LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 Issue: December 2022

Highlights

– Jean J. Botomogno, Chief Economist

November GRF tax receipts exceeded the estimate published by the Office of Budget and Management (OBM) by $129 million, pushing up the year-to-date (YTD) positive variance of tax revenue to $478 million in the first five months of FY 2023. The monthly positive variance for tax revenue was mostly from the personal income tax (PIT, $50 million), the sales and use tax ($42 million), the commercial activity tax (CAT, $29 million), and the public utility tax ($10 million). The overall positive variance for the month of November was reduced by a shortfall of $6 million from the cigarette tax.

Ohio's unemployment rate was 4.2% in October 2022, up from 4.0% in September. In comparison, the national unemployment rate for October was 3.7%, up from 3.5% in the previous month. Ohio nonfarm payroll employment increased by 15,700 (0.3%) in October. Employment increased in government (5,300), private service-providing industries (9,700), and construction (700). Employment in manufacturing and mining and logging was unchanged.

Through November 2022, GRF sources totaled $17.89 billion:

- ❖ Revenue from the sales and use tax was $132.9 million above estimate;
- ❖ PIT receipts were $262.5 million above estimate.

Through November 2022, GRF uses totaled $18.71 billion:

- ❖ Program expenditures were $36.9 million below estimate;
- ❖ Medicaid is the only program category substantially above estimates for the YTD;
- ❖ The remaining program categories significantly below estimates include Justice and Public Protection ($96.6 million), Primary and Secondary Education ($38.3 million), Health and Human Services ($31.9 million), and Property Tax Reimbursements ($25.4 million).

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$154,596	$158,500	-$3,904	-2.5%
Nonauto Sales and Use	$986,193	$940,200	$45,993	4.9%
Total Sales and Use	*$1,140,789*	*$1,098,700*	*$42,089*	*3.8%*
Personal Income	$771,227	$721,200	$50,027	6.9%
Commercial Activity Tax	$435,577	$407,000	$28,577	7.0%
Cigarette	$68,753	$75,000	-$6,247	-8.3%
Kilowatt-Hour Excise	$20,482	$22,300	-$1,818	-8.2%
Foreign Insurance	-$750	-$7,500	$6,750	90.0%
Domestic Insurance	$90	$0	$90	---
Financial Institution	-$1,506	-$1,000	-$506	-50.6%
Public Utility	$37,659	$27,500	$10,159	36.9%
Natural Gas Consumption	$5,313	$5,100	$213	4.2%
Alcoholic Beverage	$5,167	$5,800	-$633	-10.9%
Liquor Gallonage	$4,744	$4,800	-$56	-1.2%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$17	$0	$17	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,487,561**	**$2,358,900**	**$128,661**	**5.5%**
Nontax Revenue				
Earnings on Investments	$4	$0	$4	---
Licenses and Fees	$2,192	$1,824	$368	20.2%
Other Revenue	$2,669	$1,250	$1,419	113.6%
Total Nontax Revenue	**$4,865**	**$3,074**	**$1,791**	**58.3%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,492,426**	**$2,361,974**	**$130,452**	**5.5%**
Federal Grants	**-$58,815**	**$474,954**	**-$533,770**	**-112.4%**
Total GRF Sources	**$2,433,611**	**$2,836,928**	**-$403,318**	**-14.2%**

*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 2023 as of November 30, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$851,257	$812,400	$38,858	4.8%	$817,966	4.1%
Nonauto Sales and Use	$4,707,341	$4,613,300	$94,041	2.0%	$4,502,336	4.6%
Total Sales and Use	*$5,558,598*	*$5,425,700*	*$132,898*	*2.4%*	*$5,320,303*	*4.5%*
Personal Income	$4,214,414	$3,951,901	$262,513	6.6%	$3,921,516	7.5%
Commercial Activity Tax	$1,035,297	$988,400	$46,897	4.7%	$936,549	10.5%
Cigarette	$316,035	$336,800	-$20,765	-6.2%	$342,494	-7.7%
Kilowatt-Hour Excise	$129,172	$128,000	$1,172	0.9%	$131,190	-1.5%
Foreign Insurance	$197,217	$182,800	$14,416	7.9%	$182,946	7.8%
Domestic Insurance	$17,620	$17,700	-$80	-0.5%	$2,253	682.0%
Financial Institution	-$10,964	-$23,800	$12,836	53.9%	-$56,755	---
Public Utility	$86,413	$63,000	$23,413	37.2%	$69,931	23.6%
Natural Gas Consumption	$19,553	$18,200	$1,353	7.4%	$18,550	5.4%
Alcoholic Beverage	$30,813	$27,700	$3,113	11.2%	$29,182	5.6%
Liquor Gallonage	$24,271	$24,200	$71	0.3%	$24,668	-1.6%
Petroleum Activity Tax	$2,538	$1,700	$838	49.3%	$1,425	78.1%
Corporate Franchise	$14	$200	-$187	-93.1%	$538	-97.4%
Business and Property	$0	$0	$0	---	$0	---
Estate	$5	$0	$5	1309.1%	$5	16.0%
Total Tax Revenue	**$11,620,996**	**$11,142,502**	**$478,494**	**4.3%**	**$10,924,793**	**6.4%**
Nontax Revenue						
Earnings on Investments	$44,495	$21,600	$22,895	106.0%	$11,884	274.4%
Licenses and Fees	$13,211	$12,622	$590	4.7%	$12,837	2.9%
Other Revenue	$138,770	$154,044	-$15,273	-9.9%	$151,223	-8.2%
Total Nontax Revenue	**$196,477**	**$188,265**	**$8,212**	**4.4%**	**$175,945**	**11.7%**
Transfers In	**$5,635**	**$5,000**	**$635**	**12.7%**	**$44,854**	**-87.4%**
Total State Sources	**$11,823,108**	**$11,335,768**	**$487,341**	**4.3%**	**$11,145,592**	**6.1%**
Federal Grants	**$6,068,643**	**$5,982,051**	**$86,591**	**1.4%**	**$4,604,826**	**31.8%**
Total GRF SOURCES	**$17,891,751**	**$17,317,819**	**$573,932**	**3.3%**	**$15,750,418**	**13.6%**

*Estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2022.

Detail may not sum to total due to rounding.

Revenues[1]

– Russ Keller, Senior Economist

Overview

GRF sources in November totaled $2.43 billion, an amount $403.3 million (14.2%) below estimates published by OBM. This negative variance was due to a shortfall of $533.8 million (112.4%) from federal grants. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Partially offsetting the federal grants shortfall, GRF tax revenue of $2.49 billion was $128.7 million (5.5%) and nontax revenue of $4.9 million was $1.8 million (58.3%) above expected receipts. OBM did not make any transfers into the GRF as none were anticipated this month. Total GRF revenue consists of GRF state source revenue and federal grants. State source revenue includes tax revenue, which is the largest single revenue category, nontax revenue, and transfers in from other state funds. For the YTD, GRF sources were $573.9 million (3.3%) above estimate, with all categories surpassing their respective projections. Tables 1 and 2, which precede this *Revenues* section, show GRF sources for November 2022 and YTD through the first five months of FY 2023.

November was the fourth month this fiscal year for which GRF tax revenue exceeded the OBM estimate (OBM's estimate for July was based on the actual revenue received that month, making the variance for that month equal to zero). YTD GRF tax revenue amounted to $11.62 billion, $478.5 million (4.3%) above estimate. Positive variances have been driven by the major taxes, i.e., the PIT, the sales and use tax, and the CAT. YTD through November, receipts from those taxes were $262.5 million, $132.9 million, and $46.9 million above their respective estimates. The fourth-largest tax revenue source is the cigarette and other tobacco products (OTP) tax; revenue from that tax source was $20.8 million less than the estimate through November, and was the only notable negative YTD variance among tax sources. More details about revenue from the four largest tax sources are provided in separate sections below. Other notable positive YTD variances include the public utility excise tax ($23.4 million), the foreign insurance tax ($14.4 million), and the financial institutions tax (FIT, $12.8 million). The positive variance for the FIT is due to smaller than expected refunds issued so far this year.[2]

As noted above, federal grants missed estimate by $533.8 million in November. In October, federal grants exceeded estimate by $652.4 million, so the net effect of these past two months was a positive variance of $118.6 million. Adding a negative variance of $32.0 million in the first fiscal quarter, federal grants over the first five months were $86.6 million (1.4%) above YTD estimates. Chart 1, below, shows cumulative YTD variances of GRF sources.

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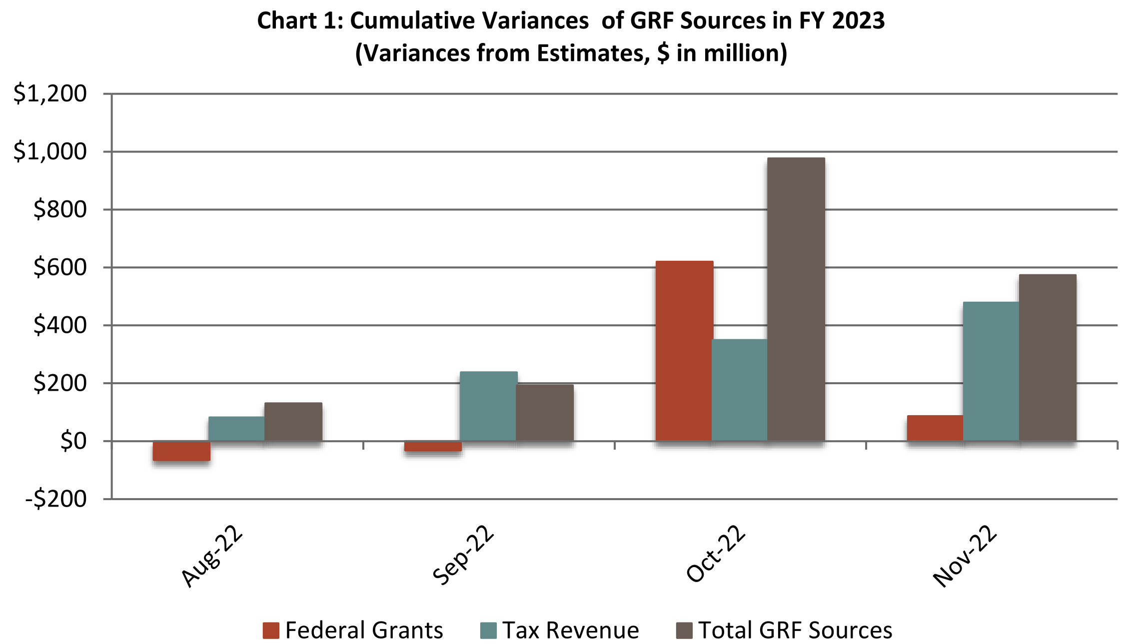
[1] This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] The GRF typically pays out refunds under the FIT during the first half of a fiscal year as taxpayers adjust 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.



As shown on Table 2, nearly all revenue sources have exhibited growth from the first five months of FY 2022 to the corresponding months of FY 2023. Revenue from the PIT grew $292.9 million (7.5%) despite a withholding rate reduction implemented in early FY 2022. Revenue growth was also strong for the CAT ($98.7 million, 10.5%) and solid for the sales and use tax, at $238.3 million (4.5%). Revenue from these taxes tend to receive a boost from inflation, which has been high for the last year, as often described in the *Tracking the Economy* section of this publication. Other taxes that grew by notable amounts include the FIT ($45.8 million), the public utility excise tax ($16.5 million), the domestic insurance tax ($15.4 million), and the foreign insurance tax ($14.3 million). The large gain from the FIT is primarily due to smaller refunds having been issued so far this year ($20.9 million), as compared to last year ($64.3 million). The only notable revenue decline among tax sources was the cigarette and OTP tax, which has declined by $26.5 million; this tax has declined steadily for years except for a brief revenue spike early in the pandemic.

Sales and Use Tax

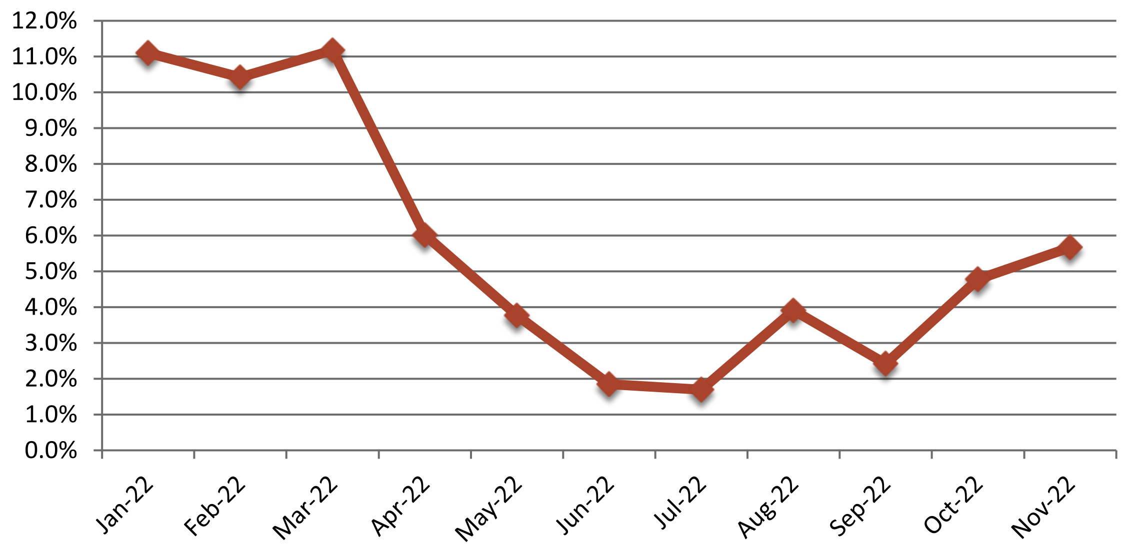
November GRF receipts from the sales and use tax were $1.14 billion, $42.1 million (3.8%) above estimate. Through the first five months of FY 2023, YTD revenue from the tax amounted to $5.56 billion, $132.9 million (2.4%) above estimate. Revenue during this period grew by $238.3 million (4.5%) compared to the corresponding months in FY 2022. So far, in FY 2023, this tax source has come in above published estimates every month (except in July for which OBM did not publish an estimate, as explained earlier).

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. Though the auto sales tax underperformed in November, both portions of the sales and use tax were above estimates for the fiscal year-to-date.

Nonauto Sales and Use Tax

November GRF receipts of $986.2 million were $46.0 million (4.9%) above the OBM estimate and $73.0 million (8.0%) above revenue in November 2021. This monthly performance increased the YTD positive variance of this tax to $94.0 million (2.0%). For the first five months of FY 2023, revenue from this tax grew $205.0 million (4.6%) compared to the equivalent period in FY 2022. Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in 2022. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Growth exceeded 10%, on average, in the first calendar quarter, and then slowed to about 2.0%, on average, in the second. The growth slowdown was likely due in part to reductions in federal income support and other factors,[4] but growth appears to be accelerating again in recent months.

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



Auto Sales and Use Tax

November receipts from the auto sales and use tax were $154.6 million, $3.9 million (2.5%) below estimate; receipts were also $0.3 million (0.2%) less than revenue collected in November 2021. YTD through November, revenue amounting to $851.3 million exceeded the estimate by $38.9 million (4.8%). YTD revenue grew by $33.3 million (4.1%) compared to the first five months of FY 2022.

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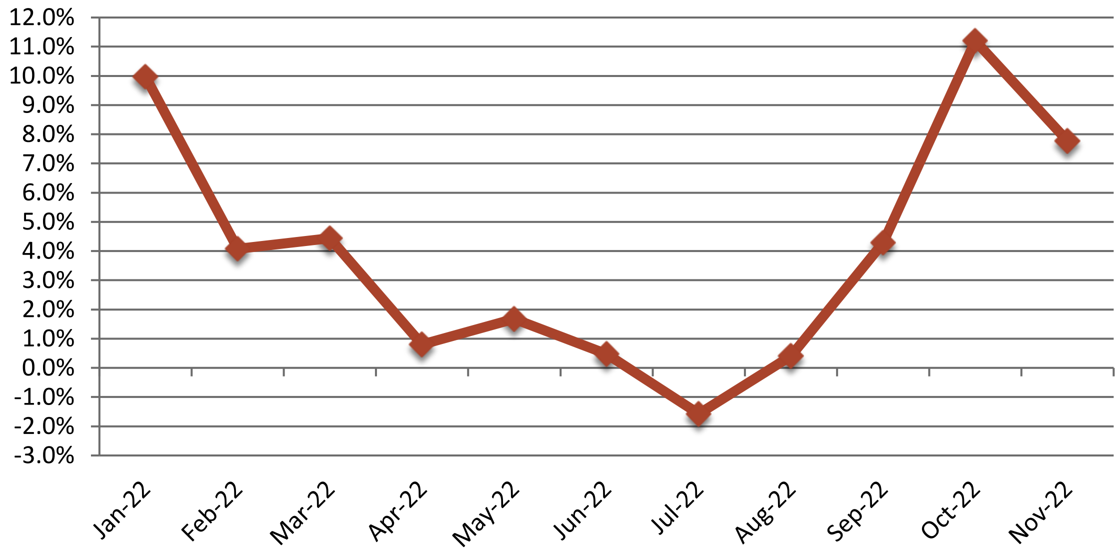
[3] A three-month moving average means, for example, that the most recent data point shown shows the percentage growth from revenue received during September through November 2021 to revenue received during September through November 2022.

[4] In FY 2022, an unusual set of circumstances supported consumer spending on taxable goods: household incomes increased from prepandemic levels with assistance from federal income support programs and a low interest rate environment combined with rapidly appreciating home values enabled many homeowners to refinance their mortgage at lower rates in 2020 and 2021.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections in 2022. The earliest portion of the pattern is similar to that for the nonauto sales tax, in that it reflects strong growth at the outset of the calendar year (CY) but a flattening out towards the end of the second calendar quarter, as interest rates started rising. However, revenue growth surged earlier in the fiscal year but has slowed in October and November.

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



Personal Income Tax

GRF revenue from the PIT exceeded estimate each month from August to November. November GRF revenue of $771.2 million exceeded the estimate by $50.0 million (6.9%) and grew by $50.7 million (7.0%) from November 2021. YTD revenue totaled $4.21 billion, an amount $262.5 million (6.6%) above estimate and $292.9 million (7.5%) above revenue from July through November last year.

Much of the variance so far this year has been due to strong receipts from employer withholding. Withholding receipts exceeded the estimate for the month of November by $36.4 million (4.4%), and for the YTD, have grown 8.6% relative to the first five months of FY 2022. That strong growth would have been even stronger except that the Department of Taxation reduced withholding rates effective September 1 last year, to bring them into line with tax rate reductions enacted in H.B. 110. The growth in withholding revenue implies strong payroll growth in Ohio, due to some combination of increasing employment and wage growth as employers have tried to attract and retain workers.

In addition to employer withholding, gross collections under the PIT include quarterly estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and

[5] Taxpayers who expect to be underwithheld by more than $500 make quarterly estimated payments. Quarterly estimated payments are generally due in April, June, and September of an individual's tax year and January of the following year.

miscellaneous payments. To arrive at GRF revenue from the tax, refunds are subtracted from gross collections, and some of the revenue is transferred to the Local Government Fund (LGF). The primary driver of GRF revenue from the PIT is employer withholding; that component of revenue accounted for about 76% of FY 2022 gross collections from the tax.

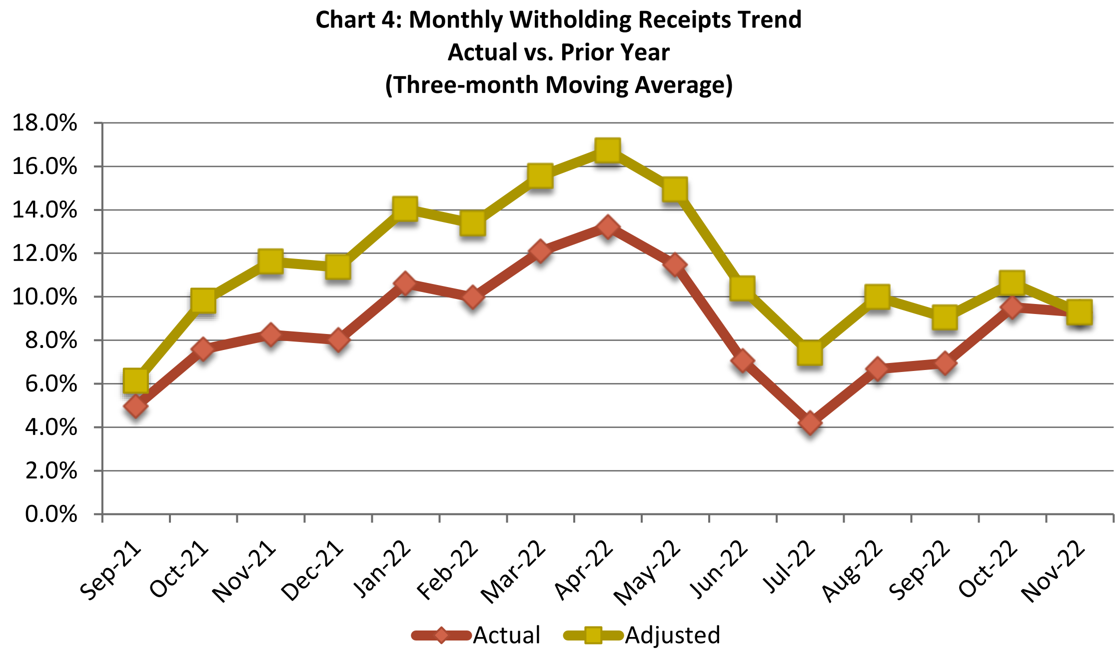
The table below provides details on revenue from each component of the PIT relative to estimates for FY 2023 through November and revenue received in FY 2022 through November. FY 2023 YTD gross collections were $347.5 million above anticipated revenue. All components of gross collections exceeded their estimates, most notably employer withholding, by $191.0 million, payments due with annual returns, by $99.4 million, and estimated payments, by $43.3 million. YTD refunds were $80.4 million above projections, and distributions to the LGF were also above projections, by $4.6 million, both of which reduced revenue available to the GRF. Subtracting $80.4 million and $4.6 million from the gross collections' positive variance of $347.5 million yields the YTD positive variance of $262.5 million.

FY 2023 Personal Income Tax Revenue Variance and Annual Change by Component				
	Variance from Estimate		Changes from FY 2022	
Category	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$191.0	4.7%	$336.4	8.6%
Quarterly Estimated Payments	$43.3	14.9%	$20.5	6.5%
Trust Payments	$7.0	38.1%	$7.8	44.5%
Annual Return Payments	$99.4	98.8%	$33.1	19.8%
Miscellaneous Payments	$6.8	24.8%	-$3.1	-8.3%
Gross Collections	**$347.5**	**7.7%**	**$394.8**	**8.8%**
Less Refunds	$80.4	22.8%	$93.5	27.5%
Less LGF Distributions	$4.6	2.2%	$8.3	4.2%
GRF PIT Revenue	**$262.5**	**6.6%**	**$292.9**	**7.5%**

As noted above, YTD GRF revenue grew 7.5% from the corresponding period in FY 2022. Gross collections grew $394.8 million (8.8%), driven primarily by withholding receipts, which increased $336.4 million. Payments with annual returns came in $33.1 million above their level in FY 2022, providing another notable boost. Growth in GRF revenue from the tax was restrained, though, by growth of $93.5 million (27.5%) in refunds.

Year-over-year growth in withholding receipts had been limited for several months because of a 3.0% reduction in withholding rates that was effective September 1, 2021. The reduction was in response to income tax rate cuts for nonbusiness income enacted in H.B. 110

(the operating budget act). Starting in September 2022, however, the growth in FY 2023 monthly withholding receipts fully reflects the strength in the underlying tax base. The chart, below, illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. It shows both the actual change in withholding receipts and estimated withholding receipts adjusted for the September 2021 withholding tax rate cut. Payrolls are estimated to have increased about 9.3%, on average, in the last three months.



Commercial Activity Tax

The second CAT payment for quarterly return taxpayers, due in November, provided $435.6 million to the GRF. This amount was $28.6 million (7.0%) above estimate, bringing the YTD positive variance for this tax source to $46.9 million (4.7%). Tax receipts from quarterly return taxpayers in November reflect business activity in the third calendar quarter (July, August, and September). November receipts were also $45.7 million (11.7%) above revenue in the corresponding month last year. For the fiscal year, YTD GRF receipts from CAT taxpayers were $1.04 billion, $98.7 million (10.5%) above revenues in FY 2022 through November.

Through November, gross collections totaled $1.28 billion, an increase of $128.7 million (11.2%) relative to gross collections in FY 2022 through November. Refunds were $54.6 million, an increase of $11.8 million (27.5%) from FY 2022. (The increase in refunds moderated GRF revenue growth.[6]) Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $8.2 million. Moneys in the fund help defray Ohio Department of Taxation costs of administering the CAT and other taxes.

[6] A number of Ohio's business tax credits can be claimed against more than one type of tax, but many are claimed against the CAT, which is imposed on the privilege of doing business in Ohio.

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 $158.3 million and $24.4 million, respectively. The distributions to Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property and the phase down of property taxes on public utility tangible personal property. Any receipts in excess of amounts needed for such payments may be transferred back to the GRF, though OBM did not transfer the excess cash in FY 2022, as it was not needed.

Cigarette and Other Tobacco Products Tax

November revenue from the cigarette and OTP tax totaling $68.8 million was below estimate by $6.2 million (8.3%). YTD revenue from the tax was $316.0 million, $20.8 million (6.2%) below estimate. The YTD total included $265.0 million derived from the sale of cigarettes and $51.0 million from the sale of OTP.

FY 2023 revenue through November fell by $26.5 million (7.7%) compared to FY 2022 revenue through November 2021. OTP sales increased by $4.4 million (9.4%) while receipts from cigarette sales decreased $30.9 million (10.4%). The increase in OTP revenue is primarily due to growth in OTP prices. 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. The COVID-19 pandemic temporarily upended historical trends in the first half of FY 2021, as revenue from cigarette sales increased during that time. However, cigarette tax receipts appear to have reverted to prepandemic trend during FY 2022 and early FY 2023. The tax on cigarettes is based on unit sales rather than value.

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$715,968	$724,534	-$8,566	-1.2%
Higher Education	$219,977	$220,319	-$342	-0.2%
Other Education	$3,784	$3,583	$201	5.6%
Total Education	**$939,729**	**$948,435**	**-$8,707**	**-0.9%**
Medicaid	$604,864	$664,042	-$59,179	-8.9%
Health and Human Services	$147,236	$150,286	-$3,050	-2.0%
Total Health and Human Services	**$752,100**	**$814,329**	**-$62,229**	**-7.6%**
Justice and Public Protection	$183,382	$198,107	-$14,725	-7.4%
General Government	$58,859	$51,390	$7,469	14.5%
Total Government Operations	**$242,241**	**$249,498**	**-$7,256**	**-2.9%**
Property Tax Reimbursements	$93,747	$66,261	$27,486	41.5%
Debt Service	$36,531	$37,366	-$835	-2.2%
Total Other Expenditures	**$130,278**	**$103,627**	**$26,651**	**25.7%**
Total Program Expenditures	**$2,064,348**	**$2,115,888**	**-$51,540**	**-2.4%**
Transfers Out	**$253,750**	**$0**	**$253,750**	**---**
Total GRF Uses	**$2,318,098**	**$2,115,888**	**$202,210**	**9.6%**

*August 2022 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 2023 as of November 30, 2022
($ in thousands)
(Actual based on OAKS reports run December 5, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$3,717,937	$3,756,266	-$38,329	-1.0%	$3,558,869	4.5%
Higher Education	$1,031,509	$1,046,010	-$14,501	-1.4%	$991,572	4.0%
Other Education	$49,692	$49,652	$40	0.1%	$48,848	1.7%
Total Education	**$4,799,138**	**$4,851,927**	**-$52,789**	**-1.1%**	**$4,599,288**	**4.3%**
Medicaid	$8,708,155	$8,522,167	$185,987	2.2%	$6,711,153	29.8%
Health and Human Services	$716,590	$748,458	-$31,868	-4.3%	$621,540	15.3%
Total Health and Human Services	**$9,424,745**	**$9,270,625**	**$154,119**	**1.7%**	**$7,332,693**	**28.5%**
Justice and Public Protection	$1,188,806	$1,285,441	-$96,635	-7.5%	$1,113,734	6.7%
General Government	$242,864	$255,535	-$12,671	-5.0%	$231,454	4.9%
Total Government Operations	**$1,431,670**	**$1,540,976**	**-$109,306**	**-7.1%**	**$1,345,188**	**6.4%**
Property Tax Reimbursements	$898,579	$924,011	-$25,433	-2.8%	$893,139	0.6%
Debt Service	$929,978	$933,459	-$3,481	-0.4%	$867,628	7.2%
Total Other Expenditures	**$1,828,557**	**$1,857,470**	**-$28,914**	**-1.6%**	**$1,760,767**	**3.9%**
Total Program Expenditures	**$17,484,109**	**$17,520,999**	**-$36,890**	**-0.2%**	**$15,037,936**	**16.3%**
Transfers Out	**$1,227,964**	**$678,900**	**$549,064**	**80.9%**	**$2,972,942**	**-58.7%**
Total GRF Uses	**$18,712,073**	**$18,199,899**	**$512,174**	**2.8%**	**$18,010,878**	**3.9%**

*August 2022 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2022.
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 December 7, 2022)

	Month of November 2022				Year to Date through November 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$547,633	$606,432	-$58,798	-9.7%	$8,410,388	$8,194,846	$215,542	2.6%
Non-GRF	$1,672,764	$2,032,406	-$359,642	-17.7%	$4,094,654	$4,846,120	-$751,467	-15.5%
All Funds	$2,220,397	$2,638,837	-$418,440	-15.9%	$12,505,042	$13,040,966	-$535,925	-4.1%
Developmental Disabilities								
GRF	$50,172	$50,342	-$171	-0.3%	$247,692	$248,505	-$813	-0.3%
Non-GRF	$226,275	$212,093	$14,182	6.7%	$1,150,282	$1,266,180	-$115,898	-9.2%
All Funds	$276,447	$262,435	$14,012	5.3%	$1,397,974	$1,514,685	-$116,711	-7.7%
Job and Family Services								
GRF	$6,139	$6,344	-$206	-3.2%	$45,145	$73,193	-$28,048	-38.3%
Non-GRF	$19,316	$32,680	-$13,364	-40.9%	$73,526	$173,195	-$99,669	-57.5%
All Funds	$25,455	$39,024	-$13,570	-34.8%	$118,671	$246,388	-$127,717	-51.8%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$921	$925	-$4	-0.4%	$4,930	$5,624	-$694	-12.3%
Non-GRF	$4,780	$2,555	$2,225	87.1%	$16,713	$21,920	-$5,207	-23.8%
All Funds	$5,701	$3,480	$2,221	63.8%	$21,643	$27,544	-$5,901	-21.4%
All Departments:								
GRF	**$604,864**	**$664,042**	**-$59,179**	**-8.9%**	**$8,708,155**	**$8,522,167**	**$185,987**	**2.2%**
Non-GRF	**$1,923,136**	**$2,279,734**	**-$356,598**	**-15.6%**	**$5,335,174**	**$6,307,415**	**-$972,241**	**-15.4%**
All Funds	**$2,528,000**	**$2,943,777**	**-$415,777**	**-14.1%**	**$14,043,329**	**$14,829,583**	**-$786,253**	**-5.3%**

*November 2022 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 December 7, 2022)

	Month of November 2022				Year to Date through November 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,645,412**	**$1,702,563**	**-$57,151**	**-3.4%**	**$9,545,944**	**$9,732,725**	**-$186,781**	**-1.9%**
CFC†	$469,131	$387,321	$81,810	21.1%	$2,933,855	$3,061,542	-$127,687	-4.2%
Group VIII	$414,500	$473,195	-$58,695	-12.4%	$2,778,617	$2,971,704	-$193,087	-6.5%
ABD†	$142,588	$172,641	-$30,053	-17.4%	$1,094,664	$1,165,340	-$70,676	-6.1%
ABD Kids	$48,388	$56,665	-$8,277	-14.6%	$326,682	$349,181	-$22,498	-6.4%
My Care	$253,803	$249,375	$4,428	1.8%	$1,226,715	$1,239,413	-$12,698	-1.0%
OhioRise	$19,577	$26,646	-$7,069	-26.5%	$72,250	$95,056	-$22,807	-24.0%
SPBM	$297,424	$336,720	-$39,296	-11.7%	$804,051	$532,990	$271,061	50.9%
Pay for Performance	$0	$0	$0	---	$309,111	$317,500	-$8,389	-2.6%
Fee-For-Service	**$656,947**	**$1,004,725**	**-$347,778**	**-34.6%**	**$3,475,821**	**$3,889,256**	**-$413,435**	**-10.6%**
ODM Services	$396,211	$399,166	-$2,955	-0.7%	$2,122,206	$2,071,869	$50,337	2.4%
DDD Services	$260,736	$245,559	$15,177	6.2%	$1,352,841	$1,459,518	-$106,677	-7.3%
Hospital - HCAP	$0	$360,000	-$360,000	-100.0%	$774	$357,869	-$357,095	-99.8%
Premium Assistance	**$120,375**	**$120,209**	**$166**	**0.1%**	**$592,257**	**$596,246**	**-$3,989**	**-0.7%**
Medicare Buy-In	$78,649	$78,617	$32	0.0%	$387,863	$390,033	-$2,170	-0.6%
Medicare Part D	$41,727	$41,592	$135	0.3%	$204,394	$206,213	-$1,819	-0.9%
Administration	**$105,266**	**$116,279**	**-$11,013**	**-9.5%**	**$429,307**	**$611,355**	**-$182,049**	**-29.8%**
Total	**$2,528,000**	**$2,943,777**	**-$415,777**	**-14.1%**	**$14,043,329**	**$14,829,583**	**-$786,253**	**-5.3%**

*November 2022 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[7]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

For the YTD through November, FY 2023 GRF program expenditures totaled $17.48 billion. These expenditures were $36.9 million (0.2%) below OBM's estimates. GRF uses also include transfers out, which totaled $1.23 billion and were $549.1 million (80.9%) over estimate for the YTD, due primarily to the timing of $553.8 million in transfers that occurred over the last two months, but were not estimated to occur until June. Total GRF uses for these five months were $18.71 billion, which were $512.2 million (2.8%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of November and YTD, respectively.

For program expenditures, negative monthly variances in GRF Medicaid ($59.2 million, 8.9%), Justice and Public Protection ($14.7 million, 7.4%), Primary and Secondary Education ($8.6 million, 1.2%), and Health and Human Services ($3.1 million, 2.0%) were partially offset by positive monthly variances in Property Tax Reimbursements ($27.5 million, 41.5%) and General Government ($7.5 million, 14.5%). The remaining categories had monthly variances of less than $1.0 million. Total program expenditures were $51.5 million under estimate for the month of November.

For the YTD, GRF Medicaid spending was above estimate by $186.0 million (2.2%) and most other categories were under estimate, most significantly Justice and Public Protection ($96.6 million, 7.5%), Primary and Secondary Education ($38.3 million, 1.0%), Health and Human Services ($31.9 million, 4.3%), and Property Tax Reimbursements ($25.4 million, 2.8%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, 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 November by $59.2 million (8.9%) but above their YTD estimate by $186.0 million (2.2%) at the end of November. Non-GRF Medicaid expenditures were below their monthly estimate by $356.6 million (15.6%) and below their YTD estimate by $972.2 million (15.4%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $415.8 million (14.1%) below estimate in November and $786.3 million (5.3%) below their YTD estimate at the end of November. The YTD variances are due primarily to shifting of non-GRF spending to GRF sources and underspending on the Hospital Care Assurance Program (HCAP).

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (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

[7] 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.

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 November of $418.4 million (15.9%), and an YTD all funds negative variance of $535.9 million (4.1%) at the end of November. ODODD had a November all funds positive variance of $14.0 million (5.3%) and ended the month with YTD expenditures $116.7 million (7.7%) below estimate. The ODODD negative YTD variance was related to delayed provider-retention payments that will likely be delayed until after the start of CY 2023 as ODODD awaits approval of the rule governing the payments. 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 four major payment categories at the end of November. In percentage terms, the Administration variance of $182.0 million (29.8%) was the largest. In absolute dollars, the largest was the Fee-For-Service (FFS) variance at $413.4 million (10.6%).The other categories’ negative variances were Managed Care at $186.8 million (1.9%) and Premium Assistance at $4.0 million (0.7%). The YTD Administration variance is due primarily to the delay in some administration-related payments. The variance within FFS is attributable to no payments in November for the HCAP. The budget estimates include scheduled payments of $360.0 million in November for HCAP. HCAP provides funding to hospitals that have a disproportionate share of uncompensated care costs for services to indigent and uninsured individuals. Underspending continued within Managed Care as major eligibility categories were below estimate. These negative variances were offset by the uneven rollout of the SPBM (Single Pharmacy Benefit Manager).

From the beginning of the COVID-19 pandemic in March 2020 through the end of November 2022, caseloads have increased by approximately 21,500 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. Caseload estimates for FY 2023 have allowed for the continuation of the federally declared public health emergency. November saw a continuation of the recent trend of positive caseload variances, with 8,044 cases (0.2%) 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 71.0% of the estimated expenditures for this category for FY 2023. Eleven other agencies make up the remaining 29.0% of estimated spending.

The negative YTD variance in this category grew by $14.7 million in November to reach $96.6 million (7.5%) at the end of November. The monthly variance was primarily due to the Public Defender Commission (PUB), which was under the November estimate by $13.1 million, almost all ($13.0 million) due to appropriation line item (ALI) 019501, County Reimbursement. This ALI is used to reimburse counties for their costs in providing legal counsel to indigent persons. The estimate allocates the appropriation over the fiscal year, but actual expenditures will depend on the actual costs incurred by the counties and the timing of the requests for reimbursement. November's variance increased the negative YTD variance for PUB to $19.5 million.

DRC's negative YTD variance stayed about the same as last month, decreasing slightly to $58.6 million. Most other agencies in this category were also under estimate for the YTD, including the Department of Public Safety (DPS) with a negative YTD variance of $12.7 million.

DRC's negative YTD variance was mainly due to negative variances of $30.7 million in ALI 501321, Institutional Operations, and $19.3 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

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. This category was under the monthly estimate by $8.6 million (1.2%) in November, which increased the negative YTD variance to $38.3 million (1.0%). The negative monthly and YTD variances were dominated by ALI 200550, Foundation Funding – All Students, which was under estimate by $9.1 million in November and $16.1 million YTD. Also contributing to the monthly and YTD negative variances were ALIs 200502, Pupil Transportation, and 200408, Early Childhood Education. ALI 200502 was under estimate by $3.7 million and $9.2 million for the month and YTD, respectively. ALI 200408 was under estimate by $0.7 million and $6.4 million. ALI 200437, Student Assessment, which had the largest negative YTD variance at the end of October, had a positive variance of $7.8 million in November, decreasing its negative YTD variance to $3.0 million.

ALI 200550 is the main source of state support for public schools in the state, including those operated by traditional school districts, joint vocational school districts (JVSDs), and community and STEM (science, technology, engineering, and mathematics) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. For FY 2023, estimated spending in this ALI comprises 83.7% of total estimated spending in the category. 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. Similarly, ALI 200502 supports formula-derived funding for pupil transportation by schools and also experiences timing-related variances.

ALI 200408 provides grants to early childhood education providers for services to preschoolers from low-income families. This variance is also related to timing.

ALI 200437 supports contracts to administer the state's assessment system. The timing of expenditures is dependent on the timing of contractor invoices, so this ALI often has timing-related variances.

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 53.4% of the estimated expenditures for this category for FY 2023, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.7% and the

Ohio Department of Health (ODH) at 8.5%. Eight other agencies make up the remaining 8.4% of estimated spending.

This category's negative YTD variance increased by $3.1 million in November to reach $31.9 million (4.3%). Most agencies were under estimate for the month and YTD with the notable exception of ODJFS, which was over estimate by $13.7 million in November and by $1.0 million YTD. The two agencies with the largest negative variances were OhioMHAS, which was under estimate by $11.2 million in November and $11.5 million YTD, and ODH, which was under estimate by $3.3 million in November and $8.7 million YTD.

Significant variances for ALIs in the ODJFS budget include:

- A positive monthly variance of $0.8 million in ALI 600535, Early Care and Education, which increased the positive YTD variance for this ALI to $9.7 million. This ALI is used to pay for publicly funded child care services.
- A positive monthly variance of $7.8 million in ALI 600523, Family and Children Services, which resulted in a positive YTD variance for this ALI of $5.1 million. This ALI is used primarily to support county public children services agencies.
- A positive monthly variance of $1.3 million in ALI 600410, TANF State Maintenance of Effort, which increases the positive YTD variance for this ALI to $4.5 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.
- A positive monthly variance of $4.2 million in ALI 600450, Program Operations, which decreased the negative YTD variance for this ALI to $5.7 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.

Most ALIs in OhioMHAS's budget were under the YTD estimate. Significant variances include:

- A negative monthly variance of $7.2 million in ALI 336421, Continuum of Care Services, which resulted in a negative YTD variance of $1.0 million. This ALI is used to fund local boards of alcohol, drug addiction, and mental health as well as to support various earmarks.
- A negative monthly variance of $1.0 million in ALI 336504, Community Innovations, which increased the negative YTD variance to $3.2 million. This ALI is used for a variety of community programs that support OhioMHAS's mission.
- A negative monthly variance of $0.8 million in ALI 336412, Hospital Services, which increased the negative YTD variance to $2.2 million. This ALI is used to support the operating costs of state mental health hospitals.
- A negative monthly variance of $0.9 million in ALI 336422, Criminal Justice Services, which increased the negative YTD variance to $2.0 million. This ALI is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system.

Most ALIs in the ODH's budget were under estimate for the YTD, including ALIs 440459, Help Me Grow, and 440474, Infant Vitality, which were under estimate by $2.2 million and $1.8 million, respectively. ALI 440459 supports a family support program offered to pregnant women and new parents. ALI 440474 is used for programs designed to decrease infant mortality in Ohio.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In November, this category had a positive variance of $27.5 million (41.5%) that decreased its negative YTD variance to $25.4 million (2.8%).

Transfers out

Transfers out of the GRF were over the monthly estimate for November by $253.8 million, increasing the positive YTD variance in transfers out to $549.1 million (80.9%). As was also the case in October, the November variance in transfers out was due to transfers to support capital appropriations. H.B. 687 of the 134th General Assembly authorizes a total of $1.5 billion in transfers out of the GRF to support capital projects during the FY 2023-FY 2024 capital biennium.[8] The estimates have $1.1 billion of these transfers occurring in June, so this timing-related variance will not resolve until the end of the fiscal year. The following transfers out of the GRF to support capital projects, totaling $553.8 million, have been made so far this fiscal year:

October

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $100.0 million to the Adult Correctional Building Fund (Fund 7027).

November

- $150.0 million to the School Building Program Assistance Fund (Fund 7032);
- $60.0 million to the Third Frontier Research and Development Taxable Bond Fund (Fund 7014);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056);
- $6.3 million to the Clean Ohio Agricultural Easement Fund (Fund 7057).

The YTD variance in transfers out can be further explained by the following:

- A transfer of $2.4 million to the National Guard Scholarship Reserve Fund (Fund 5BM0) in September that was authorized in R.C. 5919.341, but not included in the estimates;
- A transfer of $250,000 to the At Home Technology Pilot Fund (Fund 5XT0) that was estimated to occur in June;
- A transfer of $1.0 million to the Major IT Purchases Fund (Fund 4N60) in November, when the estimates reflect a transfer of $5.2 million in October.

[8] Additional transfers may be made unless disapproved by either the Speaker of the House of Representatives or the President of the Senate.

Prior-year Encumbrances

As reported in the July 2022 issue of *Budget Footnotes*, state agencies carried into FY 2023 $883.5 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2023. An agency generally has five months to spend prior-year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

As shown in the table below, as of December 1, 2022, $352.6 million of the $883.5 million (39.9%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. The Department of Development (DEV) had the largest share (29.0%) of the total outstanding encumbrances as of December 1, followed by ODJFS at 13.9%, the Ohio Department of Transportation (ODOT) at 13.5%, the Department of Higher Education (DHE) at 13.0%, and ODE at 12.7%. Together, these five agencies had $289.6 million (82.1%) of the $352.6 million in total outstanding prior-year encumbrances. The nature of the significant outstanding encumbrances is discussed below.

Prior-year GRF Encumbrances by Agency ($ in thousands)				
Agency	**Prior-year Encumbrances as of July 1, 2022**	**Percentage of Total**	**Outstanding Encumbrances as of December 1, 2022**	**Percentage of Total**
Development	$144,329	16.3%	$102,380	29.0%
Job and Family Services	$142,881	16.2%	$49,135	13.9%
Education	$133,809	15.1%	$44,805	12.7%
Rehabilitation and Correction	$127,657	14.4%	$1,039	0.3%
Transportation	$62,379	7.1%	$47,496	13.5%
Higher Education	$56,144	6.4%	$45,777	13.0%
Medicaid	$52,976	6.0%	$8,510	2.4%
Other	$163,365	18.5%	$53,422	15.2%
Total	**$883,540**	**100.0%**	**$352,568**	**100.0%**

Department of Development

DEV had $102.4 million in outstanding prior-year encumbrances. Of that amount, $74.9 million (73.2%) was in ALI 195456, Local Roads. A total appropriation of $95.0 million for this ALI was made in H.B. 687 of the 134th General Assembly. This amount was awarded to the city of New Albany in Licking County to support local road projects necessary for Intel's construction of factories in the area. The next largest encumbrance was in ALI 195503, Local Development Projects, with an encumbrance of $7.8 million (7.6%). ALI 195503 is earmarked for various development programs; the largest encumbrances are for the GRIT Program and the Coalition on Homelessness and Housing in Ohio. Finally, ALI 195455, Appalachia Assistance, had outstanding encumbrances of $7.6 million (7.4%). This encumbrance is for programs targeting the Appalachian region of Ohio.

Ohio Department of Job and Family Services

ODJFS had $49.1 million in outstanding prior-year encumbrances. Encumbrances in three ALIs account for $36.8 million (74.8%) of the total. These ALIs are 655523, Medicaid Program Support – Local Transportation, at $19.8 million (40.3%); 600523, Children and Families Subsidy, at $10.6 million (21.6%); and 655522, Medicaid Program Support – Local, at $6.4 million (12.9%).

Funds encumbered in ALIs 655523 and 655522 will mainly be used for the remaining state share of Medicaid subsidies to county departments of job and family services. ALI 655523 pays the state's share of Medicaid costs for local transportation services, and ALI 655522 pays the state's share of Medicaid costs for local administrative services. Funds encumbered in ALI 600523 will be used mainly for assistance to county public children services agencies.

Ohio Department of Transportation

ODOT had $47.5 million in outstanding prior-year encumbrances. Most of this encumbrance ($38.1 million, 80.2%) was in ALI 775470, Public Transportation – State, which is used primarily for competitive grants for public transit systems across the state. An additional $6.3 million (13.3%) was outstanding for ALI 777471, Airport Improvements – State, to provide grants to public airports in Ohio for pavement maintenance and obstruction removal.

Department of Higher Education

DHE had $45.8 million in outstanding prior-year encumbrances. The majority of the total was in ALIs 235438, Choose Ohio First Scholarship, at $38.5 million (84.1%) and 235599, National Guard Scholarship Program, at $2.9 million (6.3%). These encumbrances will be used to pay the state's obligations to scholarship recipients. Another $2.8 million (6.1%) was outstanding in ALI 235563, Ohio College Opportunity Grant; these funds will be used for need-based financial aid.

Ohio Department of Education

ODE had $44.8 million in outstanding prior-year encumbrances. Four ALIs with significant outstanding encumbrances are: (1) 200550, Foundation Funding – All Students, at $11.0 million (24.5%), (2) 200502, Pupil Transportation, at $8.8 million (19.6%), (3) 200408, Early Childhood Education, at $7.7 million (17.2%), and (4) 200540, Special Education Enhancements, at $7.3 million (16.4%). These four ALIs account for $34.8 million (77.8%) of ODE's total outstanding encumbrances.

Funds encumbered in ALI 200550 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Similarly, funds encumbered in ALI 200502 will be used mainly for the special education transportation funding formula. Funds encumbered in ALI 200408 will be used to pay providers for early childhood education services to children from lower income families. Funds encumbered in ALI 200540 will be used mainly to support special education for preschool students and for students attending a school in an institution under the jurisdiction of the departments of Mental Health and Addiction Services, Developmental Disabilities, Youth Services, and Rehabilitation and Correction.

Issue Updates

OOD Receives $2.0 Million for "Works4Me" Employment Model

– Jacquelyn Schroeder, Senior Budget Analyst

On November 7, 2022, the Controlling Board approved a request from the Opportunities for Ohioans with Disabilities Agency (OOD) to increase appropriations by $2.0 million to implement a new federal "Works4Me" demonstration project. Works4Me will bridge the skill gap for individuals with disabilities earning subminimum wage who want to make the move to competitive integrated employment (CIE).[9] The program will include workplace readiness and career development, paid community-based/integrated work experiences, work incentives counseling, and other wrap-around services. Works4Me is intended to identify strategies for addressing challenges associated with CIE (e.g., transportation issues), support integration into the community through CIE, coordinate wraparound services for any individual served by the project who obtains CIE, and develop evidence-based practices and readily accessible transformative business models that can be shared with states and employers. Work4Me will first be piloted in northeast Ohio. However, OOD will also work with community partners and develop steering committees to replicate and expand the new model to other parts of the state.

OOD's Vocational Rehabilitation (VR) Program received a five-year grant award from the federal Rehabilitation Services Administration (RSA) under the U.S. Department of Education for a total of approximately $9.0 million to support this demonstration project through September 2027. Grant awards were anticipated to range from a minimum of $3.5 million to a maximum of $13.9 million over the five-year grant period. Ohio was one of 14 states to receive such an award. The grant's goal is to help eliminate the payment of a subminimum wage and to improve employment outcomes of individuals with disabilities. Eligible applicants were state VR programs that have not completely phased out subminimum wage employment. Subminimum wage is a special minimum wage for individuals with disabilities. Employers holding a section 14(c) certificate from the U.S. Department of Labor are allowed to pay individuals with disabilities less than the federal minimum wage mandated for other workers. To date, at least 12 states and a few cities have passed, or are in the process of implementing, legislation to abolish the payment of subminimum wages to individuals with disabilities.

ODM Institutes Centralized Credentialing for Providers

– Nelson V. Lindgren, Economist

On October 1, 2022, ODM launched centralized provider credentialing, a new component of ODM's multifaceted Next Generation managed care redesign. The centralized credentialing

[9] CIE is defined as work performed on a full- or part-time basis for which an individual is compensated at or above minimum wage, comparable to the customary rate paid to employees without disabilities, receiving the same level of benefits provided to other employees without disabilities, at a location where the employee interacts with other individuals without disabilities, and is presented with opportunities for advancement similar to other employees without disabilities.

program will have providers go through one credentialing process[10] at the state level to contract with any of the Medicaid managed care organizations (MCOs) versus a separate credentialing process with each Medicaid MCO, as previously occurred. This will eliminate redundant administrative requirements, standardize the documentation collected, and lower costs for providers. The new, online Provider Network Management (PNM) module will serve as the single entry point for these enrollment and credentialing functions. In addition to these functions, providers will be able to access PNM to input demographic updates such as address or ownership changes, update provider specialties, or to receive alerts when new information is available.

Since 2019, ODM has worked with the General Assembly and the Governor to develop and implement the Next Generation managed care redesign. The Next Generation redesign refers to changes ODM is making to: improve wellness and health outcomes, provide a more personalized approach to members' healthcare needs, support providers, improve care for children and adults with complex needs, and increase program transparency and accountability. The Next Generation redesign is being implemented in stages. The first stage was completed on July 1, 2022, with the launch of the OhioRISE program. OhioRISE is a behavioral health program for children with complex behavioral health and multisystem needs. On October 1, 2022, the Single Pharmacy Benefit Manager (SPBM) began providing pharmacy services across all MCOs and members. The SPBM directly contracts with ODM to provide ODM greater ability to monitor quality, transparency, and accountability in the pharmacy program. On December 1, 2022, ODM will implement further enhancements to streamline claims and prior authorization submission processes.

Attorney General Awards First Grant from "Stop Bullying" License Plate Revenue

– Jessica Murphy, Budget Analyst

On October 18, 2022, the Ohio Attorney General announced the award of the first grant funded by the sale of "Stop Bullying" license plates. The grant, in the amount of $7,000, was awarded to the Values-in-Action Foundation for anti-bullying education.[11] The Foundation was selected as a recipient following a survey of anti-bullying services across the state by the Attorney General.

The grant money is distributed from the Stop Bullying License Plate Contribution Fund (Fund 5VL0), which receives its revenue from the $25 annual contribution a person must pay when a "Stop Bullying" license plate is issued or renewed. The fund, administered by the Attorney General, was created in S.B. 86 of the 132nd General Assembly to support grants to nonprofit organizations, schools, and school districts that provide bullying prevention training programs or educational opportunities. At the end of CY 2021, a total of 89 of these license plates were active.

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[10] Provider credentialing allows organizations to verify the credentials of healthcare providers to ensure they meet licensure or certification requirements. It also confirms that no regulatory or licensing violations exist and that the provider is capable of treating patients.

[11] Values-in-Action, based in the city of Mayfield (Cuyahoga County), promotes social-emotional learning, kindness, and workforce readiness through trainings that have reached 750 schools in 73 of Ohio's 88 counties and 4,500 schools nationwide.

Since its creation, revenue to Fund 5VL0 has been as follows: $1,525 (FY 2020), $2,225 (FY 2021), $3,075 (FY 2022). The Attorney General anticipates collecting around $2,500 in FY 2023. The $7,000 grant is expected to be the only award in FY 2023. A second award will likely be made after the cash balance has rebuilt to support a similar sized grant.

Ohio Traffic Safety Office Awards $22.6 Million in Traffic Safety Grants

– Maggie West, Senior Budget Analyst

On October 28, 2022, the Governor announced the award of 178 competitive traffic safety grants totaling $22.6 million through DPS's Ohio Traffic Safety Office. Individual grants to 140 local agencies (some receiving multiple grants) ranged from a low of $17,193 to a high of $3.0 million. The Ohio State Highway Patrol received the largest number of individual grants (10) and was awarded the most funding overall ($9.3 million or 41.2% of the total amount awarded). Other recipients include state agencies, political subdivisions, nonprofit organizations, colleges and universities, hospitals, and other interested groups within Ohio in areas where a fatal and serious injury traffic crash problem has been identified.[12]

The grants were awarded in the following four program areas: (1) Statewide Programming (55.6% of total funding), which supports education, enforcement, and awareness initiatives statewide to address traffic safety priority areas, (2) Impaired Driving Enforcement and Selective Traffic Enforcement Program (22.3%), which saw awards to 57 sheriff's offices and 37 police departments for overtime hours used to reduce traffic-related fatal crashes, (3) Countywide OVI Task Forces (11.9%), which includes awards to agencies for countywide high-visibility enforcement, public awareness, and impaired driving initiatives, and (4) Safe Community Programs (10.2%), which assists communities to help address traffic safety issues that involve impaired driving, seat belt usage, distracted driving, youthful driving, and motorcycles. The table below shows the number of individual grant awards and total funding by program area.

Ohio Traffic Safety Grants, Federal Fiscal Year 2023		
Program Area	**Number of Grants**	**Program Area Total**
Statewide Programming	27	$12,597,923
Impaired Driving Enforcement and Selective Traffic Enforcement Program	94	$5,049,075
Countywide OVI Task Forces	12	$2,687,053
Safe Community Programs	45	$2,315,889
Total	**178**	**$22,649,940**

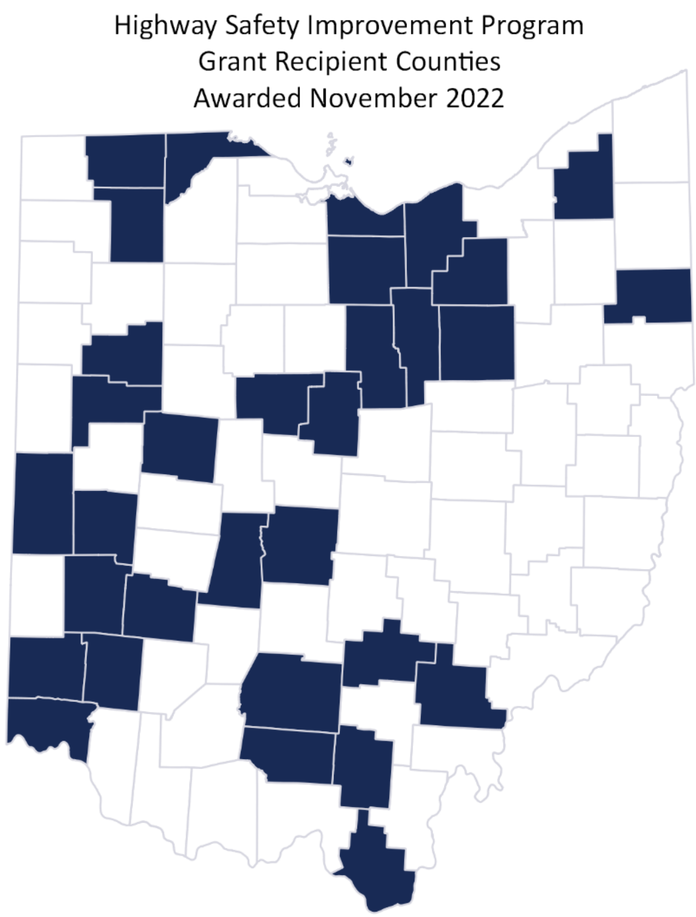
[12] A complete list of recipients (Excel) can be found on the Department of Public Safety's website by clicking on "Grants/Federal Programs" on the Ohio Traffic Safety Office page.

These grants are funded through money provided by the National Highway Traffic Safety Administration under the federal Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law. The grant period began October 1, 2022, and runs through September 30, 2023, coinciding with the federal fiscal year. Traffic safety priority areas chosen by Ohio for grant funding include impaired driving, seat belt usage, distracted driving, youthful driving, and motorcycle safety.

ODOT Awards $121 Million for 50 Traffic Safety Projects

– Jared Cape, Budget Analyst

On November 4, 2022, ODOT announced 50 new traffic safety projects totaling $121 million under the Department's Highway Safety Improvement Program. The funding will go toward the development, right of way acquisition, and construction of projects located in 32 counties, as displayed in the map below. Nearly half of the project awards (21 projects totaling $63.5 million) will be used to install roundabouts to improve public safety at intersections. The grants range from $348,000 for traffic signal visibility improvements at a busy intersection along Elyria in Lorain to $6.1 million for an extensive road diet and pedestrian safety project along Harrison Avenue in the Westwood neighborhood of Cincinnati. For a list of the projects, see the press release, which is available on the Governor's website: governor.ohio.gov.



Under the Highway Safety Improvement Program, ODOT allocates approximately $180 million annually for engineering improvements at severe crash locations or locations with the potential for severe crashes. This funding can be used to make improvements on any public roadway and is available to both ODOT and local governments. In May 2022, ODOT allocated $51 million in traffic safety improvement projects to address an increase in pedestrian-involved traffic crashes and fatal roadway departures on state and local roads. About 58% of that allocation went to local governments to complete those projects.

DPS and DHE Award $5 Million in Campus Safety Grants to 33 Community Colleges and Universities

– Jason Glover, Budget Analyst

In November 2022, DPS, in coordination with DHE, awarded a total of $5.0 million to 33 public community colleges and universities under the Campus Safety Grant Program. Under the program, DPS makes competitive grants to public community colleges and universities for eligible security improvements that assist the institutions in improving the overall security and safety of their buildings. Funds may be used for a physical security enhancement, equipment, or inspection and screening equipment. The applications had to include (1) a vulnerability assessment conducted by security, law enforcement, or military personnel, (2) descriptions of how the grant would (a) address the identified vulnerabilities and (b) be used to integrate the campus's organizational preparedness into broader state and local preparedness efforts, (3) information on each campus including (a) prior instances of violence, vandalism, or attacks at the campus and (b) student housing on campus, and (4) certain details related to grant management. H.B. 687, the capital budget bill for the 134th General Assembly, supports the program with an appropriation of $5.0 million from line item C23566, Campus Safety Grant Program, under DHE's budget for the FY 2023-FY 2024 biennium. In the FY 2021-FY 2022 biennium, S.B. 310 of the 133rd General Assembly provided $5.0 million to support projects at 27 community colleges and universities.

Grants ranged from $50,000 for Central Ohio Technical, North Central State, and Zane State colleges to over $422,000 for the University of Akron. Institutions with satellite or branch campuses submitted one application that included the needs of all campuses. The table below summarizes the grant recipients and total awards by institution type. As the table shows, 20 community colleges and 13 universities each received about half of the total $5.0 million. The full list of awards and recipients can be accessed by conducting a keyword "safety and security support" search on the Governor's website: governor.ohio.gov.

Campus Safety Grant Awards, FY 2023-FY 2024		
Type of Institution	**Number of Institutions**	**Total Awards**
Community College	20	$2,526,730
University	13	$2,473,270
Total	**33**	**$5,000,000**

DHE Announces Recipients of $7.7 Million in Regional Workforce Training Grants

– Jason Glover, Budget Analyst

In November 2022, DHE awarded more than $7.7 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 specific regional workforce needs. As seen in the table below, DHE awarded each of JobsOhio's seven RAPIDS investment regions amounts ranging from a total of $1.9 million to nine institutions in the Northeast region to a total of approximately $821,000 to six institutions in the Northwest region. Individual institution awards ranged from approximately $475,000 for Wright State University to approximately $89,000 for Central State University. Most of the projects address advanced and additive manufacturing while others focus on or also involve the healthcare, cybersecurity, transportation, public safety, or automotive fields. Each region's grant recipients and total award amount are listed below.

RAPIDS Grants, FY 2022-FY 2023		
Region	**University or Community College**	**Award**
Northeast	Akron, Cleveland State, Cuyahoga, Kent State, Lakeland, Lorain County, NEOMED, Stark State, Youngstown State	$1,942,500
East	Belmont, Eastern Gateway, Washington State, Zane State	$1,119,500
Central	Central Ohio Technical, Columbus State, Marion Technical, North Central State, Ohio State	$1,031,736
Southeast	Hocking, Ohio, Rio Grande, Shawnee State, Southern State	$968,250
Southwest	Cincinnati, Cincinnati State, Miami	$926,250
West	Central State, Clark State, Edison State, Sinclair, Wright State	$926,250
Northwest	Bowling Green State, Northwest State, Owens, Rhodes State, Terra State, Toledo	$820,764
	Total	**$7,735,250**

Outdoor Recreations Projects in 62 Counties to Receive more than $1.7 Million in NatureWorks Funding

– Tom Wert, Senior Budget Analyst

On November 7, 2022, the Governor and Department of Natural Resources (DNR) announced the recipients of more than $1.7 million to create and renovate parks and outdoor recreation areas including the acquisition of green space and improvements and construction of playgrounds, shelters, fencing, and pickleball courts. In all, 68 projects in 62 counties will receive grants ranging from approximately $3,500 to nearly $135,000 under this round of funding. A full list of recipients can be found on DNR's website at: ohiodnr.gov/discover-and-learn.

The NatureWorks program provides up to 75% of eligible project costs for the acquisition, development, and rehabilitation of recreational areas. Recipients of these grants include townships, villages, cities, counties, park districts, joint recreation districts, and conservancy districts. Funding for NatureWorks grants is supported by bond proceeds that are deposited to the credit of the Ohio Parks and Natural Resources Fund (Fund 7031).

Tracking the Economy

– Philip A. Cummins, Senior Economist

Overview

Economic indicators are mixed, dampened by high inflation, elevated interest rates, and war in Europe. Nonfarm payroll employment nationwide continued to advance through November. Total factory output in October was slightly below its level in April, based on the industrial production index. Inflation-adjusted gross domestic product (real GDP) grew in the July to September quarter, after falling through the year's first two quarters. Residential investment and business investment in structures declined every quarter since early 2021. Numbers of job openings as of the end of October were still quite high by historical standards but down 13% from the peak last March.

Ohio indicators are similarly mixed. Total nonfarm payroll employment in the state grew through October, but less rapidly than nationwide. The statewide unemployment rate has ticked up since summer and is above the average rate for the U.S., but remains low. Ohio job openings through September were down from earlier peaks but considerably exceeded pre-2021 numbers. Hiring fell in recent weeks and layoffs rose. Home sales in Ohio continued to slow. Business activity in the region slowed modestly in recent weeks, according to a recent Federal Reserve Bank of Cleveland report, even as continued employer competition for workers pushed wages higher.

The next meeting of the central bank's Federal Open Market Committee (FOMC) is scheduled for December 13-14. Another increase at that meeting in the short-term monetary policy target interest rate is widely anticipated, as part of the central bank's efforts to bring aggregate demand in the economy into better balance with supply, and thereby lower inflation toward its 2% target. The FOMC increased its target for federal funds by a total of 3.75 percentage points so far this year, of which the last four increases were unusually large, 0.75 percentage point each.[13]

The National Economy

The number of nonfarm payroll jobs in the nation rose 263,000 (0.2%) from October to November, to about 153.5 million, and the average unemployment rate remained unchanged at 3.7%. Total employment and the unemployment rate are shown in Chart 5 and Chart 6, respectively.

The 263,000 increase in total nonfarm payroll employment in November was below the average growth over the prior three months of 282,000 and the larger increases in most months of recovery from the 2020 recession, when 22 million jobs were lost. The largest increases in employment over the past year were in the service sector, by 4.2 million (3.3%), notably at restaurants and bars; in the health care sector; in provision of various professional and technical services; in government, mostly at the local level; in transportation, mainly by air and truck; in

[13] Federal funds are loans between banks, generally overnight, of reserve balances at the central bank, the Federal Reserve. A measure of market expectations, the CME FedWatch Tool based on trading in federal funds futures contracts, as of 1:15 p.m. on December 9 showed a 77.0% probability of the federal funds target interest rate being raised 0.50 percentage point at the December 2022 FOMC meeting to a range of 4.25% to 4.50%. For 2023, the most likely forecast was for the target to be increased another 0.50 percentage point early in the year to 4.75% to 5.00%, to be raised later in the year by 0.25 percentage point to a peak of 5.00% to 5.25%, then to be lowered to 4.50% to 4.75% by yearend.

administrative and support services, particularly temporary help services and office administrative services; in social assistance; and at retailers of various types, especially grocery stores. Goods-producing industry employment was increased by 0.7 million (3.5%), with increases in numerous manufacturing industries and in construction.

The country's unemployment rate (persons out of work and actively seeking jobs, as a percent of the labor force) varied between 3.5% and 3.7% since March, matching the lows reached in 2019 and early 2020. Labor force participation, the share of the population ages 16 and older that is either employed or actively looking for work, fell sharply in the 2020 recession and thereafter recovered earlier this year to 62.4% of the population age 16 and older, still short of the prerecession participation rate in early 2020, 63.4%. The rate then fell to 62.1% in November. If more people had sought work in recent months, both employment and unemployment likely would have been higher.

The nation's labor markets remained tight overall as of October, though less so than earlier this year and late last year, as indicated by statistics on job openings, hiring, and separations. The number of job openings nationwide declined in October to 10.3 million, one of the lowest levels for this labor market measure since mid-2021 but above numbers of job openings earlier, in data published since 2000. This latest number of job openings at the end of October compares with about 6.0 million people unemployed at that time. Numerous layoff announcements have been reported since then. The pace of hiring slowed 12% since February but remained higher than before 2020. Similarly, numbers of workers laid off or discharged in October were up about 10% from the 2021 monthly low but well below those prior to last year. Quits, workers who leave employment voluntarily, are down 11% from the peak in 2021 but considerably higher than in earlier years.[14]

Real GDP rose at a 2.9% annual rate in this calendar year's third quarter, after declining in each of the year's first two quarters. Consumer spending, business fixed investment, government outlays, and exports all grew in the third quarter. Residential fixed investment tumbled, for the sixth straight quarter, as did the structures portion of business fixed investment. The rise in consumer spending was mainly for services, and outlays by consumers for motor vehicles and parts fell for the second straight quarter. Imports of goods fell in the quarter, leaving more of the rise in aggregate demand to be met from domestic production and inventories.

In October, real consumer spending continued to grow, advancing 0.5% with increases in outlays for both goods and services. Light motor vehicle unit sales in the current quarter through November were well above the sales rate in the third quarter, possibly reflecting limited easing of still extremely tight inventories at car and light truck dealers. Housing market indicators – single-family housing starts and sales – remained generally weak through October, with the exception of multifamily housing construction, up strongly since mid-2021. Home sales and construction are constrained by high residential mortgage interest rates, which have fallen back from peaks in October and early November but remain at the highest levels since 2008.[15]

[14] Quits are sometimes viewed as indicators of workers' confidence in their ability to find other employment. Not included in the quits numbers are retirements and transfers to employers' other locations.

[15] Mortgage data from Freddie Mac [weekly survey].

Industrial activity has flattened, after growing last year and early this year. The index for total industrial production fell 0.1% in October after growth slowed in the July to September quarter. Manufacturing output rose 0.1% in October but was 0.1% below its recent peak level in April. The index remained 5.7% below its all-time peak in 2007. Mining activity fell 0.4% in October, after strong growth in this year's second and third quarters. Utility output fell 1.5% in October, after falling in the third quarter.

The consumer price index (CPI) for all items rose 0.4% in October, about a 5% annual rate. Month-to-month changes in the CPI slowed sharply beginning in July, as energy prices fell, after generally more rapid increases since October 2021, averaging double-digit annual rates. Food prices rose 0.6% in the latest month, the smallest rise in the cost of food since December 2021. Excluding food and energy, the so-called core CPI increased 0.3% in October, the smallest increase in this inflation index since September 2021. Compared with a year earlier, the CPI was 7.7% higher in October, down from a recent peak of a 9.1% year-over-year increase in June, largest since 1981.

Price indexes for personal consumption expenditures (PCE), indicators separate from but based largely on the CPI, are closely watched by the FOMC for progress in lowering the rate of annualized inflation toward the central bank's 2% target. The index for all goods and services rose in October by 0.3%, about a 3.6% annual rate, for the third straight month. Excluding food and energy, PCE prices rose a smaller 0.2%, down from generally larger increases earlier. Compared with a year earlier, the PCE price index for all goods and services was 6.0% higher, down from a peak of 7.0% in June and the smallest increase this year. The core PCE price index was 5.0% higher, down from a recent peak of 5.4% in February, a less decisive reduction than that for all goods and services.

Regarding core PCE prices and the persistence of elevated inflation, Federal Reserve System Chair Powell in a recent presentation noted the continued rise in housing services inflation, saying he expects this to persist well into next year. He also noted the importance of wage trends to the cost of core services other than housing, and the current large excess of labor demand over supply. He related resulting rapid pay increases to ongoing labor supply constraints affecting population and labor force participation, including elevated retirement rates since the pandemic's onset, reduced net immigration, and COVID-19-related deaths.[16]

The Ohio Economy

In October, total nonfarm payroll employment in Ohio rose 15,700 (0.3%), largest increase since February. The statewide average unemployment rate rose to 4.2% in October, highest since February. These numbers are shown in the accompanying charts.

Ohio's total nonfarm payroll employment continued to increase every month this year, and in October was up 106,400 (2.0%) since December 2021. Total nonfarm payrolls remained 104,400 (1.9%) below the peak for recent years in February 2020. The all-time peak was in 2000. The shortfall from February 2020 was mostly in the service sector, both at private and government employers. The number of jobs in health care and social assistance was 37,800 (4.6%) lower in October than in February 2020. Employment in Ohio's leisure and hospitality sector was 35,600 (6.1%) lower. State government employment was 19,700 (11.0%) lower, and local government employment was 14,600 (2.7%) lower. Other industry groups in which employment in October was substantially below that in February 2020 include retail trade, 13,500 (2.4%) lower;

[16] Jerome H. Powell, Inflation and the Labor Market, November 30, 2022.

professional and business services, 13,000 (1.8%) lower; and durable goods manufacturing, 12,000 (2.6%) lower. Sectors with large employment increases since February 2020 include transportation, warehousing, and utilities, up 35,200 (14.4%); nondurable goods manufacturing, 11,100 (4.9%) higher; and construction, with an employment increase of 4,100 (1.8%).[17]

The 4.2% unemployment rate statewide for October was up from 4.0% in August and September, and from 3.9% in May, June, and July, lowest since May 2019. The number of Ohioans counted as unemployed climbed 18,100 since the low in July. Labor force participation, the share of the population ages 16 and older that is either employed or actively seeking work, declined from a post-2020 recession high of 62.0% in May and June to 61.5% in October. The labor force participation rate remains well down from its recent peak prior to the recession of 63.5% in December 2019 and January 2020, equivalent to about 187,000 people neither working nor looking for work but who would have been in the labor force at the prepandemic rate of participation.[18] Total (household survey) employment in Ohio edged down from a recent peak in July, in contrast with payroll employment which continued to rise. Total employment includes self-employed persons and farm workers in addition to persons on nonfarm payrolls. The two sets of numbers are based on separate surveys.

Other Ohio labor market indicators show some softening from historically strong levels. Numbers of job openings in Ohio in August and September were the lowest in a year, but remained well above levels prior to mid-2021, in statistics kept since 2000. The state had nearly two job openings for each person counted as unemployed, as the ratio of unemployed persons per job opening rose to 0.6 in the latest two months from 0.5 in April through July, lowest on record. Hiring by Ohio employers slipped in September to the fewest per month since the 2020 recession, and layoffs and discharges in September and July were the highest since then. Voluntary quits were lower in each of the past six months than the elevated levels throughout August 2021 through March 2022.[19]

In Ohio metropolitan areas, unemployment rates in October ranged from 3.5% in the Columbus area to 4.9% in the Weirton-Steubenville area, not seasonally adjusted. Total nonfarm payroll employment was up from a year earlier in all of the state’s metropolitan areas except Weirton-Steubenville, by as much as 4.0% in the Toledo area, and statewide was 2.4% higher.

Ohio’s housing market continues to cool. The number of closings on sales of Ohio homes through multiple listing services was 22.8% lower in October than a year earlier, and 7.4% lower for the YTD, Ohio Realtors data indicate. Unit sales increased in most of the previous 11 years, by a total of about 70%. The average selling price was 6.3% higher than a year earlier for transactions closed in October, compared with 8.6% higher for the year’s first ten months. The slowing of average selling price increases follows two consecutive years, 2020 and 2021, of price increases in excess of 10%. Ohio Realtors data are subject to large seasonal swings and are not adjusted for seasonality.

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[17] As is the case for most data cited in this report, figures in the paragraph are seasonally adjusted.

[18] The all-time peak labor force participation rate in Ohio, in statistics kept since 1976, was in late 2006 and early 2007 at 67.7%. Since then, Ohio’s labor force has declined by about 0.25 million people while the age 16 and older population has continued to grow, by nearly 0.5 million.

[19] Quits do not include retirements or transfers to other locations.

A report on U.S. regional economic activity indicated the following for the Cleveland Federal Reserve District, which includes all of Ohio: "District business activity slowed modestly in recent weeks as previously robust sectors saw some softening while previously weak sectors remained weak. Still, firms continued adding to their payrolls, and stiff competition for workers kept upward pressure on wages. Input cost increases remained widespread, but a smaller share of contacts reported increases in selling prices."[20]

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

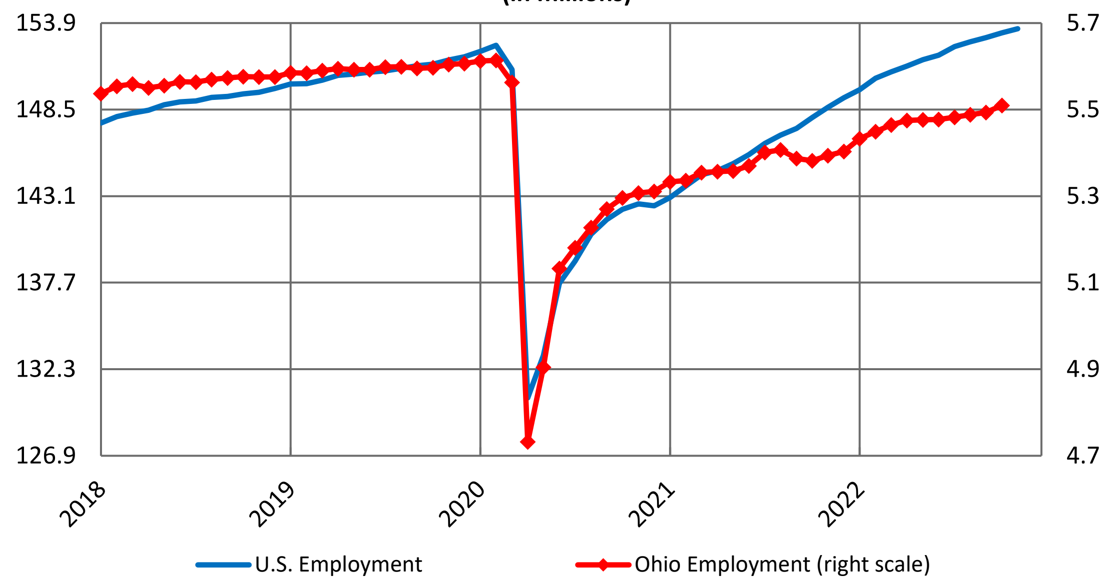

Chart 6: U.S. and Ohio Unemployment Rates % of Labor Force

[20] This excerpt is from the Beige Book, a summary of reports on economic conditions from business and other contacts outside the Federal Reserve System. The current report was based on information gathered by the 12 Federal Reserve Banks through November 23. The Cleveland bank's district includes Ohio and adjoining parts of three other states.