolitan areas. More information on local area workforce statistics can be found via the Ohio Labor Market Information website.[18]

Metropolitan Area Unemployment Rates, not Seasonally Adjusted			
Metropolitan Area	**August 2020**	**August 2021**	**12-month Change, Percentage Points**
Akron	9.2%	5.3%	-3.9
Canton-Massillon	8.9%	5.2%	-3.7
Cincinnati, OH-KY-IN	7.9%	4.4%	-3.5
Cleveland-Elyria	8.1%	5.3%	-2.8
Columbus	8.4%	4.7%	-3.7
Dayton	9.1%	5.3%	-3.8
Huntington-Ashland, WV-KY-OH	8.1%	4.5%	-3.6
Lima	8.7%	5.3%	-3.4
Mansfield	9.1%	5.9%	-3.2
Springfield	8.8%	5.4%	-3.4
Toledo	9.9%	5.8%	-4.1
Weirton-Steubenville, WV-OH	10.8%	6.4%	-4.4
Wheeling, WV-OH	9.7%	5.4%	-4.3
Youngstown-Warren-Boardman, OH-PA	11.2%	6.8%	-4.4

Note: August 2021 MSA data are preliminary

Real GDP in Ohio grew at a seasonally adjusted 5.2% annual rate during the second quarter of 2021, following 3.5% growth during the year's first quarter. The rate of real GDP growth in Ohio in the second quarter was the slowest among its neighboring states and the

[18] LAUS Home (ohiolmi.com).

slowest among states in the Great Lakes region.[19] Production contracted in retail trade in the second quarter in every state and shrank in transportation and warehousing in nearly every state. During 2021's second quarter, the industry contributing most to GDP growth in Ohio was accommodation and food services, followed by manufacturing; professional, scientific, and technical services; the information industry; real estate, rental, and leasing; and finance and insurance.

The personal income of Ohioans reached an all-time peak in the first quarter of 2021, bolstered by a jump in transfer receipts from several federal stimulus packages. Seasonally adjusted personal income tumbled in the second quarter, though the wage and salary component continued its post-pandemic growth, rising at a 7.2% annualized rate.

According to Ohio Realtors, the number of unit home sales in the state was up by 7.3% in the YTD through August 2021, from a year prior. The average sale price so far this year was 14.1% higher than a year earlier. Through the first eight months of the calendar year, the total dollar volume of residential sales was 22.5% higher in 2021 than during 2020. The dollar volume and average sale price appear to be at all-time highs in 2021, and unit sales volume may also be at an all-time high, based on Ohio Realtors data compiled by LBO since 2000.

[19] As classified by the Bureau of Economic Analysis, the Great Lakes region includes Ohio (+5.2% annual rate of growth in the second quarter), Illinois (+6.8%), Indiana (+6.1%), Michigan (+8.3%), and Wisconsin (+5.7%).