LBO Budget Footnotes

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Highlights

– Ross Miller, Chief Economist

August GRF tax receipts exceeded the estimate published by the Office of Budget and Management (OBM) by nearly $83 million. The positive variance for tax revenue was driven by the personal income tax (PIT) and the sales and use tax, as is typical, but also with a notable ($9 million) boost coming from the public utility tax. The overall positive variance was reduced by negative variances for the commercial activity tax (CAT, $7 million) and the cigarette tax ($8 million).

Ohio's unemployment rate ticked down to 3.9% in May, and remained there through July. The national unemployment rate was 3.5% in July. Ohio nonfarm payroll employment increased by 7,000 (0.1%) in July, with half of the increase accounted for by goods-producing industries.

Through August 2022, GRF sources totaled $7.64 billion:

- Revenue from the sales and use tax was $24.4 million above estimate;
- PIT receipts were $54.2 million above estimate.

Through August 2022, GRF uses totaled $8.49 billion:

- Program expenditures were $261.7 million below estimate;
- Expenditures in most program categories were below estimates, most notably in Primary and Secondary Education ($90.2 million), Medicaid ($81.5 million), and Justice and Public Protection ($76.6 million);
- General Government was the only program category for which spending was above estimate ($0.7 million).

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$198,584	$191,442	$7,142	3.7%
Nonauto Sales and Use	$917,042	$899,767	$17,275	1.9%
Total Sales and Use	*$1,115,626*	*$1,091,209*	*$24,417*	*2.2%*
Personal Income	$847,677	$793,452	$54,225	6.8%
Commercial Activity Tax	$369,122	$376,243	-$7,121	-1.9%
Cigarette	$77,091	$84,680	-$7,589	-9.0%
Kilowatt-Hour Excise	$31,984	$29,342	$2,642	9.0%
Foreign Insurance	-$1	$472	-$473	-100.3%
Domestic Insurance	$1	-$29	$30	103.1%
Financial Institution	$1,328	-$3,602	$4,930	136.9%
Public Utility	$40,765	$31,267	$9,498	30.4%
Natural Gas Consumption	$13,882	$12,383	$1,499	12.1%
Alcoholic Beverage	$5,621	$4,564	$1,057	23.2%
Liquor Gallonage	$5,010	$5,145	-$135	-2.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	-$360	-$106	-$254	-240.0%
Business and Property	$0	$0	$0	---
Estate	$0	-$5	$5	100.0%
Total Tax Revenue	**$2,507,745**	**$2,425,015**	**$82,730**	**3.4%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$7,882	$4,671	$3,211	68.8%
Other Revenue	$110,628	$1,250	$109,378	8753.7%
Total Nontax Revenue	**$118,510**	**$5,920**	**$112,590**	**1901.7%**
Transfers In	**$635**	**$0**	**$635**	**---**
Total State Sources	**$2,626,891**	**$2,430,935**	**$195,955**	**8.1%**
Federal Grants	**$1,250,722**	**$1,315,832**	**-$65,110**	**-4.9%**
Total GRF Sources	**$3,877,612**	**$3,746,767**	**$130,845**	**3.5%**

*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 August 31, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$356,941	$349,800	$7,142	2.0%	$359,285	-0.7%
Nonauto Sales and Use	$1,870,275	$1,853,000	$17,275	0.9%	$1,817,480	2.9%
Total Sales and Use	*$2,227,216*	*$2,202,800*	*$24,417*	*1.1%*	*$2,176,765*	*2.3%*
Personal Income	$1,571,926	$1,517,701	$54,225	3.6%	$1,431,654	9.8%
Commercial Activity Tax	$469,779	$476,900	-$7,121	-1.5%	$441,575	6.4%
Cigarette	$104,812	$112,400	-$7,589	-6.8%	$112,244	-6.6%
Kilowatt-Hour Excise	$52,642	$50,000	$2,642	5.3%	$53,430	-1.5%
Foreign Insurance	$427	$900	-$473	-52.6%	$5	8291.8%
Domestic Insurance	$17,530	$17,500	$30	0.2%	$1,614	986.3%
Financial Institution	$630	-$4,300	$4,930	114.6%	-$23	---
Public Utility	$41,397	$31,900	$9,498	29.8%	$34,877	18.7%
Natural Gas Consumption	$13,899	$12,400	$1,499	12.1%	$12,874	8.0%
Alcoholic Beverage	$12,557	$11,500	$1,057	9.2%	$13,533	-7.2%
Liquor Gallonage	$9,865	$10,000	-$135	-1.3%	$10,194	-3.2%
Petroleum Activity Tax	$0	$0	$0	---	$0	---
Corporate Franchise	-$54	$200	-$254	-127.0%	$408	-113.3%
Business and Property	$0	$0	$0	---	$0	---
Estate	$5	$0	$5	1309.1%	$3	108.5%
Total Tax Revenue	**$4,522,633**	**$4,439,902**	**$82,730**	**1.9%**	**$4,289,152**	**5.4%**
Nontax Revenue						
Earnings on Investments	$1	$0	$1	---	$1	-9.6%
Licenses and Fees	$8,358	$5,147	$3,211	62.4%	$5,419	54.2%
Other Revenue	$120,773	$11,395	$109,378	959.9%	$19,766	511.0%
Total Nontax Revenue	**$129,132**	**$16,542**	**$112,590**	**680.6%**	**$25,186**	**412.7%**
Transfers In	**$5,635**	**$5,000**	**$635**	**12.7%**	**$35,310**	**-84.0%**
Total State Sources	**$4,657,399**	**$4,461,444**	**$195,955**	**4.4%**	**$4,349,648**	**7.1%**
Federal Grants	**$2,982,943**	**$3,048,053**	**-$65,110**	**-2.1%**	**$2,346,378**	**27.1%**
Total GRF SOURCES	**$7,640,343**	**$7,509,498**	**$130,845**	**1.7%**	**$6,696,026**	**14.1%**

*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]

– Jean J. Botomogno, Principal Economist

Overview

This section compares FY 2023 actual GRF sources posted each month against OBM's estimates. GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants, which are typically federal reimbursements for Medicaid and other human services programs. Estimated revenue by GRF source for the full fiscal year is provided at the end of the section.

If actual receipts are higher than the estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source has a negative variance if actual receipts are lower than the estimate. Tables 1 and 2, which precede this section, show GRF sources for the most recent month, in this case August, and year-to-date (YTD) sources (including both July and August) relative to YTD estimates.

For example, Table 1 shows that GRF sources for August amounted to $3.88 billion and OBM's estimates totaled $3.75 billion. Thus, August sources had a positive variance of $130.8 million (3.5%), which was due to positive variances of $82.7 million (3.4%) for GRF tax sources and $112.6 million (1,901.7%) for GRF nontax revenue.[2] OBM transferred $0.6 million into the GRF when transfers in were not anticipated. Those positive variances were partially offset by a negative variance of $65.1 million (4.9%) for federal grants. Among the largest tax sources, positive variances for the sales and use tax ($24.4 million) and the PIT ($54.2 million) were partially offset by negative variances for the CAT ($7.1 million) and the cigarette tax ($7.6 million), netting a combined positive variance of $63.9 million. In addition, most of the remaining tax sources were above their anticipated receipts, including the public utility tax ($9.5 million), the financial institutions tax ($4.9 million), the kilowatt-hour excise tax ($2.6 million), and the natural gas consumption tax ($1.5 million).

In addition to YTD sources, Table 2 also presents the sum of the sources, respectively, for the corresponding months in the previous fiscal year and the percent change from the previous fiscal year to the current fiscal year. OBM did not release monthly estimates for July 2022, deeming that actual revenue for each GRF source that month matched the estimate; i.e., each monthly variance was $0. Thus, the dollar variance recorded in the month of August 2022 (shown in Table 1) is equal to the YTD dollar variance for each GRF source in Table 2.

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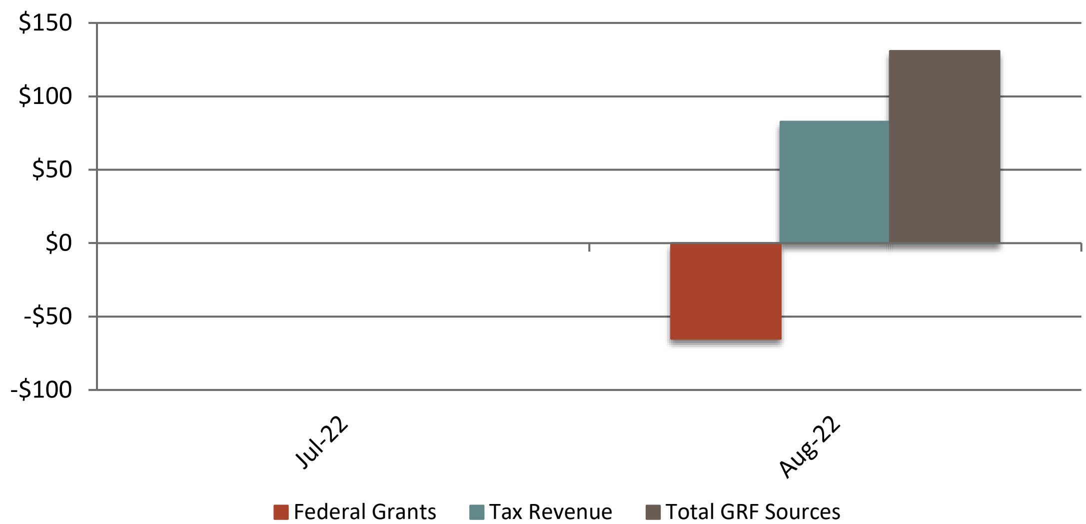
[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

[2] The large variance for GRF nontax revenue is due to a $108.4 million payment that OAKS described as "various other." It is likely due to an earlier than anticipated payment from liquor profits from JobsOhio, scheduled to be made in September 2022.

Table 2 shows that, through August, YTD GRF sources totaled $7.64 billion compared to an estimate of $7.51 billion. Therefore, the YTD positive variance was $130.8 million (1.7%). The sum of sources in July and August 2021 (FY 2022) was $6.70 billion. Thus, FY 2023 GRF revenue was $944.3 million (14.1%) above such sources through August in FY 2022. Chart 1 below shows cumulative YTD variances of GRF sources through August in FY 2023.

Chart 1: Cumulative Variances of GRF Sources in FY 2023 (Variances from Estimates, $ in millions)



Compared to revenue in the first two months of FY 2022, YTD federal grants were higher by $636.6 million (27.1%). In addition, GRF tax sources were $233.5 million (5.4%) above revenue in the July-August period last year. Reflecting continuing economic growth, revenue grew for most tax sources, except for the cigarette tax that posted a noticeable decline in receipts. PIT receipts grew 9.8% ($140.3 million) from FY 2022, but that understates the strength of the tax, because the withholding rate for the tax was reduced in early FY 2022. For the remaining GRF categories, receipts from nontax revenue sources increased $103.9 million (412.7%), but fell for transfers in by $29.7 million (84.0%).

Sales and Use Tax

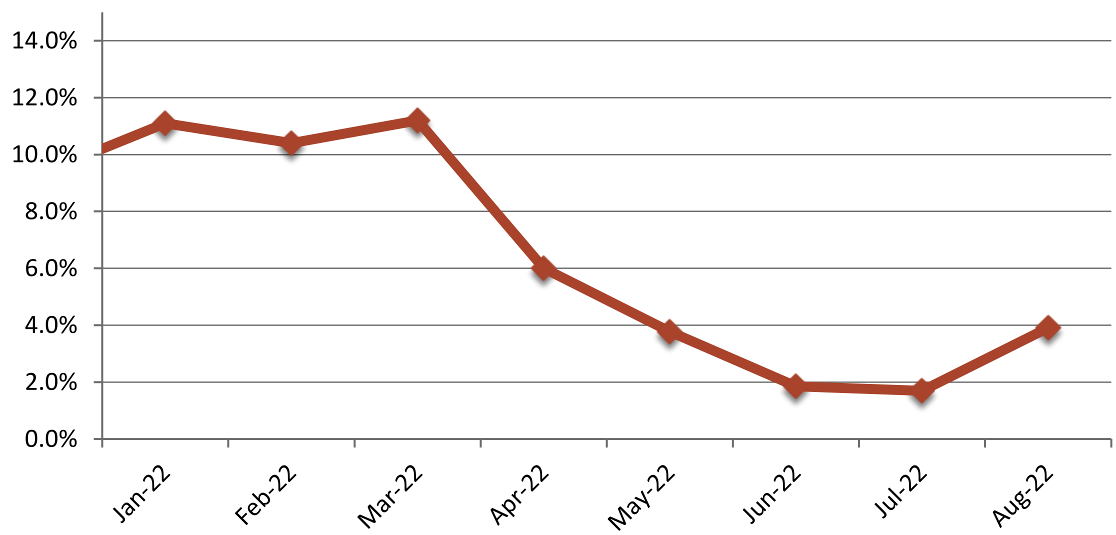
The sales and use tax performed well in FY 2022. Revenue from this GRF source was 5.8% above OBM estimate and 6.9% above such revenue in FY 2021. An unusual set of circumstances supported consumer spending on taxable goods: household incomes increased from prepandemic levels with assistance from federal 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. However, the tailwinds that fostered that uncommon growth are unlikely to continue into FY 2023, and monthly revenue growth will likely be lower when compared to growth rates achieved most of FY 2022. For the fiscal year as a whole, OBM estimates GRF sales and use tax revenue will be $13.33 billion, up 2.3% from FY 2022.

In the first two months of FY 2023, sales and use tax receipts to the GRF totaled $2.23 billion, an amount $24.4 million (1.1%) above estimate and $50.5 million (2.3%) above revenue in the corresponding period in FY 2022. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

Nonauto Sales and Use Tax

August 2022 GRF receipts of $917.0 million were $17.3 million (1.9%) above the OBM estimate and $47.0 million (5.4%) above revenue in August 2021. Through August, FY 2023 GRF receipts totaled $1.87 billion, an amount 0.9% above estimate and $52.8 million (2.9%) above FY 2022 revenue through August. 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, provides year-over-year growth in nonauto sales and use tax collections in 2022. Growth exceeded 10%, on average, in the first calendar quarter, and then slowed to about 2%, on average, in the second. In recent months, revenue growth has increased. For FY 2023 as a whole, OBM anticipates GRF revenue from the nonauto sales and use tax to total $11.38 billion, up 2.7% from FY 2022.

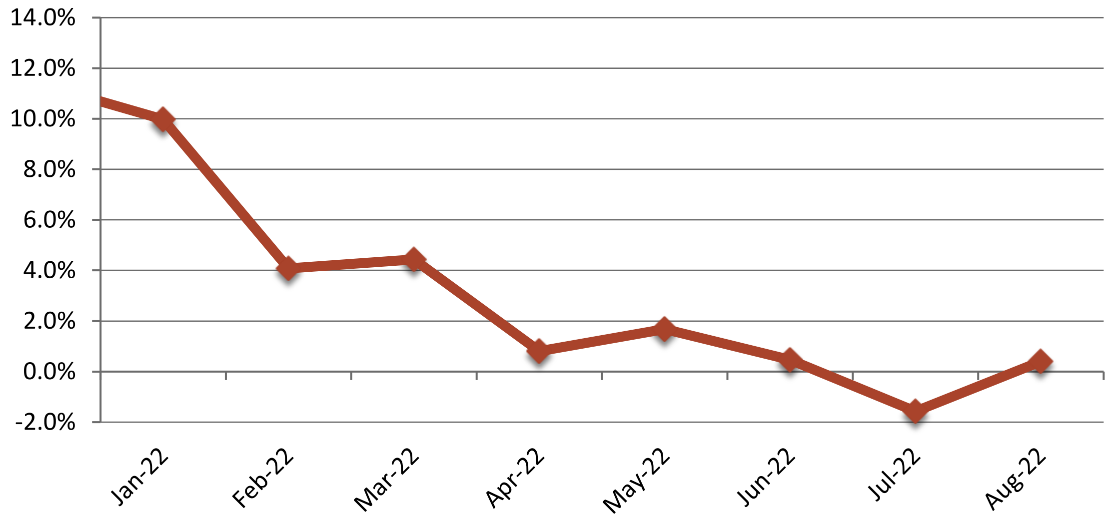
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

This portion of the sales and use tax also had strong results in FY 2022. Receipts from the auto sales and use tax were 4.8% above OBM estimate last fiscal year, and 5.0% above revenue in FY 2021.

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



For the month of August, GRF revenue from this tax source was $198.6 million, $7.1 million (3.7%) above estimate and $18.3 million (10.2%) above such receipts in August 2021. Revenue growth was negative in July 2022 (-$20.7 million). Therefore, YTD FY 2023 revenue from the auto sales and use tax was $2.3 million (0.7%) below receipts in the first two months of FY 2022. Chart 3 above shows year-over-year growth in auto sales and use tax collections in 2022. It reflects strong growth at the outset of the calendar year (CY) but a flattening out at the end of the second calendar quarter, as interest rates started rising. For FY 2023 as a whole, OBM anticipates auto sales tax revenue of $1.96 billion, about 0.4% above FY 2022 revenue.

On a seasonally adjusted annualized rate basis, U.S. new light vehicle (autos and light trucks) unit sales were 13.3 million and 13.2 million, respectively, in July and August 2022. Despite some improvement, supply of new vehicles continues to be below demand, and inventory continues to be an impediment to increasing new-vehicle sales volumes. In 2021, new light vehicle sales averaged about 15.0 million units nationwide, including an 18.3 million unit rate during the most recent peak in April 2021. So far in CY 2022, unit sales have averaged 13.7 million units nationwide. Though unit sales have been trending lower, total spending on vehicles has increased. For example, during FY 2022, purchases of both new and used motor vehicles in Ohio decreased by double-digit margins. However, the tax base grew over that same period due to record breaking average prices, as auto dealers have sold a greater mix of higher-trimmed trucks, SUVs, crossovers, and luxury vehicles, and manufacturers have kept incentive spending low, given the continued strong demand for new vehicles.

Personal Income Tax

The PIT had an excellent performance in FY 2022, when GRF revenue from this tax was 20.8% above the estimate and 5.4% above FY 2021 revenue. That revenue growth occurred in a year when tax brackets were consolidated, tax rates reduced, and prior withholding receipts were refunded to taxpayers as part of the tax plan enacted in 2021.[3] August 2022 GRF revenue was $54.2 million (6.8%) above estimate and $81.7 million (10.7%) above August 2021 revenue. Through August, PIT receipts to the GRF of $1.57 billion exceeded the estimate by 3.6% and were $140.3 million (9.8%) above revenue in the corresponding period in FY 2022.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[4] 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 (about 76% of gross collections in FY 2022). Larger or smaller than expected refunds (which decrease gross collections) could also greatly affect the monthly performance of the tax.

For the month of August, gross collections were $55.2 million (6.4%) above estimate, driven by a positive variance of $39.0 million for employer withholding. The other components of gross collections were also above their anticipated revenue, including payments due with annual returns ($7.8 million) and quarterly estimated payments ($4.2 million). Refunds were above estimate by $1.3 million, but distributions to the LGF posted a negative variance of $0.4 million. Overall, GRF revenue was $54.2 million above estimate for the month (and the fiscal year through August).

The table below provides details on revenue from each component of the PIT relative to estimates for FY 2023 through August and revenue received in FY 2022. Compared to the corresponding period in FY 2022, gross collections grew $126.5 million in FY 2023, mostly due to an increase of $113.5 million in employer withholding. Except for miscellaneous payments, which recorded a small decrease, the remaining components of gross collections were above corresponding receipts in FY 2022. YTD FY 2023 refunds were $15.6 million lower than those in the first two months of last fiscal year, but LGF distributions were higher by $1.8 million. Therefore, growth in PIT GRF revenue was $140.3 million over receipts in FY 2022.

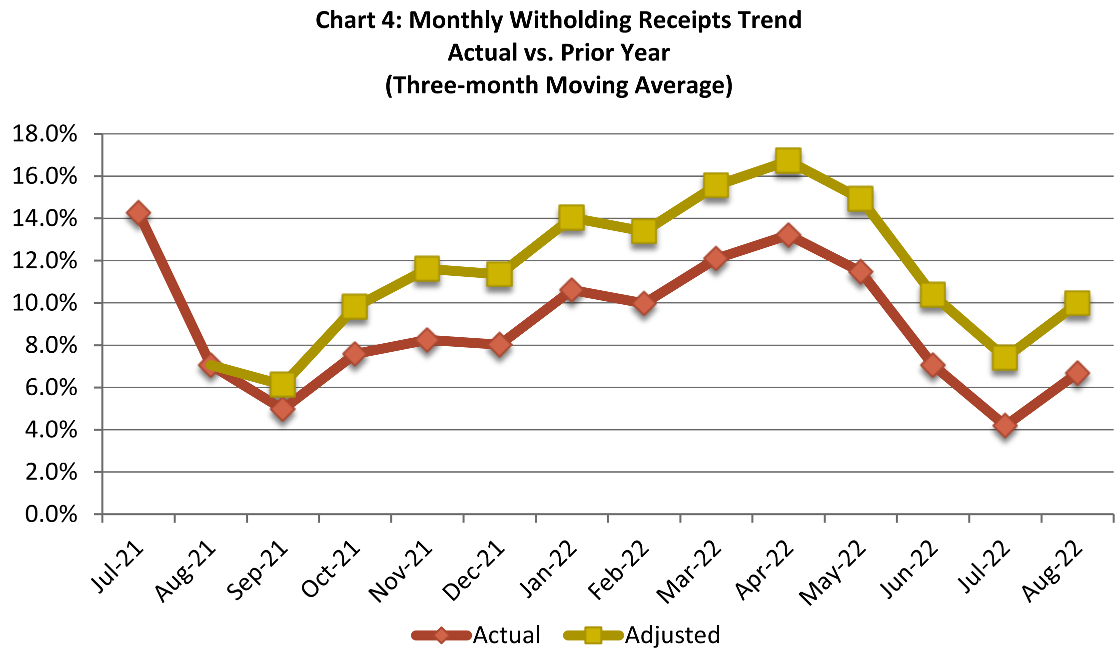
[3] A separate aspect made the FY 2022 revenue increase extraordinary, as it was compared against an FY 2021 that benefitted from annual tax return receipts from two different filing deadlines. The tax year (TY) 2019 returns were due in July 2020 and TY 2020 returns were due in May 2021. The normal filing schedule resumed in FY 2022.

[4] Quarterly estimated payments are made by 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.

FY 2023 PIT Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Changes from FY 2022	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$39.0	2.4%	$113.5	7.5%
Quarterly Estimated Payments	$4.2	12.9%	$5.0	15.5%
Trust Payments	$2.0	37.8%	$4.5	160.2%
Annual Return Payments	$7.8	33.1%	$3.7	13.2%
Miscellaneous Payments	$2.1	19.4%	-$0.2	-1.2%
Gross Collections	$55.2	3.3%	$126.5	7.9%
Less Refunds	$1.3	1.9%	-$15.6	-18.2%
Less LGF Distribution	-$0.4	-0.4%	$1.8	2.2%
GRF PIT Revenue	$54.2	3.6%	$140.3	9.8%

Year-over-year growth in withholding receipts has 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. Starting next month, however, the growth in FY 2023 monthly withholding receipts will fully reflect 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 since July 2021 and estimated withholding receipts adjusted for the September 2021 withholding tax rate cut. Payrolls are estimated to have increased about 10.0%, on average, in the last three months.



Commercial Activity Tax

The first CAT payment for quarterly return taxpayers was due in August. It provided $369.1 million to the GRF, an amount $7.1 million (1.9%) below estimate. For the YTD, CAT GRF receipts totaling $469.8 million were 1.5% below estimate. Compared to last year, July and August 2022 revenue were respectively $14.9 million (17.4%) and $13.3 million (3.7%) above the corresponding months last fiscal year. Thus, YTD GRF revenue from the CAT was $28.2 million (6.4%) above revenue through August in FY 2022. YTD FY 2023 gross collections totaling $580.0 million were $38.1 million (7.0%) above last year's gross collections, but refunds and credits also increased compared to FY 2022, by $4.6 million (24%).[5]

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%). Through August, Fund 7047 and Fund 7081 received $71.8 million and $11.1 million, respectively. Disbursements from the funds 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. 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.[6] For FY 2023, CAT receipts will grow 3.7% from FY 2022, according to OBM.

[5] 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.

[6] At the end of FY 2022, cash balances in Fund 7047 and Fund 7081 totaled $493.2 million and $133.6 million, respectively. Balances at the end of August were $565.0 million and $141.5 million, respectively.

Cigarette and Other Tobacco Products Tax

Through August, FY 2023 revenue from the cigarette and other tobacco products (OTP) tax totaling $104.8 million was below estimate by $7.6 million (6.8%). Total revenue included $85.0 million from the sale of cigarettes and $19.8 million from the sale of OTP. For the month of August, receipts from this tax source of $77.1 million were $7.6 million (9.0%) below estimate and $5.8 million (7.0%) below revenue in August 2021.

YTD FY 2023 revenue was also $7.4 million (6.6%) below FY 2022 revenue through August. OTP sales increased by $0.6 million (3.3%) while receipts from cigarette sales decreased $8.1 million (8.7%). 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. The tax on cigarettes is based on unit sales rather than value, and revenue from this portion of the tax base has steadily decreased over time.[7] Cigarette tax revenue fell 6.5% in FY 2022, and declined 8.7% in the first two months of FY 2023. OBM estimates the cigarette and OTP tax will yield $872.3 million this fiscal year, down 1.4% from FY 2022 revenue.

Summary of OBM Estimates for GRF Sources for FY 2023

Estimated revenue by GRF source for the full fiscal year is provided below. As seen from the table, GRF sources are estimated to total $41.80 billion in FY 2023. Based on this estimate, the sales and use tax, the PIT, the CAT, and the cigarette tax will provide nearly two-thirds of total GRF sources in FY 2023.

OBM Estimate for GRF Sources for FY 2023 ($ in millions)		
Revenue Source	**Estimate**	**As a % of Total Source**
Sales and Use Tax	$13,333.9	31.9%
Individual Income Tax	$10,152.1	24.3%
Commercial Activity Tax	$2,069.0	4.9%
Cigarette & Other Tobacco Products Tax	$872.3	2.1%
Domestic and Foreign Insurance Taxes	$651.7	1.6%
Utility Taxes	$498.3	1.2%
Other Taxes	$344.2	0.8%
Subtotal – GRF Taxes	**$27,921.5**	**66.8%**

[7] 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, for FY 2021 as a whole, cigarette receipts experienced a small decline of 0.6%, though total revenue from the cigarette and OTP tax increased 1.5%.

OBM Estimate for GRF Sources for FY 2023 ($ in millions)		
Revenue Source	**Estimate**	**As a % of Total Source**
Nontax Revenue and Transfers In	$368.1	0.9%
Federal Grants	$13,513.1	32.3%
Total GRF Sources	**$41,802.7**	**100.0%**

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$826,461	$917,558	-$91,097	-9.9%
Higher Education	$206,554	$211,870	-$5,316	-2.5%
Other Education	$10,185	$12,174	-$1,988	-16.3%
Total Education	**$1,043,200**	**$1,141,602**	**-$98,402**	**-8.6%**
Medicaid	$1,795,473	$1,862,253	-$66,780	-3.6%
Health and Human Services	$122,945	$121,716	$1,230	1.0%
Total Health and Human Services	**$1,918,418**	**$1,983,969**	**-$65,550**	**-3.3%**
Justice and Public Protection	$185,116	$212,374	-$27,257	-12.8%
General Government	$42,692	$40,044	$2,649	6.6%
Total Government Operations	**$227,809**	**$252,417**	**-$24,609**	**-9.7%**
Property Tax Reimbursements	$233,606	$239,815	-$6,209	-2.6%
Debt Service	$167,566	$167,660	-$94	-0.1%
Total Other Expenditures	**$401,172**	**$407,475**	**-$6,303**	**-1.5%**
Total Program Expenditures	**$3,590,599**	**$3,785,463**	**-$194,864**	**-5.1%**
Transfers Out	**$44,800**	**$46,550**	**-$1,750**	**-3.8%**
Total GRF Uses	**$3,635,399**	**$3,832,013**	**-$196,614**	**-5.1%**

*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 August 31, 2022
($ in thousands)
(Actual based on OAKS reports run September 2, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$1,630,297	$1,720,493	-$90,197	-5.2%	$1,794,425	-9.1%
Higher Education	$399,791	$403,258	-$3,467	-0.9%	$365,034	9.5%
Other Education	$18,615	$21,351	-$2,736	-12.8%	$17,428	6.8%
Total Education	**$2,048,702**	**$2,145,102**	**-$96,399**	**-4.5%**	**$2,176,887**	**-5.9%**
Medicaid	$4,218,266	$4,299,755	-$81,490	-1.9%	$3,398,017	24.1%
Health and Human Services	$280,913	$281,792	-$879	-0.3%	$236,834	18.6%
Total Health and Human Services	**$4,499,179**	**$4,581,548**	**-$82,368**	**-1.8%**	**$3,634,851**	**23.8%**
Justice and Public Protection	$489,968	$566,617	-$76,649	-13.5%	$497,266	-1.5%
General Government	$86,906	$86,199	$707	0.8%	$91,279	-4.8%
Total Government Operations	**$576,874**	**$652,816**	**-$75,942**	**-11.6%**	**$588,545**	**-2.0%**
Property Tax Reimbursements	$233,606	$240,159	-$6,553	-2.7%	$298,615	-21.8%
Debt Service	$462,583	$463,018	-$434	-0.1%	$382,831	20.8%
Total Other Expenditures	**$696,189**	**$703,177**	**-$6,987**	**-1.0%**	**$681,447**	**2.2%**
Total Program Expenditures	**$7,820,944**	**$8,082,641**	**-$261,697**	**-3.2%**	**$7,081,730**	**10.4%**
Transfers Out	**$671,759**	**$673,700**	**-$1,941**	**-0.3%**	**$2,941,052**	**-77.2%**
Total GRF Uses	**$8,492,704**	**$8,756,341**	**-$263,638**	**-3.0%**	**$10,022,781**	**-15.3%**

*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 September 8, 2022)

	Month of August 2022				Year to Date through August 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,740,951	$1,791,163	-$50,212	-2.8%	$4,101,602	$4,160,386	-$58,784	-1.4%
Non-GRF	$724,633	$726,128	-$1,495	-0.2%	$753,111	$778,404	-$25,294	-3.2%
All Funds	$2,465,585	$2,517,291	-$51,707	-2.1%	$4,854,712	$4,938,790	-$84,078	-1.7%
Developmental Disabilities								
GRF	$43,357	$49,938	-$6,581	-13.2%	$98,386	$98,459	-$73	-0.1%
Non-GRF	$264,131	$258,651	$5,480	2.1%	$448,462	$460,264	-$11,802	-2.6%
All Funds	$307,488	$308,589	-$1,101	-0.4%	$546,848	$558,723	-$11,875	-2.1%
Job and Family Services								
GRF	$10,241	$20,249	-$10,007	-49.4%	$16,653	$39,142	-$22,489	-57.5%
Non-GRF	$17,297	$33,868	-$16,571	-48.9%	$27,828	$65,181	-$37,353	-57.3%
All Funds	$27,539	$54,117	-$26,578	-49.1%	$44,481	$104,323	-$59,842	-57.4%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$923	$903	$20	2.2%	$1,625	$1,769	-$144	-8.1%
Non-GRF	$2,815	$3,774	-$959	-25.4%	$4,559	$7,630	-$3,071	-40.3%
All Funds	$3,738	$4,676	-$939	-20.1%	$6,184	$9,399	-$3,215	-34.2%
All Departments:								
GRF	**$1,795,473**	**$1,862,253**	**-$66,780**	**-3.6%**	**$4,218,266**	**$4,299,755**	**-$81,490**	**-1.9%**
Non-GRF	**$1,008,876**	**$1,022,421**	**-$13,545**	**-1.3%**	**$1,233,959**	**$1,311,479**	**-$77,520**	**-5.9%**
All Funds	**$2,804,349**	**$2,884,674**	**-$80,325**	**-2.8%**	**$5,452,225**	**$5,611,235**	**-$159,010**	**-2.8%**

*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 September 8, 2022)

	Month of August 2022				Year to Date through August 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,856,872**	**$1,918,624**	**-$61,751**	**-3.2%**	**$3,706,353**	**$3,785,793**	**-$79,440**	**-2.1%**
CFC†	$646,738	$672,178	-$25,440	-3.8%	$1,291,375	$1,324,491	-$33,116	-2.5%
Group VIII	$624,024	$645,600	-$21,576	-3.3%	$1,249,195	$1,271,770	-$22,575	-1.8%
ABD†	$256,437	$264,432	-$7,995	-3.0%	$509,100	$519,782	-$10,682	-2.1%
ABD Kids	$74,630	$74,043	$587	0.8%	$148,298	$148,612	-$314	-0.2%
My Care	$241,952	$247,092	-$5,140	-2.1%	$487,296	$493,316	-$6,020	-1.2%
OhioRISE	$13,091	$15,279	-$2,188	-14.3%	$21,088	$27,821	-$6,733	-24.2%
Fee-For-Service	**$743,353**	**$714,302**	**$29,051**	**4.1%**	**$1,361,765**	**$1,350,779**	**$10,986**	**0.8%**
ODM Services	$440,365	$423,161	$17,204	4.1%	$823,123	$816,562	$6,560	0.8%
DDD Services	$302,988	$291,141	$11,846	4.1%	$538,642	$534,217	$4,425	0.8%
Premium Assistance	**$117,337**	**$119,161**	**-$1,824**	**-1.5%**	**$234,495**	**$236,507**	**-$2,012**	**-0.9%**
Medicare Buy-In	$76,895	$78,082	-$1,187	-1.5%	$153,599	$154,786	-$1,187	-0.8%
Medicare Part D	$40,442	$41,079	-$637	-1.6%	$80,895	$81,721	-$826	-1.0%
Administration	**$86,787**	**$132,587**	**-$45,800**	**-34.5%**	**$149,612**	**$238,155**	**-$88,543**	**-37.2%**
Total	**$2,804,349**	**$2,884,674**	**-$80,325**	**-2.8%**	**$5,452,225**	**$5,611,235**	**-$159,010**	**-2.8%**

*Estimates from the Department of Medicaid.
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled.
Detail may not sum to total due to rounding.

Expenditures[8]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

For the first two months of FY 2023, GRF program expenditures totaled $7.82 billion. These expenditures were $261.7 million (3.2%) below OBM's estimates. GRF uses also include transfers out, which totaled $671.8 million and were $1.9 million (0.3%) under estimate for the YTD. Total GRF uses for these two months, therefore, totaled $8.49 billion, which was $263.6 million (3.0%) under estimate. OBM's estimates for GRF uses are summarized at the end of this section.

Except for a small positive YTD variance in General Government, all program categories were under their YTD estimates. The three largest negative YTD variances were in Primary and Secondary Education ($90.2 million, 5.2%), Medicaid ($81.5 million, 1.9%), and Justice and Public Protection ($76.6 million, 13.5%). These variances, 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 August by $66.8 million (3.6%) and below their YTD estimate by $81.5 million (1.9%) at the end of August. Non-GRF Medicaid expenditures were below their monthly estimate by $13.5 million (1.3%) and below their YTD estimate by $77.5 million (5.9%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $80.3 million (2.8%) below estimate in August and $159.0 million (2.8%) below their YTD estimate at the end of August. The YTD variance is due primarily to the underspending of administration and underspending within the managed care program.

Table 5 shows GRF and non-GRF Medicaid expenditures for 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 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 August of $51.7 million (2.1%), and a YTD all funds negative variance of $84.1 million (1.7%) at the end of August. ODODD had an August all funds negative variance of $1.1 million (0.4%) and ended the month with YTD expenditures $11.9 million (2.1%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

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

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for three of the four major payment categories at the end of August. In both percentage terms and in absolute dollars, the Administration variance of $88.5 million (37.2%) was the largest. The other two categories with negative variances were Managed Care at $79.4 million (2.1%) and Premium Assistance at $2.0 million (0.9%). The YTD Administration variance is due primarily to the delay in some administration-related payments, as some prior-year encumbrances were not disbursed as originally expected. Finally, the Fee-For-Service (FFS) payment category saw a positive YTD variance of $11.0 million (0.8%).

From the beginning of the COVID-19 pandemic in March 2020 through the end of August 2022, caseloads have increased by approximately 21,900 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. July's caseload number was basically on estimate, but August saw a return to the recent trend of positive caseload variances, with 4,129 cases (0.12%) above estimate.

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 estimate by $90.2 million (5.2%) for July and August combined. This YTD variance was dominated by a negative YTD variance of $69.9 million in appropriation line item (ALI) 200550, Foundation Funding – All Students. 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 (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.

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 was $76.6 million (13.5%). Most agencies had negative variances. The largest were $36.2 million for DRC and $26.3 million for the Public Defender Commission (PUB).

DRC's negative YTD variance was mainly due to negative variances of $17.9 million in ALI 501321, Institutional Operations, and $14.0 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.

PUB's negative YTD variance was primarily due to a negative variance of $25.8 million in 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.

Summary of OBM Estimates for GRF Uses

The table below shows OBM's estimates for GRF uses for FY 2023. The program categories are ordered from largest to smallest annual estimate. Altogether, GRF program expenditures are estimated to total $39.59 billion in FY 2023. Of this amount, $19.90 billion (50.3%) will go to Medicaid and $8.47 billion (21.4%) will go to Primary and Secondary Education. Together, these two program categories are expected to account for 71.7% of total program expenditures in FY 2023.

In addition to program expenditures, OBM estimates that $1.79 billion will be transferred out of the GRF. The largest of these transfers is $1.1 billion to cover capital expenditures in lieu of issuing bonds. This transfer was authorized by H.B. 687 of the 134th General Assembly. The estimates have this transfer occurring at the end of the fiscal year in June. The second largest is $600.0 million to the Student Wellness and Success Fund (Fund 5VS0). This transfer was made in July; it was authorized in H.B. 110 to help support the school funding formula.

OBM also estimates that $1.18 billion of FY 2023 appropriations will be encumbered at the end of the fiscal year for expenditure in future fiscal years. This relatively large expected encumbrance includes $500.0 million for the Department of Development's (DEV's) ALI 195459, Ohio Onshoring Incentive, and $104.0 million for the Department of Transportation's ALI 775471, State Road Improvements. Both of these ALIs received appropriations in H.B. 687 of the 134th General Assembly.

Estimated total GRF uses for FY 2023 are $42.57 billion.

OBM Estimates for GRF Uses for FY 2023 by Program Category ($ in thousands)		
Program Categories	**Expenditures**	**As a % of Total Program Expenditures**
Medicaid	$19,904,140	50.3%
Primary and Secondary Education	$8,466,464	21.4%
Justice and Public Protection	$2,819,160	7.1%
Higher Education	$2,482,548	6.3%
Property Tax Reimbursements	$1,854,000	4.7%
Health and Human Services	$1,688,580	4.3%

OBM Estimates for GRF Uses for FY 2023 by Program Category ($ in thousands)		
Debt Service	$1,545,724	3.9%
General Government	$745,238	1.9%
Other Education	$88,906	0.2%
Total Program Expenditures	**$39,594,760**	**100.0%**
Transfers Out	$1,790,150	---
Year-end Encumbrances	$1,182,274	---
Total GRF Uses	**$42,567,184**	**---**

Issue Updates

$230 Million Granted to Ohio Child Care Providers

– Ryan Sherrock, Economist

On August 1, 2022, the Ohio Department of Job and Family Services (ODJFS) announced that $230 million in Child Care Stabilization grants were awarded to child care providers. Eligible applicants are ODJFS-licensed providers (e.g., child care centers, family child care type A and B homes, in-home aids, and approved day camps), as well as ODE-licensed preschool and school-age programs that are approved to provide publicly funded child care. There are four broad categories for use of the funds. The first category is operating or new pandemic costs, which includes personnel, rent, utility, and insurance costs, as well as expenses for purchasing personal protective equipment, sanitizer, and classroom dividers. The second category is workforce recruitment and retention, which can be used for some of the following: increasing wages, providing benefits and sign-on and retention bonuses, and developing recruitment activities. The third is access development, which includes expenses associated with increasing the number of classrooms to serve additional children or new age groups, expanding technology access, and providing support to school age children to address learning gaps or to meet social and emotional needs. The last category is mental health workforce and family support, which can be used for costs to improve the mental health and well-being of children or employees (e.g., organizing stress-reduction activities or providing coaching or resiliency topics for staff).[9] Grant awards vary depending on the provider type and the provider's license capacity (e.g., maximum number of children allowed). Family child care providers who offer care during nontraditional hours are eligible for additional amounts.

The Child Care Stabilization Grant Program is funded by the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act (ARPA). The goal of the grants is to provide financial relief to child care providers to help defray unexpected business costs associated with the pandemic and to help stabilize their operations so that they may continue to provide care. An additional $705 million will be made available to providers at a later date to continue stabilization efforts.

OhioRISE Begins Operations

– Brandon T. Minster, Economist

On July 1, 2022, the OhioRISE (Ohio Resilience through Integrated Systems and Excellence) Program, which is administered by ODM, began operations. In the months leading up to this date, ODM worked with other state agencies to identify children and youth who were eligible for the program. As a result of these efforts, 5,500 children and youth were enrolled onto the program before the start date and were able to immediately access services. Those enrolled include children in the custody of a public children services agency who are receiving

[9] The last category is not applicable to family child care type A and B homes.

intensive residential treatment and those admitted for inpatient hospital care. ODM anticipates that up to 50,000 children and youth will be enrolled onto the program by the end of FY 2023.

OhioRISE is a specialized managed care program for children with complex behavioral-health and multisystem needs. In order to access services, an individual must be under the age of 21, be Medicaid-eligible, and meet a functional needs assessment for behavioral healthcare services. OhioRISE aims to improve care for enrolled youth by bringing together various entities involved in their care (e.g., local government, community organizations, schools, providers, health plans, and families). It targets the most vulnerable individuals with the primary goal of keeping families intact and avoiding custody relinquishment. Both new and enhanced services are provided, including enhanced care coordination, mobile response and stabilization services, intensive home-based treatment, and short-term behavioral health respite for caregivers.

STEM Committee Designates New STEM School for the 2022-2023 School Year

– Andrew C. Ephlin, Budget Analyst

In August 2022, the ODE STEM Committee designated Tree of Life Christian School (Polaris), a chartered nonpublic school in Delaware County, as a new STEM school equivalent for the 2022-2023 school year. A STEM or STEAM (science, technology, engineering, arts, and mathematics) school equivalent designation is available to a public community or chartered nonpublic school meeting certain requirements (see below). Similarly, a STEM or STEAM school designation may be given to a public school governed by either a traditional school board or an independent governing board.[10] A new independent STEAM school, Community STEAM Academy in Greene County, was slated to begin operations this fall but recently announced that the opening of the school has been delayed until the 2023-2024 school year due to procurement, building financing, and other issues.

Designated schools are invited into the Ohio STEM Learning Network (OSLN), a public-private partnership managed by Battelle. OSLN supports designated schools and applicants through seven regional hubs that provide training for educators and other resources in STEM education and cultivate partnerships with stakeholder organizations in the area to improve STEM programming. To receive the STEM designation, a school must exhibit a working partnership with both public and private entities, including institutions of higher education and business organizations, and show evidence that the school will offer a rigorous and diverse curriculum that emphasizes science, technology, engineering, and mathematics, along with the arts and humanities and teamwork and personalized learning skills. A STEAM school must follow those requirements as well as include an arts organization in their partnership and show that the curriculum will integrate art and design into STEM subjects.

Including the two designated schools mentioned above, there will be a total of 78 STEM and STEAM schools across the state, of which 49 (63%) are governed by traditional school boards, eight (10%) by independent boards, and 21 (27%) are STEM or STEAM school equivalents. For a complete list of STEM and STEAM schools, see ODE's Ohio STEM and STEAM

[10] The Metro Early College High School in Columbus is an example of a STEM school governed by an independent board.

Designated Schools (PDF), which may be accessed by conducting a keyword "STEM school designation" search on the ODE website at: education.ohio.gov.

Number of High School Diplomas Awarded by Adult Programs Increased in FY 2022 After COVID-19-Related Decline in FY 2021

– Jason Glover, Budget Analyst

In FY 2022, 1,380 adults ages 20 and older received high school diplomas through either the 22+ Adult High School Diploma Program (22+ Program) or the Adult Diploma Program (ADP), an increase of 9.5% or 120 graduates compared to FY 2021. Looking at the programs individually, the number of graduates from the 22+ Program increased by 169 (18.7%) in FY 2022 while the number of ADP graduates continues a downward trend over the last several years, falling by 49 (13.8%). The overall increase in FY 2022 follows a decline in graduates from both programs in FY 2021 due in part to the effects of the COVID-19 pandemic. 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 lowered the minimum age to participate in ADP from 22 to 20.

State subsidy for these programs decreased in FY 2022, by about $329,000 (22.0%) to ADP providers and by about $964,000 (15.4%) to providers for the 22+ Program. Changes in subsidy payments are affected by the timing of payments to providers. For example, approximately $3.1 million (59.3%) of the $5.3 million in 22+ Program payments during FY 2022 came from FY 2021 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 ALI 200572, Adult Education Programs. The table below summarizes the numbers of graduates and state subsidies for the two programs.

22+ Program and ADP Graduates and State Subsidy, FY 2019 to FY 2022

Measure	Program	FY 2019	FY 2020	FY 2021	FY 2022
Graduates	22+ High School Diploma	784	1,068	905	1,074
	Adult Diploma	698	446	355	306
	Total	**1,482**	**1,514**	**1,260**	**1,380**
State Subsidy for Providers	22+ High School Diploma	$5,211,948	$5,103,419	$6,251,192	$5,286,735
	Adult Diploma	$2,803,077	$2,016,200	$1,496,715	$1,167,435
	Total	**$8,015,025**	**$7,119,619**	**$7,747,907**	**$6,454,170**

Sixth Round of Violent Crime Reduction Program Grants Awarded to Law Enforcement

– Maggie West, Senior Budget Analyst

As of August 2022, the Office of Criminal Justice Services (OCJS), a division of the Department of Public Safety, has awarded $28.7 million to 99 law enforcement agencies as part of the Violent Crime Reduction Program. OCJS has issued six rounds of awards to date and continues to accept grant applications. Overall, the program is on track to award a total of $100 million, with $92 million funded with money from ARPA. Under ARPA, awardees may use these funds to address violent crime, or challenges in addressing violent crime, that have increased as a result of the COVID-19 pandemic or to address a decrease in public sector law enforcement staffing as a result of the pandemic. The program was launched and funded with an initial investment of $8 million appropriated from the state GRF in H.B. 110. H.B. 169 of the 134th General Assembly added $92 million in ARPA funding.

Available grants, awards, and future funding opportunities are available on the OCJS website: publicsafety.ohio.gov/what-we-do/our-programs/arpa-funding.

Department of Rehabilitation and Correction Releases FY 2022 Annual Report

– Shaina Morris, Budget Analyst

In August 2022, DRC released its annual report for FY 2022.[11] The report includes statistics detailing institutional operations, inmate population trends, employee and offender demographics, parole field services, and community sanctions funding. From FY 2021 to FY 2022, based on a point in time snapshot, the prison population increased by 1.4%, or 588, from 42,963 to 43,551. The number of offenders committed to prison increased by 19.1%, or 2,290, from 12,020 in FY 2021 to 14,310 in FY 2022. During the COVID-19 pandemic, prison commitments and the overall population counts trended downward as a result of the pandemic's impact on law enforcement, jail and court operations, and changes to institutional operations that included targeted early release. While the overall population size and the number of commitments is higher than in FY 2021, both remain below prepandemic levels. For comparison, during the FY 2019 period (covering July 1, 2018, to June 30, 2019), the population was 45,040 and the number of commitments totaled 14,680.

Other report highlights include:

- Total GRF expenditures increased 7.0% from FY 2021 to FY 2022, or nearly $126.5 million. For FY 2021 and FY 2022, GRF expenditures were approximately $1.81 billion and $1.94 billion, respectively.
- Of the total $1.94 billion in GRF expenditures, medical services contributed $217.5 million, or 11.2%, as compared to 11.7% in FY 2021.

[11] The complete report may be found on the Department's website under the About tab and selecting Reports at: drc.ohio.gov.

- The number of filled positions as of July 2022 totaled 11,058, including 5,790 correctional officers and 544 parole officers. Compared to 2021, overall filled positions decreased by 562 from 11,620, of which 448 were comprised of correctional officers.
- The employee payroll for the year totaled $1.20 billion, an average cost per employee of $71,215, up from $1.18 billion, or $65,881 per employee, in FY 2021. In FY 2022, 14.2% of the average cost per employee was for overtime pay, up slightly from 11.5% in FY 2021.
- The average cost per day per inmate in FY 2022 was $99.96, an increase of $2.96, or 3.1%, compared to $97.00 for FY 2021. Of the daily cost, security (supervision and control of inmates) is the largest component, around 46%.

Ohio Supreme Court Awards $3.1 Million in Court Technology Grants

– Shaina Morris, Budget Analyst

In June 2022, the Ohio Supreme Court announced the award of 48 FY 2022 GRF-funded court technology grants totaling $3.1 million to appellate, common pleas, municipal, and county courts in 36 counties. Individual grants range from $4,561 to $150,000 with an average award of $64,036. Funding was available to any appeals, common pleas, municipal, or county court for projects that remove barriers to the efficient and effective administration of justice. Grants for 2022 may be used to buy new, or to upgrade systems, hardware, or equipment for projects, such as technology systems that support pretrial services or digital notifications, electronic filing, online payment systems for court costs and fines, case management systems or technology that supports a court's fundamental duties, and courtroom or building security equipment. The project period is for 12 months and typically begins in June.

Introduced in 2015, the Ohio Courts Technology Initiative has provided $35 million in project funding. Applications open each spring and are reviewed on a competitive basis. In 2022, projects focused on implementation of new case management systems or upgrading existing systems received the largest amount of funding. A complete list of the 2022 court technology awardees (PDF) is available on the Ohio Supreme Court's website, under Administrative Offices – Fiscal Resources – Grant Opportunities: supremecourt.ohio.gov/grants.

Department of Agriculture Announces $5.0 Million Grant Program to Support Two-Stage Ditch Construction

– Shannon Pleiman, Senior Budget Analyst

On August 15, 2022, the Department of Agriculture announced $5.0 million to support the new Two-Stage Ditch Grant Program under the Department's existing H2Ohio Program. The H2Ohio Program offers incentive to farmers and other entities to implement best management practices for reducing agricultural phosphorus runoff. Two-stage ditch construction is one of ten best management practices under the H2Ohio Program. Under the Two-Stage Ditch Grant Program, county engineers and soil and water conservation districts in the 24 counties of the Western Lake Erie Basin can apply for grants that provide up to 100% reimbursement of total project costs.

Funding for the grants comes from the H2Ohio Fund (Fund 6H20), which is supported by cash transfers from the GRF. H.B. 110 appropriated $49.3 million in both FY 2022 and FY 2023 under Fund 6H20 ALI 700670, H2Ohio, to support the H2Ohio Program. The program was created in H.B. 166 of the 133rd General Assembly as part of a statewide water quality initiative to reduce algal blooms, improve wastewater infrastructure, and address lead contamination. The responsibility for carrying out these initiatives lies with the Department of Agriculture, Department of Natural Resources, the Ohio Environmental Protection Agency, and the Lake Erie Commission.

Department of Development Awards Approximately $4.5 Million in Loans to Minority- and Women-Owned Businesses

– Jared Cape, LSC Fellow

On August 3, 2022, DEV awarded approximately $4.5 million in loans through the Women's Business Enterprise Loan Program and Ohio Micro-Enterprise Loan Program established in H.B. 110. These loan programs aim to grow and expand minority- and women-owned Ohio businesses. Specifically, DEV has approved almost $2.4 million in Women's Business Enterprise Loans for 12 companies and almost $2.1 million in Ohio Micro-Enterprise Loans for 50 companies. As of FY 2023, more than $7.6 million remains available through the Women's Business Enterprise Loan Program and more than $7.9 million through the Ohio Micro-Enterprise Loan Program. For more information on minority- and women-owned Ohio business loans, see DEV's website: development.ohio.gov/business/ minority-business.

The Women's Business Enterprise Loan Program offers loans at or below market rate (currently up to 3%). The minimum loan amount is $45,000 up to a maximum of $500,000. Loans are to be repaid within ten years for equipment and machinery and 15 years for owner-occupied real estate. Loan proceeds may be used for machinery and equipment purchases, leasehold improvements, renovations, real estate purchases, and refinancing of debt under certain circumstances. To qualify, businesses must be 51% owned and controlled by women or be certified by the state of Ohio as a women-owned business enterprise. Funding for the Women's Business Enterprise Loan Program is provided under Fund 5XH0 ALI 195632, Women Owned Business Loans.

The Ohio Micro-Enterprise Loan Program offers loans at a 0% interest rate. The minimum loan is $10,000 up to a maximum of $45,000. Loans are to be repaid within five years for permanent working capital and seven years for equipment. Loan proceeds may be used for working capital, machinery and equipment purchases, leasehold improvements, inventory, and refinancing of debt under certain circumstances. Businesses must be certified by the state of Ohio as a minority business enterprise or a women-owned business enterprise to be eligible. Funding for the Ohio Micro-Enterprise Loan Program is provided under Fund 5XH0 ALI 195694, Micro-Enterprise Loans.

Tracking the Economy

– Philip A. Cummins, Senior Economist

Overview

The economy generally appears to be continuing to advance, as indicated by monthly trends in employment, industrial production, and incomes. Inflation shows signs of easing but remains elevated. To counter high inflation, the Federal Reserve, the nation's central bank, most recently tightened monetary policy in July by raising its short-term interest rate target. Further interest rate increases are widely expected. Inflation-adjusted gross domestic product (real GDP) contracted in this year's first and second calendar quarters, in part as a result of slower inventory building, while final demand continued to grow. However, residential construction and new and used home sales are slowing in response to higher mortgage interest rates. Nonresidential fixed investment flattened in the second quarter. In Ohio, employment continued to trend upward through July and unemployment remained low.

The National Economy

Federal Reserve Chair Powell, in a late August speech and subsequent comments, emphasized the central bank's strong determination to reduce inflation to its 2% goal. On July 27, the Federal Open Market Committee (FOMC), the monetary policy-setting group in the Federal Reserve, announced a further increase in its target for federal funds, by 0.75 percentage point to a range of 2.25% to 2.5%.[12] Since it began raising its short-term interest rate target in March from near zero, the FOMC has increased the range four times, by a total of 2.25 percentage points. In addition, the central bank has been reducing its holdings of Treasury and agency securities, which also tends to tighten monetary policy. Market expectations are for further increases in the federal funds target range.[13] The FOMC next meets September 20-21.

Total employment on nonfarm payrolls nationwide rose by 315,000 in August. The unemployment rate – the number of persons unemployed and actively seeking work, as a percent of the labor force – increased to 3.7%. These changes are shown in charts 5 and 6.

Nonagricultural payroll employment in August was 240,000 (0.2%) above the peak level in February 2020 that preceded the last recession. Compared with the recession low in April 2020, payroll employment in August was higher by more than 22 million workers. In the latest year, employment rose by 5.8 million (487,000 per month on average), including increases in leisure and hospitality of 1.3 million; professional and business services, 1.1 million; and trade, transportation, and utilities, 1.0 million. Manufacturing employment was higher in the latest 12 months by 461,000 and construction by 311,000. Local government employment rose 136,000.

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[12] Federal funds are loans, usually overnight, between banks and other financial institutions that keep reserve balances at the central bank.

[13] A measure of market expectations, the CME FedWatch Tool based on trading in federal funds futures, as of 11:30 a.m. September 12 showed an 8% probability of a 0.50 percentage point increase in the target range at the next FOMC meeting and a 92% probability of a 0.75 percentage point increase, with further increases anticipated at subsequent FOMC meetings.

The number of people counted as unemployed increased to 6.0 million in August, up from 5.7 million in July, the fewest since 2000. Employment rose also, as the labor force participation rate (LFPR) increased 0.3 percentage point in August to 62.4%, matching the rate in March, the highest since the 2020 recession. The number of individuals who reported having wanted a job without recently looking for one declined by 361,000 in August; such individuals are classified as not in the labor force. This decline is similar in number to the 344,000 increase in the count of those unemployed, and perhaps some persons who in July wanted a job but had not recently searched for one began job hunting by the survey week in August. The LFPR remained 1.0 percentage point below the level in February 2020, equivalent to about 2.6 million people not in the labor force.

Up to four million people may be out of work because of long COVID, according to a recent study issued by The Brookings Institution. The term "long COVID" refers to COVID-19 patients who develop a range of debilitating symptoms lasting months, including fatigue, muscle weakness, neurological disorders (brain fog), insomnia, rapid heartbeat, chronic nasal inflammation, impairment of the sense of taste, chills, sore throat, and headache. Based on various sources, the study concludes that approximately 16 million Americans ages 18 to 65 have long COVID. Within this group of persons, long COVID is estimated to be keeping out of the labor force two million to four million full-time equivalent workers and job seekers.

In addition, some older persons have retired who might have remained in the workforce if the COVID-19 pandemic had not occurred. One indicator of this is declines in labor force participation rates in older age groups. If the percentage of persons age 65 and older who were employed or actively seeking work had remained at 2019 rates in the latest 12 months, an additional 634,000 (1.1% of this age group) would have been in the labor force. Labor force participation rates among persons ages 55 to 64 in the latest 12 months were close to those in 2019.

Each year the U.S. Bureau of Labor Statistics (BLS) benchmarks nonfarm payroll employment to a comprehensive count of employment for the month of March. Figures for other months are estimates based on a large sample. The BLS preliminary estimate is that March 2022 total nonfarm payroll employment will be revised upward by 462,000 (0.3%). Final figures for the benchmark revision will be announced next February.

Job openings nationwide remained at a high level as of the end of July, totaling 11.2 million, near the all-time peak of 11.9 million in March. Prior to 2021, the number of job openings was always fewer than 7.6 million, in monthly statistics kept by BLS since 2000. By industry, numerous job openings in July were in professional and business services, 2.1 million; health care and social assistance, 2.0 million; accommodation and food services, 1.3 million; retail trade, 1.0 million; and state and local government, 0.9 million.

In July, industrial production rose 0.6%. Factory and mining output each rose 0.7% while production declined at both electric and natural gas utilities. The increase in factory output in July followed two months of declining production, but with monthly increases earlier, production rose at a 3.9% annual rate in this year's second quarter and a 3.7% annual rate in the first quarter. The rise in mining output continued a strong advance in the second quarter, with increases in the oil and gas sector as well as in coal mining.

The nation's real GDP, production of goods and services in the U.S., fell at a 0.6% annual rate in this year's second quarter following a 1.6% rate of decline in the first quarter. Final demand, however, grew in the year's first half, met by increased imports and slower additions to inventories. Consumer spending grew in both quarters of the first half, albeit at the slowest pace since the 2020 recession. Business fixed investment rose on balance over the two quarters, but was little changed in the second quarter. Exports rose in the second quarter. Partly offsetting these demand components, residential fixed investment fell sharply in the second quarter, and government consumption and investment contracted in both quarters. An alternative measure of aggregate economic activity, real gross domestic income, the incomes earned and costs incurred in producing gross domestic product, rose in both the first and second quarters.[14]

In July, real consumer spending continued to advance at a slow rate, rising 0.2% in total, constrained by falling outlays for nondurable goods particularly gasoline and groceries. Light motor vehicle sales data, available through August, show unit sales remained soft. New and used home sales and housing construction starts continued to tumble through July, suppressed by sharply higher mortgage interest rates. For 30-year fixed-rate mortgages, nationwide average rates rose this year to the highest levels in nearly 14 years.[15]

The consumer price index (CPI) for all items was unchanged from June to July, seasonally adjusted, the first time this measure of inflation did not increase from one month to the next since May 2020. In contrast, month-to-month increases in this year's first half averaged 0.9%, equivalent to more than a 10% annual rate of inflation. Between June and July, the price index for energy fell 4.6%, as the average nationwide price of a gallon of regular unleaded gasoline fell from $5.058 per gallon in June to $4.667 in July. Natural gas prices also declined in July while electricity prices rose. Food price increases remained rapid as the CPI for food rose 1.1%. The CPI for all items less food and energy rose 0.3%, a smaller increase than in most months earlier this year. On a year-over-year basis, compared with its year-earlier level, the CPI in July was up 8.5%, a large increase but less than its 9.1% rise in the year to June, the largest increase from a year earlier since 1981.

An alternative inflation measure monitored by the FOMC in gauging progress toward its 2% inflation goal is changes in the personal consumption expenditures (PCE) price index. This index fell 0.1% in July, its first decline since April 2020, reflecting declines in various goods prices but particularly in gasoline and other energy goods prices from a peak in June. Compared with its year-earlier level, the PCE price index was 6.3% higher in July, and 4.6% higher excluding food and energy prices, well above the 2% goal.

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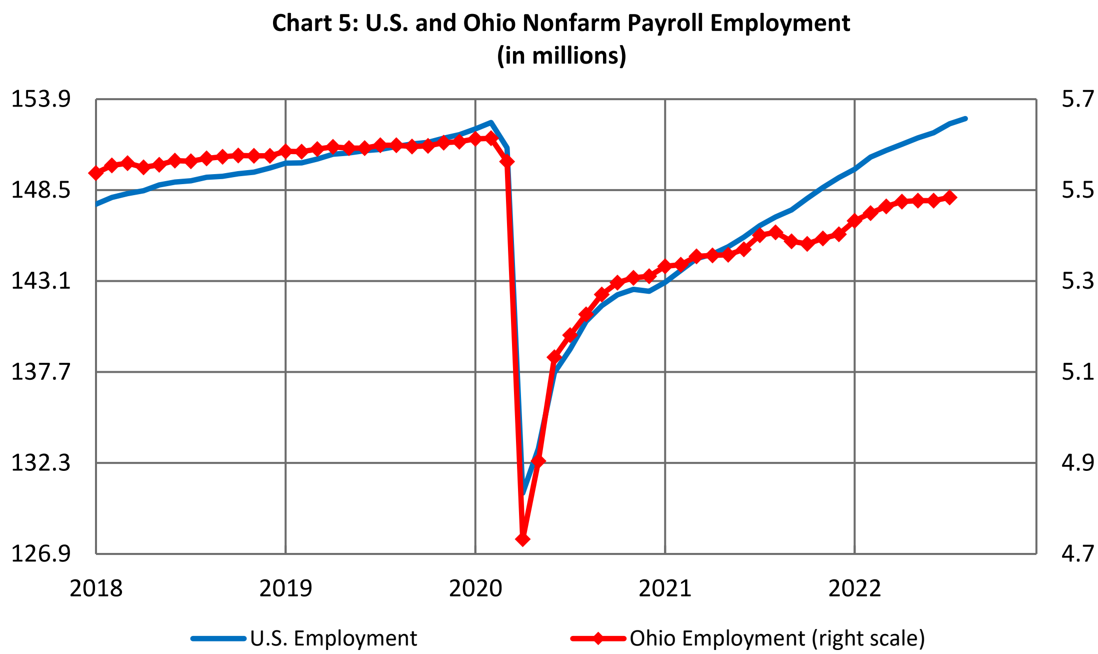
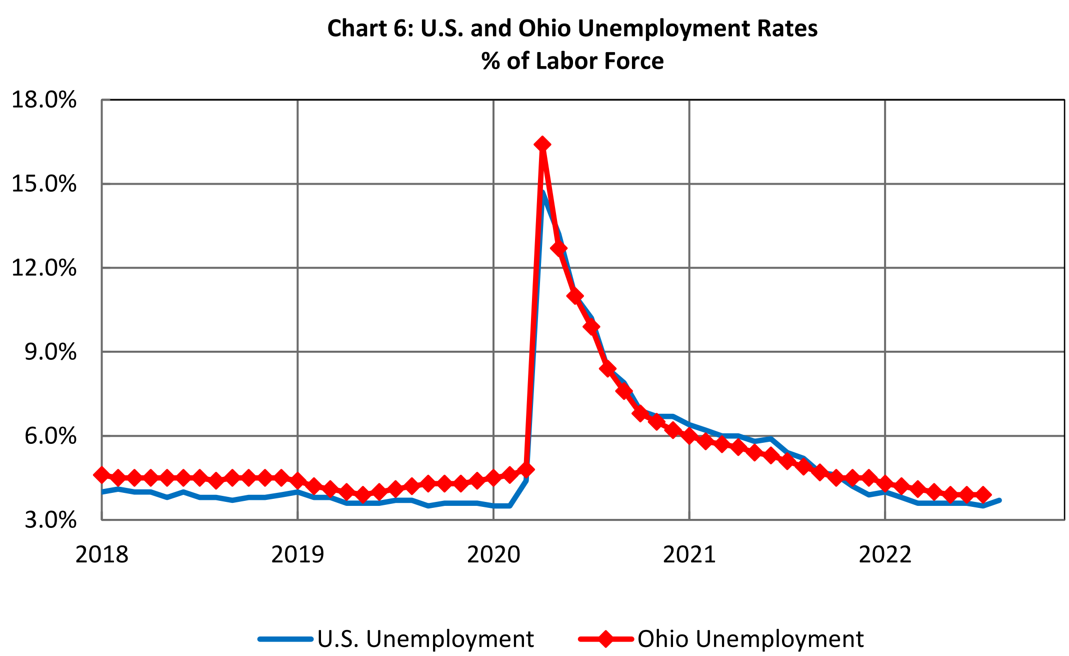
[14] In theory, gross domestic product and gross domestic income are equal, but calculated values generally differ because different source data are used to estimate the two measures.

[15] The U.S. average rate for 30-year fixed-rate mortgages rose to 5.89% in the September 8 week, highest since November 2008, in the Freddie Mac Primary Mortgage Market Survey: freddiemac.com/pmms.





The Ohio Economy

Total nonfarm payroll employment in Ohio rose 7,000 (0.1%) in July to 83,100 (1.5%) higher than its year-earlier level. The statewide average unemployment rate was 3.9% in July, unchanged from the previous two months. Ohio employment is shown in Chart 5 and unemployment is shown in Chart 6, each in comparison with its nationwide counterpart.

As is evident in Chart 5, Ohio employment has been growing more slowly than that in other states. In the year to July, total nonfarm payroll employment in Ohio rose 1.5%, in comparison with growth of 4.1% for the nation as a whole. Total nonfarm payrolls nationwide had recovered in July nearly to their prerecession peak (less than 0.1% lower), but remained 130,000 (2.3%) lower in Ohio. Most of the growth in Ohio payroll employment in the year to July was in the private sector. Employment in private service-providing industries rose 52,800 (1.4%), with large gains in accommodation and food services, 31,800 (7.2%); transportation, warehousing, and utilities, 18,900 (7.2%); and other (miscellaneous) services, 7,300 (3.6%). Service industries in which employment declined included administrative, support, and waste services, -8,300 (-2.6%); health care and social assistance, -8,100 (-1.0%); and arts, entertainment, and recreation, -6,400 (-8.7%). Employment in goods-producing industries rose 26,800 (3.0%) in the latest 12 months, including increases in manufacturing, 16,100 (2.4%), and construction, 10,500 (4.7%). Employment in government rose 3,500 (0.5%), as local government employment rose 8,000 (1.6%) while jobs with the state declined by 4,500 (2.7%).

At 3.9%, the state's unemployment rate has been at its lowest rate since May 2019, and before that since 2000-2001. The low level of measured unemployment in part reflects decisions of working-age persons, counted by the BLS as those age 16 and older, not to participate in the labor force. Since the end of 2019, Ohio's working age population has grown about an estimated 40,000 or 0.4%. But the labor force has declined 119,000 (2.0%) over this period, with both employment and unemployment lower. Growth of numbers of working-age Ohioans not in the labor force reflects various choices including to retire and to stay at home to care for family members.

Job openings in Ohio rose in June to the highest number ever, 436,000, in records kept since 2000. Hiring was also strong in June in the state, at one of the highest rates on record. But labor market tightness in Ohio is showing signs of easing, as layoffs and discharges have risen in recent months and voluntary quits have slowed.

In Ohio metropolitan areas, unemployment rates in July ranged from a low of 3.7% of the labor force in Columbus to a high of 5.7% in Weirton-Steubenville. Employment growth in the year to July varied from 0.3% in Akron, Cincinnati, and Weirton-Steubenville to 5.8% in Toledo. These BLS data are not seasonally adjusted.

Ohio home sales continue to slow. Unit home sales through multiple listing services were 10.4% lower in July than a year earlier, according to Ohio Realtors data. In the calendar year's first seven months, unit home sales were 3.4% below those in the year-earlier period. The average price for sales closed in the year's first seven months was 10.1% higher than in January through July of last year. This follows year-over-year price increases of 12.3% in all of 2021 and 10.2% in 2020.

The following summary of recent economic conditions in this part of the country is from the Federal Reserve Bank of Cleveland's section of the Beige Book, published eight times each year about conditions across the 12 Federal Reserve Districts. These comments are based on information collected between early July and late August:

> After declining slightly during the prior reporting period, Fourth District business activity steadied in recent weeks. Retailers reported that higher inflation had constrained households' ability to spend on some items, particularly among lower-income households. In addition, higher prices and interest rates dampened demand for automobiles and homes. Manufacturing and nonresidential construction activity held up

better, but growth was softer than earlier in the year. While, on balance, contacts did not expect a meaningful increase in activity in the fall, they continued to add to their payrolls. Supply chain disruptions remained prominent, but there were more frequent reports of relief from these disruptions. Generally softer economic conditions and slight relief from supply disruptions appeared to alleviate some inflationary pressures. Though still high, both the share of contacts reporting higher input costs and the share reporting higher selling prices dipped to their lowest levels in more than a year.[16]

[16] The Federal Reserve district served by the Cleveland Bank, the Fourth District, includes Ohio and adjacent parts of Kentucky, Pennsylvania, and West Virginia. Information in the Beige Book is collected from business and other contacts outside the Federal Reserve System.