LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Russ Keller, Chief Economist

GRF tax revenue in the month of March missed the Office of Budget and Management (OBM) estimate by $171.3 million, marking the third shortfall in the past four months. All four of the largest GRF tax sources were below their monthly estimate. Year to date (YTD) personal income tax (PIT) revenues have been particularly weak but the tax year 2023 filing season is still incomplete. On the other side of the ledger, GRF expenditures continue to run well below expectations.

The national economy expanded through March. Inflation has slowed but remains above the central bank's 2% target. Employment levels in Ohio continue to increase; gains over the past year were seen in nine of 12 metropolitan areas.

Through March 2024, GRF sources totaled $30.53 billion:

- Revenue from the PIT was $299.1 million below estimate; the sales and use tax exceeded its estimate by $16.6 million;
- Federal grants were $854.5 million below estimate.

Through March 2024, GRF uses totaled $38.05 billion:

- Program expenditures were $1.62 billion (4.9%) below estimate, as nearly every program category was below estimate;
- The largest shortfall was Medicaid, $1.18 billion, which reflects both timing issues and a decline in caseloads;
- GRF transfers out were $987.3 million above estimate due to timing issues.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of March 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$146,978	$177,000	-$30,022	-17.0%
Nonauto Sales and Use	$828,830	$850,300	-$21,470	-2.5%
Total Sales and Use	*$975,808*	*$1,027,300*	*-$51,492*	*-5.0%*
Personal Income	$390,724	$515,500	-$124,776	-24.2%
Commercial Activity Tax	$13,389	$27,400	-$14,011	-51.1%
Cigarette	$53,820	$61,900	-$8,080	-13.1%
Kilowatt-Hour Excise	$26,845	$27,000	-$155	-0.6%
Foreign Insurance	$64,306	$56,900	$7,406	13.0%
Domestic Insurance	$36,485	$100	$36,385	36384.6%
Financial Institution	$30,659	$44,400	-$13,741	-30.9%
Public Utility	$1,767	$3,400	-$1,633	-48.0%
Natural Gas Consumption	$56	$0	$56	---
Alcoholic Beverage	$4,071	$5,100	-$1,029	-20.2%
Liquor Gallonage	$4,179	$4,300	-$121	-2.8%
Petroleum Activity Tax	$3,220	$3,400	-$180	-5.3%
Corporate Franchise	$28	$0	$28	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$1,605,355**	**$1,776,700**	**-$171,345**	**-9.6%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$60,665	$49,553	$11,112	22.4%
Other Revenue	$775	$1,250	-$475	-38.0%
Total Nontax Revenue	**$61,440**	**$50,803**	**$10,637**	**20.9%**
Transfers In	**$1,750**	**$0**	**$1,750**	**---**
Total State Sources	**$1,668,545**	**$1,827,503**	**-$158,958**	**-8.7%**
Federal Grants	**$1,006,938**	**$1,337,884**	**-$330,946**	**-24.7%**
Total GRF Sources	**$2,675,484**	**$3,165,387**	**-$489,904**	**-15.5%**

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2024 as of March 31, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$1,401,272	$1,450,600	-$49,328	-3.4%	$1,458,434	-3.9%
Nonauto Sales and Use	$8,713,665	$8,647,700	$65,965	0.8%	$8,465,062	2.9%
Total Sales and Use	*$10,114,937*	*$10,098,300*	*$16,637*	*0.2%*	*$9,923,496*	*1.9%*
Personal Income	$6,729,790	$7,028,900	-$299,110	-4.3%	$7,464,293	-9.8%
Commercial Activity Tax	$1,902,895	$1,841,600	$61,295	3.3%	$1,615,839	17.8%
Cigarette	$523,071	$551,200	-$28,129	-5.1%	$576,312	-9.2%
Kilowatt-Hour Excise	$217,069	$220,700	-$3,631	-1.6%	$219,957	-1.3%
Foreign Insurance	$368,262	$385,300	-$17,038	-4.4%	$400,093	-8.0%
Domestic Insurance	$75,859	$6,900	$68,959	999.4%	$18,774	304.1%
Financial Institution	$120,186	$143,100	-$22,914	-16.0%	$153,325	-21.6%
Public Utility	$122,300	$119,900	$2,400	2.0%	$130,523	-6.3%
Natural Gas Consumption	$36,087	$35,200	$887	2.5%	$37,196	-3.0%
Alcoholic Beverage	$44,976	$46,500	-$1,524	-3.3%	$47,178	-4.7%
Liquor Gallonage	$42,514	$44,300	-$1,786	-4.0%	$43,102	-1.4%
Petroleum Activity Tax	$9,618	$8,200	$1,418	17.3%	$11,367	-15.4%
Corporate Franchise	$180	$0	$180	---	$88	105.0%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$34	-99.8%
Total Tax Revenue	**$20,307,744**	**$20,530,100**	**-$222,356**	**-1.1%**	**$20,641,576**	**-1.6%**
Nontax Revenue						
Earnings on Investments	$230,936	$91,264	$139,672	153.0%	$113,395	103.7%
Licenses and Fees	$86,547	$73,727	$12,820	17.4%	$92,299	-6.2%
Other Revenue	$143,778	$95,450	$48,328	50.6%	$152,066	-5.5%
Total Nontax Revenue	**$461,261**	**$260,441**	**$200,820**	**77.1%**	**$357,761**	**28.9%**
Transfers In	**$10,950**	**$0**	**$10,950**	**---**	**$18,535**	**-40.9%**
Total State Sources	**$20,779,955**	**$20,790,541**	**-$10,586**	**-0.1%**	**$21,017,871**	**-1.1%**
Federal Grants	**$9,750,063**	**$10,604,528**	**-$854,465**	**-8.1%**	**$10,323,901**	**-5.6%**
Total GRF SOURCES	**$30,530,018**	**$31,395,069**	**-$865,051**	**-2.8%**	**$31,341,772**	**-2.6%**

*Estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2023.
Detail may not sum to total due to rounding.

Revenues[1]

– Philip A. Cummins, Senior Economist

Overview

March GRF total tax revenue was below estimate by $171.3 million (9.6%). Revenues were below estimate from the PIT by $124.8 million, the sales and use tax by $51.5 million, and most other tax sources. Partially offsetting these negative variances was a significant positive variance for the domestic insurance tax that had actual revenues in March of $36.5 million when only $0.1 million was expected, following a similarly large positive variance in February.

Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. A positive variance in March for licenses and fees of $11.1 million was partly offset by a negative variance for the other revenue category of $0.5 million. Transfers in were $1.8 million when none were expected. Federal grants were $330.9 million below the estimate. Total GRF sources for the month were $489.9 million lower than estimate. Table 1 above shows GRF sources for the month of March compared to estimates, while Table 2 shows, YTD GRF sources compared to both estimates and FY 2023 YTD revenue.

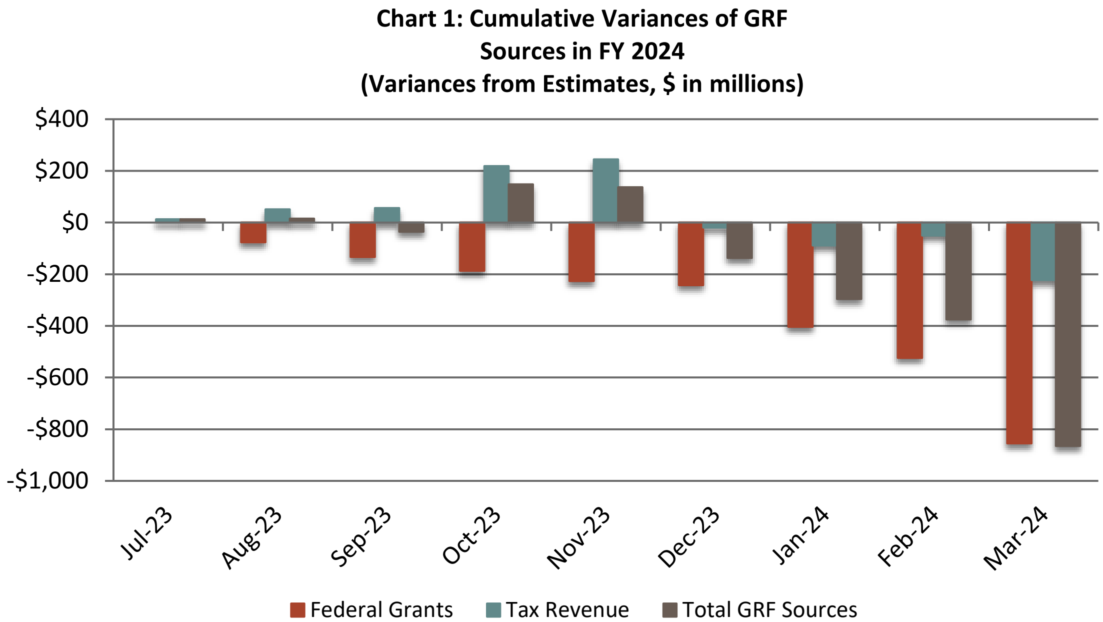
GRF tax receipts in the first nine months of FY 2024 amounted to $20.31 billion, $222.4 million (1.1%) below estimate. The most negative YTD variance continued to be for the PIT, $299.1 million. Also below estimate for the first nine months of the fiscal year were the auto sales and use tax, by $49.3 million; the cigarette and other tobacco products tax, by $28.1 million; financial institution tax, by $22.9 million; and the foreign insurance tax, by $17.0 million. The largest positive variances were for the domestic insurance tax, by $69.0 million; the nonauto sales and use tax, by $66.0 million; and the commercial activity tax (CAT), by $61.3 million. More details about revenue from the four largest tax sources (the sales and use tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

Nontax revenue for the fiscal year's first nine months exceeded the estimate by $200.8 million, of which the largest component was earnings on investments, in excess of the estimate by $139.7 million. "Other revenue" exceeded estimate by $48.3 million, and transfers in were above estimate by $10.9 million.

YTD federal grants were $854.5 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also below their estimate by large magnitudes, as continued to be the case through the first nine months of FY 2024.

[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.

Chart 1 below shows cumulative YTD variances of GRF sources in July through March.



YTD GRF tax revenue was lower than in the first nine months of FY 2023 by $333.8 million (1.6%). By far the weakest component of GRF revenue on this basis was the PIT, lower by $734.5 million (9.8%). Other taxes with revenues lower than in the year-earlier period include the auto sales and use tax, by $57.2 million (3.9%); the cigarette and other tobacco products tax, by $53.2 million (9.2%); the financial institution tax, by $33.1 million (21.6%); and the foreign insurance tax, by $31.8 million (8.0%). On the positive side, taxes with YTD GRF receipts higher than a year earlier include the CAT, by $287.1 million (17.8%); the nonauto sales and use tax, by $248.6 million (2.9%); and the domestic insurance tax, by $57.1 million (304.1%). Year-to-year growth in CAT revenue to the GRF resulted almost entirely from a provision of H.B. 33 of the 135th General Assembly that increased the portion of CAT revenue allocated to the GRF.

Nontax revenue to the GRF in the first nine months of FY 2024 was higher than a year earlier by $103.5 million, reflecting a $117.5 million (103.7%) increase in earnings on investment. Total state-source revenue was lower than a year earlier by $237.9 million (1.1%). GRF revenue from federal grants was lower than in the year-earlier period by $573.8 million (5.6%).

Sales and Use Tax

March GRF receipts from the sales and use tax were $975.8 million, $51.5 million (5.0%) below estimate. For the first nine months of FY 2024, revenue from the tax was $10.11 billion, $16.6 million (0.2%) above estimate. Revenue in the fiscal year's first nine months was $191.4 million (1.9%) higher than in the year-earlier period. The sales and use tax is the state's largest tax revenue source.

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 are 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. So far in FY 2024, variances for the two components of the tax have diverged, with positive variances from the nonauto portion exceeding negative variances from the auto component.

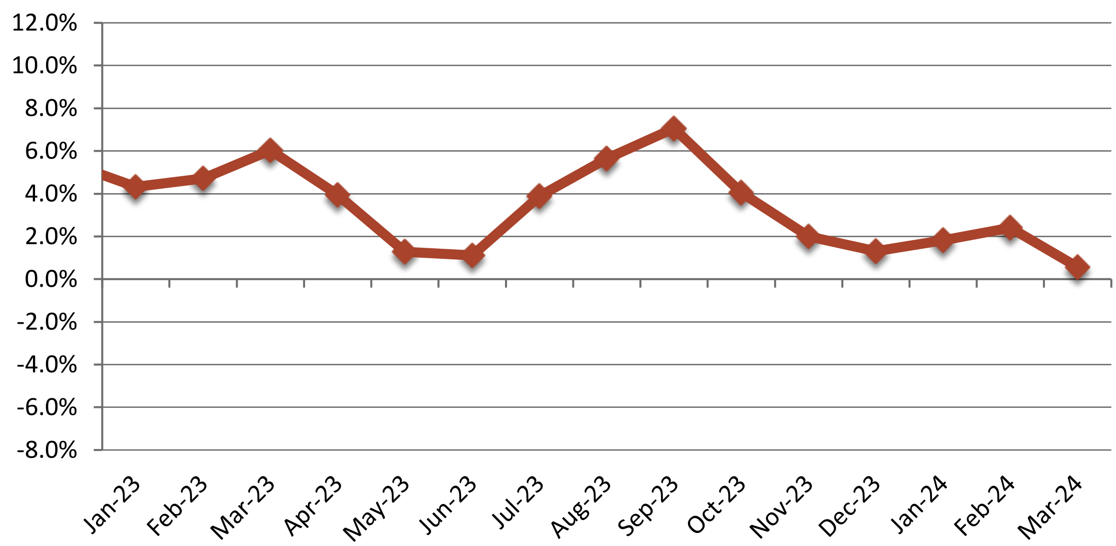
The tax base[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product (GDP) data show growth in the dollar value of consumer spending through February. Consumer price increases have generally slowed to near zero in the latest three months from 2022 peaks; the personal consumption expenditures price index was 2.5% higher than a year earlier in February.

Nonauto Sales and Use Tax

March GRF receipts of $828.8 million were $21.5 million (2.5%) below the OBM estimate and $4.5 million (0.5%) below revenue in March 2023. For the first nine months of FY 2024, revenues were $8.71 billion, $66.0 million (0.8%) above estimate and $248.6 million (2.9%) higher than receipts a year earlier.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2023. 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 slowed from a peak in the second half of last year.

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



[2] The term “tax base” here refers to whatever is subject to the tax.

[3] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during January 2023 through March 2023 to revenue received during January 2024 through March 2024.

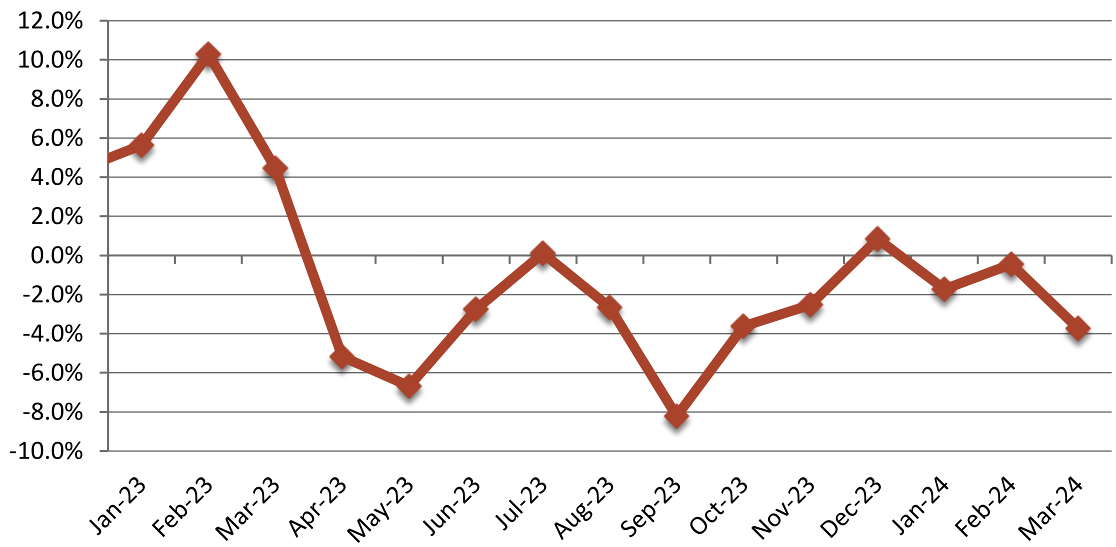
Auto Sales and Use Tax

March receipts from the auto component of the sales and use tax were $147.0 million, $30.0 million (17.0%) below estimate, and $20.3 million (12.1%) below receipts in March 2023. For the fiscal YTD through March, revenue of $1.40 billion was below the estimate by $49.3 million (3.4%) and below year-earlier revenues by $57.2 million (3.9%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the nine months through March of around 10%, though most of this growth occurred in 2023. Dealer inventories nationwide continue to build but from very low levels.

Chart 3, below, shows the year-over-year change in auto sales and use tax collections since January 2023. On a three-month moving average basis, auto sales and use tax receipts were lower than a year earlier in nearly every month since April 2023. Revenues recovered after plummeting in the pandemic's initial months, but the uptrend slowed thereafter, and turned negative last year.

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



Data provided by the Ohio Bureau of Motor Vehicles, shown in the table below, similarly show a decrease in total spending on cars and light trucks in the January-March quarter just ended. New and used vehicle unit purchases were below the year-earlier sales pace. Average prices were also down from a year earlier, consistent with some easing of tight inventories. Total spending on new and used vehicles was 2.9% lower in the third quarter of FY 2024 than a year earlier.

FY 2024 3rd Quarter New and Used Cars and Light Trucks Titled			
Type	Titles	Spending ($ in millions)	Average Purchase Price
New Vehicles	81,811	$3,974	$48,571
Used Vehicles	371,838	$5,139	$13,820
Total	453,649	$9,112	$20,087
Growth from FY 2023 3rd Quarter			
New Vehicles	-0.7%	-1.5%	-0.8%
Used Vehicles	-0.5%	-4.0%	-3.4%
Total	-0.6%	-2.9%	-2.4%

Personal Income Tax

March GRF revenue from the PIT of $390.7 million was $124.8 million (24.2%) below estimate. Revenue received during the first nine months of FY 2024 totaled $6.73 billion, $299.1 million (4.3%) below estimate and $734.5 million (9.8%) lower than a year earlier. Weakness appears to reflect at least in part tax and withholding rate cuts, and perhaps also some weakening of income growth based on preliminary 2024 figures.

Gross tax collections under the PIT include withholding payments, quarterly estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue. The primary driver of PIT revenue is withholding payments, about 79% of gross PIT collections in FY 2023.

H.B. 33 reduced both tax rates and the number of tax brackets. The act cut TY 2023 marginal tax rates as much as 25% depending on income, though marginal tax rates for other income ranges were unchanged, and lowered TY 2024 marginal tax rates up to 7% further. Withholding rates, set administratively, were unchanged for some wage brackets but lowered up to 29% for others starting in November 2023.

The table below provides details on revenue from PIT components through March relative to estimates for FY 2024 and to revenues received in the year-earlier period. FY 2024 YTD gross collections were $463.6 million (5.1%) above anticipated revenue, but $19.3 million (0.2%) below year-earlier revenues. As noted in this space last month, OBM attributed shifts between payment

[4] 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.

categories to changes in tax forms associated with enactment of electing pass-through entity law (S.B. 246 of the 134th General Assembly). Refunds were well in excess of estimate and of year-earlier levels. As a result, the YTD shortfall in GRF revenue widened relative to both the estimate, by $299.1 million (4.3%), and to a year ago, by $734.5 million (9.8%).

FY 2024 YTD Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$180.2	-2.2%	-$475.1	-5.6%
Quarterly Estimated Payments	$298.9	46.0%	$230.1	32.0%
Trust Payments	$2.1	8.5%	-$15.3	-36.2%
Annual Return Payments	$361.2	121.2%	$256.2	63.5%
Miscellaneous Payments	-$18.4	-26.8%	-$15.2	-23.2%
Gross Collections	**$463.6**	**5.1%**	**-$19.3**	**-0.2%**
Less Refunds	$763.6	43.8%	$705.4	39.2%
Less LGF Distribution	-$0.8	-0.2%	$9.9	2.6%
GRF PIT Revenue	**-$299.1**	**-4.3%**	**-$734.5**	**-9.8%**

Commercial Activity Tax

March GRF receipts from the CAT were $13.4 million, $14.0 million (51.1%) below the estimate. GRF revenues for the fiscal year's first nine months were $1.90 billion, $61.3 million (3.3%) above estimate. CAT payments are due in February, May, August, and November based on their gross receipts in the previous calendar quarter, so payments in March tend to be low.

YTD GRF revenue from the CAT grew by $287.1 million (17.8%) compared with the first nine months of FY 2023. Increased economic activity accounts for little of this growth. Allocation of CAT revenue was changed by H.B. 33, which directs virtually all revenue after the first 0.65% to the GRF.[5] The 0.65% credited from CAT revenues goes to Fund 2280, used by TAX to enforce state tax law. Prior to FY 2024 the GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD

[5] R.C. 5751.02 as amended by H.B. 33 directs CAT revenue after the credit to Fund 2280 to any required payments to the Commercial Activity Tax Motor Fuel Receipts Fund (Fund 7019) and any amounts needed to make required payments to the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081), with the remainder to be credited to the GRF. Fund 7019 received $337 of CAT revenue in the first nine months of FY 2024. Balances in Fund 7047 and Fund 7081 substantially exceed required payments.

CAT revenue on an all-funds basis net of refunds, $1.92 billion, was $1.9 million (0.1%) higher than comparable CAT revenue in the first nine months of FY 2023.

For tax periods beginning in TY 2024, another H.B. 33 provision reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less per year no longer owe the CAT, and all taxpayers that remain subject to the CAT pay quarterly; the category of annual CAT taxpayer is eliminated. This exclusion amount increases to $6 million in TY 2025 and thereafter. Revenue comparisons with FY 2023 will become more complex starting with payments due in May 2024, which will be based on gross receipts in January through March less the exclusion amount.

Cigarette and Other Tobacco Products Tax

March revenue from the cigarette and other tobacco products (OTP) tax totaling $53.8 million was below estimate by $8.1 million (13.1%). YTD revenue from the tax was $523.1 million, $28.1 million (5.1%) below estimate. The YTD total included $438.6 million from cigarette sales and $84.5 million from the sale of OTP.

FY 2024 revenue through March fell by $53.2 million (9.2%) compared to revenue in the first nine months of FY 2023. OTP sales decreased by $1.6 million (1.9%) while receipts from cigarette sales decreased $51.6 million (10.5%). The smaller percentage decrease in OTP revenue may be due in part to rising 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 tends to grow with price increases.

Revenue from cigarette sales usually trends slowly downward. This pattern was temporarily disrupted by the COVID-19 pandemic, but cigarette tax receipts appear to have reverted to the pre-pandemic downward trend. The tax on cigarettes is based on unit sales rather than value.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2024
($ in thousands)
(Actual based on OAKS reports run April 5, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$1,095,961	$1,103,980	-$8,019	-0.7%
Higher Education	$221,453	$220,812	$641	0.3%
Other Education	$10,700	$5,586	$5,114	91.6%
Total Education	**$1,328,115**	**$1,330,378**	**-$2,263**	**-0.2%**
Medicaid	$1,555,378	$2,038,575	-$483,196	-23.7%
Health and Human Services	$163,619	$171,443	-$7,824	-4.6%
Total Health and Human Services	**$1,718,998**	**$2,210,018**	**-$491,020**	**-22.2%**
Justice and Public Protection	$250,327	$266,865	-$16,537	-6.2%
General Government	$57,935	$57,234	$702	1.2%
Total Government Operations	**$308,262**	**$324,098**	**-$15,836**	**-4.9%**
Property Tax Reimbursements	$81,310	$143,438	-$62,128	-43.3%
Debt Service	$64,950	$127,693	-$62,743	-49.1%
Total Other Expenditures	**$146,260**	**$271,131**	**-$124,871**	**-46.1%**
Total Program Expenditures	**$3,501,635**	**$4,135,625**	**-$633,990**	**-15.3%**
Transfers Out	**$587**	**$0**	**$587**	**---**
Total GRF Uses	**$3,502,222**	**$4,135,625**	**-$633,403**	**-15.3%**

*August 2023 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 2024 as of March 31, 2024
($ in thousands)
(Actual based on OAKS reports run April 5, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$7,684,877	$7,679,859	$5,018	0.1%	$6,892,027	11.5%
Higher Education	$1,962,800	$2,000,977	-$38,176	-1.9%	$1,857,186	5.7%
Other Education	$88,792	$86,974	$1,819	2.1%	$71,074	24.9%
Total Education	**$9,736,470**	**$9,767,810**	**-$31,340**	**-0.3%**	**$8,820,287**	**10.4%**
Medicaid	$14,894,476	$16,079,203	-$1,184,727	-7.4%	$14,693,563	1.4%
Health and Human Services	$1,404,175	$1,576,575	-$172,400	-10.9%	$1,302,639	7.8%
Total Health and Human Services	**$16,298,651**	**$17,655,778**	**-$1,357,127**	**-7.7%**	**$15,996,201**	**1.9%**
Justice and Public Protection	$2,248,514	$2,334,236	-$85,722	-3.7%	$2,020,323	11.3%
General Government	$1,047,113	$1,120,013	-$72,900	-6.5%	$403,683	159.4%
Total Government Operations	**$3,295,627**	**$3,454,249**	**-$158,622**	**-4.6%**	**$2,424,006**	**36.0%**
Property Tax Reimbursements	$1,006,545	$1,074,851	-$68,306	-6.4%	$973,060	3.4%
Debt Service	$1,126,458	$1,134,407	-$7,950	-0.7%	$1,353,066	-16.7%
Total Other Expenditures	**$2,133,003**	**$2,209,258**	**-$76,256**	**-3.5%**	**$2,326,126**	**-8.3%**
Total Program Expenditures	**$31,463,751**	**$33,087,095**	**-$1,623,345**	**-4.9%**	**$29,566,620**	**6.4%**
Transfers Out	**$6,584,606**	**$5,597,298**	**$987,308**	**17.6%**	**$2,259,232**	**191.5%**
Total GRF Uses	**$38,048,356**	**$38,684,393**	**-$636,037**	**-1.6%**	**$31,825,852**	**19.6%**

*August 2023 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2023.
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 April 5, 2024)

	Month of March 2024				Year to Date through March 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,475,888	$1,954,571	-$478,683	-24.5%	$14,155,074	$15,311,742	-$1,156,668	-7.6%
Non-GRF	$1,519,572	$1,444,552	$75,021	5.2%	$10,854,273	$11,072,874	-$218,600	-2.0%
All Funds	$2,995,460	$3,399,122	-$403,662	-11.9%	$25,009,347	$26,384,616	-$1,375,269	-5.2%
Developmental Disabilities								
GRF	$71,095	$74,998	-$3,903	-5.2%	$653,732	$654,825	-$1,092	-0.2%
Non-GRF	$362,840	$355,720	$7,120	2.0%	$2,487,931	$2,606,338	-$118,408	-4.5%
All Funds	$433,935	$430,718	$3,217	0.7%	$3,141,663	$3,261,163	-$119,500	-3.7%
Job and Family Services								
GRF	$7,356	$7,993	-$637	-8.0%	$77,518	$103,826	-$26,308	-25.3%
Non-GRF	$12,280	$15,091	-$2,811	-18.6%	$126,438	$146,757	-$20,319	-13.8%
All Funds	$19,636	$23,084	-$3,448	-14.9%	$203,957	$250,583	-$46,626	-18.6%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$1,040	$1,013	$27	2.6%	$8,151	$8,810	-$659	-7.5%
Non-GRF	$22,842	$9,519	$13,323	140.0%	$45,831	$91,277	-$45,447	-49.8%
All Funds	$23,882	$10,532	$13,350	126.8%	$53,982	$100,087	-$46,105	-46.1%
All Departments:								
GRF	**$1,555,378**	**$2,038,575**	**-$483,196**	**-23.7%**	**$14,894,476**	**$16,079,203**	**-$1,184,727**	**-7.4%**
Non-GRF	**$1,917,535**	**$1,824,882**	**$92,653**	**5.1%**	**$13,514,473**	**$13,917,246**	**-$402,773**	**-2.9%**
All Funds	**$3,472,913**	**$3,863,457**	**-$390,543**	**-10.1%**	**$28,408,949**	**$29,996,449**	**-$1,587,500**	**-5.3%**

*September 2023 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 April 5, 2024)

	Month of March 2024				Year to Date through March 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,402,019**	**$2,663,550**	**-$261,532**	**-9.8%**	**$18,848,189**	**$20,041,055**	**-$1,192,865**	**-6.0%**
CFC†	$706,303	$823,932	-$117,629	-14.3%	$5,060,337	$5,667,219	-$606,883	-10.7%
Group VIII	$610,290	$691,913	-$81,623	-11.8%	$4,560,663	$4,970,033	-$409,370	-8.2%
ABD†	$238,913	$249,780	-$10,867	-4.4%	$1,694,719	$1,771,915	-$77,195	-4.4%
ABD Kids	$69,449	$84,697	-$15,248	-18.0%	$536,376	$587,758	-$51,382	-8.7%
My Care	$289,908	$294,086	-$4,178	-1.4%	$2,376,596	$2,391,463	-$14,868	-0.6%
OhioRise	$53,688	$50,305	$3,383	6.7%	$337,860	$359,872	-$22,013	-6.1%
SPBM	$433,468	$468,838	-$35,370	-7.5%	$4,281,639	$4,292,795	-$11,156	-0.3%
Fee-For-Service	**$821,503**	**$960,394**	**-$138,891**	**-14.5%**	**$7,420,847**	**$7,650,543**	**-$229,696**	**-3.0%**
ODM Services	$405,674	$537,541	-$131,866	-24.5%	$3,624,789	$3,710,661	-$85,872	-2.3%
DDD Services	$415,829	$422,854	-$7,024	-1.7%	$3,046,518	$3,161,882	-$115,364	-3.6%
Hospital - HCAP	$0	$0	$0	---	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$130,706**	**$141,251**	**-$10,545**	**-7.5%**	**$1,270,979**	**$1,328,919**	**-$57,940**	**-4.4%**
Medicare Buy-In	$75,734	$84,408	-$8,674	-10.3%	$758,781	$805,022	-$46,241	-5.7%
Medicare Part D	$54,972	$56,843	-$1,872	-3.3%	$512,198	$523,897	-$11,699	-2.2%
Administration	**$118,685**	**$98,261**	**$20,424**	**20.8%**	**$868,933**	**$975,932**	**-$106,999**	**-11.0%**
Total	**$3,472,913**	**$3,863,457**	**-$390,543**	**-10.1%**	**$28,408,949**	**$29,996,449**	**-$1,587,500**	**-5.3%**

*September 2023 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[6]

– Lin Kong, Budget Analyst

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $31.46 billion in the first nine months of FY 2024. These expenditures were $1.62 million (4.9%) below OBM's estimates for the YTD. GRF uses also include transfers out, which totaled $6.58 billion and were $987.3 million (17.6%) over estimate for the YTD, due primarily to the timing of $986.1 million in transfers to support capital appropriations that were not anticipated to occur until June. Total GRF uses for these nine months were $38.05 billion, which was $636.0 million (1.6%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of March and YTD, respectively.

For March program expenditures, negative monthly variances occurred in GRF Medicaid ($483.2 million, 23.7%), Debt Service ($62.7 million, 49.1%), Property Tax Reimbursements ($62.1 million, 43.3%), and Justice and Public Protection ($16.5 million, 6.2%). The remaining categories had monthly variances of less than $10 million. Total program expenditures were $634.0 million (15.3%) below estimate for the month of March.

For YTD program expenditures, all categories except for Primary and Secondary Education ($5.0 million, 0.1%) and Other Education ($1.8 million, 2.1%) were below their FY 2024 estimate. The categories with the largest negative variances include Medicaid ($1.18 billion, 7.4%), Health and Human Services ($172.4 million, 10.9%), and Justice and Public Protection ($85.7 million, 3.7%). The larger GRF 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. As noted above, GRF Medicaid expenditures were below their monthly estimate in March by $483.2 million (23.7%) and below their YTD estimate by $1.18 billion (7.4%) at the end of March. Non-GRF Medicaid expenditures were above their monthly estimate by $92.7 million (5.1%) yet below their YTD estimate by $402.8 million (2.9%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $390.5 million (10.1%) below estimate in March and $1.59 billion (5.3%) below their YTD estimate at the end of March.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and seven other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD 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 March of $403.7 million (11.9%), and a YTD all funds negative variance of $1.38 billion (5.2%) at the end of

[6] 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.

March. DODD had a March all funds positive variance of $3.2 million (0.7%) and ended the month with YTD expenditures being $119.5 million (3.7%) below estimate. The other seven “sister” agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, Education, and Board of Regents – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the seven “sister” agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for all four major payment categories at the end of March. In percentage terms, the Administration variance of $107.0 million (11.0%) was the largest. This continued the recent pattern of lower administrative spending, especially by “sister” agencies. For example, the variance at Mental Health and Addiction Services (OhioMHAS) is nearly entirely attributable to the timing of disbursements for employment at licensed Community Behavioral Health Centers. The first set of Fellows graduated in December 2023, and expenditures are expected to increase as cohorts of Fellows continue to graduate and enter the workforce at eligible facilities. In terms of absolute dollars, the largest variance was in Managed Care, which was $1.19 billion (6.0%) below the YTD estimate. The Managed Care variance throughout this fiscal year has been largely due to a lower-than-projected caseload, especially in the Covered Families and Children (CFC) population, and lower per-member-per-month (PMPM) spending. The other categories with negative variances were Fee-for-Service (FFS) at $229.7 million (3.0%) and Premium Assistance at $57.9 million (4.4%).

Due to federal requirements for states to provide continuous coverage throughout the COVID-19 public health emergency (PHE) in exchange for receiving a higher reimbursement on Medicaid expenditures, caseloads increased more than 28% from February 2020 to April 2023. The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM’s net caseload had declined by February 2024 by over 395,000. Caseload numbers will continue to fluctuate through the redetermination process due to retroactive eligibility changes.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. The Ohio Department of Job and Family Services (ODJFS) accounts for a majority of the actual expenditures for this category in FY 2024 (52.7%).

This category’s negative YTD variance increased by $7.8 million in March to reach $172.4 million (10.9%). The largest contributor towards the negative YTD variance was ODJFS, the category’s largest component. ODJFS was under estimate for the YTD by $130.5 million, which accounted for 75.7% of the category’s YTD variance.

Significant March variances for appropriation line items (ALIs) in the ODJFS budget include:

- A negative monthly variance of $3.4 million in ALI 600450, Program Operations, which increased the YTD negative variance for this ALI to $47.9 million. This ALI is used for administrative functions, operating expenses, and various information technology projects for the Department.

- A positive monthly variance of $2.0 million in ALI 600413, Child Care State/Maintenance of Effort (MOE), which decreased the negative YTD variance for this ALI to $2.0 million. This now discontinued line item was used in conjunction with several other line items for publicly funded child care. Expenditures from this line item were used to meet the federal Child Care and Development Fund (CCDF) matching and MOE grant requirements. Beginning in FY 2024, funding for those activities was moved to the purview of the Department of Children and Youth (DCY). Although discontinued, this line item is estimated to still have outstanding monthly expenditures throughout the remainder of FY 2024.
- A negative monthly variance of $1.4 million in ALI 600523, Children and Families Subsidy, which resulted in a negative YTD variance for this ALI of $20.5 million. This ALI primarily supports family and children services, including foster parent stipends, education training vouchers, and public children services agencies.

The second largest contributor towards this program category's negative YTD variance behind ODJFS is OhioMHAS, which had a monthly negative variance of $1.7 million thereby increasing its negative YTD variance to $19.6 million.

Notable line items in the OhioMHAS budget that contributed towards the negative YTD variance include ALI 336422, Criminal Justice Services, which has a negative YTD variance of $9.5 million. This line item is used to provide forensic psychiatric evaluations to courts of common pleas and to conduct evaluations of patients. ALI 336504, Community Innovations, has a negative YTD variance of $7.8 million. This line item is used to make targeted investments in programs, projects, or systems that are impacted by OhioMHAS programs or functions with the goal to achieve improved outcomes for Ohio citizens.

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 71.1% of the actual expenditures for this category thus far in FY 2024. Eleven other agencies make up the remaining 28.9% of actual spending.

The March expenditures in this category were below its monthly estimate by $16.5 million (6.2%) resulting in a negative YTD variance of $85.7 million (3.7%). The negative variance for the month is primarily due to DRC item 501321, Institutional Operations. This line item was below its monthly estimate by $12.3 million, which resulted in a YTD negative variance of $5.3 million. ALI 501321 primarily pays for the operation of the Department's correctional institutions, including payroll and other costs associated with security, unit management, facility administration and maintenance, and support services.

There are two notable line items that have significantly contributed to this program category's YTD negative variance. ALI 019501, County Reimbursement, is a line item within the Ohio Public Defender Commission's (PUB) budget that is used to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. This line item has a negative variance of $27.5 million thus far in FY 2024. ALI 055509, Law Enforcement Training, is a line item within the Attorney General's (AGO) Budget that is used by the AGO for state funding of the continuing professional training of peace officers and troopers. ALI 055509 has a YTD negative variance of $11.0 million. These two line items combined make up 44.9% of this program category's YTD negative variance.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The March expenditures in this category were below its monthly estimate by $0.7 million (1.2%), increasing its negative YTD variance to $72.9 million (6.5%).

The most significant line items that contributed to the negative YTD variance thus far relate to infrastructure improvements. ALI 775471, State Road Improvements, was below its YTD estimate by $19.2 million. This line item is used to provide supplemental funding for road improvement projects in conjunction with a Highway Operating Fund appropriation. ALI 195456, Local Roads, was below its YTD estimate by $12.5 million. This now discontinued line item is used to fund local road improvements for economic development purposes.

Transfers out

Four GRF transfers out totaling nearly $0.6 million occurred during the month of March, primarily for higher education scholarship funding. This increases the positive YTD variance for transfers out to $987.3 million (17.6%).

H.B. 687 of the 134th General Assembly authorized a total of $1.5 billion in GRF transfers out to support capital projects during the FY 2023-FY 2024 capital biennium.[7] OBM's estimates planned for $850.0 million to be transferred for this purpose in FY 2024. All of the anticipated transfers were expected to occur in June, so this timing-related variance will not resolve until the end of the fiscal year. Please refer the December 2023 issue of *Budget Footnotes* for a listing of transfers out to support capital projects.

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

Issue Updates

DODD Awards $14.9 Million to Support Home and Community-Based Services

– Brandon T. Minster, Economist

On January 18, 2024, DODD awarded $14.9 million to support and strengthen home and community-based services (HCBS) for Ohioans with developmental disabilities and their families. Specific project activities include: increasing accessibility in communities and public spaces; purchasing and installing universal changing tables in public spaces; ensuring access and affordability to community activities for people with disabilities; facilitating accessibility and inclusivity of conferences and meetings; performing outreach to non-English speaking communities; and covering various other needs such as informal respite care and special transportation. County developmental disability (DD) boards and regional Councils of Government (COG) were eligible to apply for funds. In all, 58 projects were selected in 67 counties. The project awards range from $16,000 to $890,000, depending on the scale of the project.

The funds to support these projects come from the American Rescue Plan Act (ARPA). ARPA increased the federal matching rate for certain Medicaid HCBS expenditures by ten percentage points from April 1, 2021, through March 31, 2022. These funds are to be used to: expand eligibility and increase access to HCBS; offer a broader range of these services; make long-term investments in HCBS infrastructure; strengthen the direct service workforce (i.e., increase pay and benefits of direct support professionals); or address social determinants of health and improve equity for certain populations. In total, DODD received $56 million in ARPA funds to strengthen HCBS for Ohioans with developmental disabilities. The remainder of these funds will be awarded in the future.

ODA Awards $6.0 Million to Revitalize and Expand Adult Day Services

– Ryan Sherrock, Economist

On March 11, 2024, the Ohio Department of Aging (ODA) awarded $6.0 million to 22 projects in 16 counties to help revitalize and expand the adult day services industry. The goal of these awards is to restore the industry to prepandemic levels by helping providers deal with the challenges resulting from the pandemic, such as an increase in demand for services and a limited workforce. Funding must be used to support efforts in three areas: industry restoration, industry revitalization, and workforce impact.

Industry restoration activities include expenses incurred by a provider to enter or reenter the market, as well as to allow current providers to expand services. Examples of allowable activities in this category include costs relating to start-up fees, infrastructure modifications, and the purchase of equipment or supplies. Industry revitalization projects help existing providers expand the number of individuals served and support long-term sustainability. These efforts include equipment or facility upgrades necessary to accommodate a larger capacity serviced.

Lastly, workforce impact projects enhance both employee recruitment and retention and include costs relating to enhanced benefits (e.g., tuition, child care allowances, vision/dental benefits), retention and hiring bonuses, and wages for new direct care workers.

Eligibility was limited to current ODA providers or those who applied to be an ODA-provider before January 26, 2024. Funding ranged from $39,000 to over $660,000, depending on the scale of the project, the number of additional individuals estimated to be served, and the current needs of the planned service area. ARPA funds supported these projects.[8]

Adult day services include recreational and educational programming, meals, health monitoring, skilled therapy, and transportation. In addition to being more cost-effective than institutional long-term care settings, benefits of adult day services include increased social engagement, improved overall physical and mental health, early detection of health issues, family support, and caregiver respite.

Department of Development Awards over $5.8 Million for Lead Abatement

– Jared Cape, Budget Analyst

On March 20, 2024, the Department of Development (DEV) awarded approximately $5.8 million in grants for lead abatement projects in five counties under the Lead Safe Ohio Program. Specifically, grants were awarded to the following counties: Butler (almost $2.1 million), Franklin (more than $1.8 million), Clermont ($930,000), Darke ($642,000), and Lawrence ($323,000). These funds will be used toward projects such as waterline replacement, window and door replacement, siding enclosure, soffit enclosure, porch component repair, and lead cleaning efforts. Of the $150.0 million in funding available for the program, DEV intends to distribute $100.0 million for lead prevention and mitigation activities in eligible properties built before lead-based paint was outlawed in 1978. So far, the program has allocated a total of $90 million for lead remediation in 76 counties. For more information on the Lead Safe Ohio Program, view the Department of Development's website: development.ohio.gov.

The Lead Safe Ohio Program was established in H.B. 45 of the 134th General Assembly and is supported by ARPA dollars under Fund 5CV3 ALI 1956F6, ARPA Lead Prevention and Mitigation. H.B. 45 earmarked up to $130.0 million for DEV to support workforce development, recruitment, and retention of lead contractors and to conduct lead abatement services including window and door replacement in residential properties, congregate care settings, and childcare facilities constructed before 1978. The bill also earmarked $20.0 million for DEV, in coordination with the Department of Health, to distribute funding to lead poisoning prevention projects, including but not limited to lead-safe building certification, screening and testing for lead poisoning, education and community engagement, and early intervention for children and families impacted by lead.

[8] Funds were actually appropriated to the Office of Budget and Management. However, funding allocations and awards were determined by ODA.

DEW Issues First Round of Career Technical Education Equipment Grants

– Joshua Sherer, Budget Analyst

On March 4, 2024, the Governor's Office of Workforce Transformation in conjunction with the Department of Education and Workforce (DEW), released the list of 56 school districts and schools awarded $67.7 million in the first round of Career Technical Education Equipment grants. Awardees include 38 traditional school districts, 13 joint vocational school districts (JVSDs), and five community schools. The program awards competitive grants to school districts and other public schools that establish or expand career-technical education (CTE) programs. Priority must be given to applicants that support careers on Ohio's Top Jobs List or establish or expand credentialing programs from the Innovative Workforce Incentive Program list, which incentivizes school districts and other public schools to offer credentialing programs in priority industry areas, such as advanced manufacturing and telecommunications. According to DEW guidelines, recipients can use the funding to purchase equipment, software, and instructional materials, to support classroom and laboratory expansion, and to pay CTE program operating costs, among other eligible purposes.

Grant amounts ranged from $30,000 to the maximum allowable amount of $2.5 million. The table below summarizes the grant recipients and total awards by region. The northeast region received the most funding, at $19.9 million (29.4%). Districts and schools in the central region received $15.2 million (22.5%), followed by the southeast at $12.0 million (17.7%), the northwest at $9.3 million (13.7%), the west at $6.1 million (9.0%), and the southwest at $5.2 million (7.7%). The full list of awards and recipients can be found by conducting a keyword "career technical equipment grants" search on the DEW website at: education.ohio.gov.

Career-Technical Education Equipment Program Grant Awards, FY 2024

Region	Number of Districts or Schools	Total Awards
Northeast	15	$19,919,726
Central	17	$15,244,230
Southeast	8	$11,980,502
Northwest	6	$9,299,800
West	7	$6,094,974
Southwest	3	$5,207,834
Total	**56**	**$67,747,066**

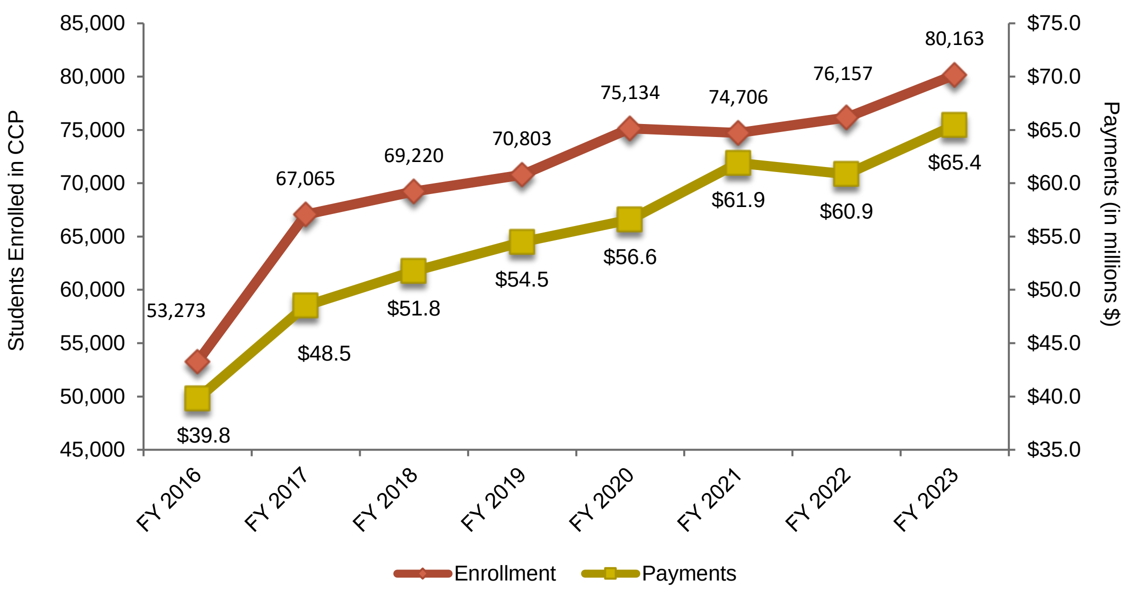
H.B. 33 appropriated $100.0 million across the biennium ($50.0 million in each fiscal year) for the Career Technical Education Grant Program using funds transferred from the GRF. The budget allows unused funds remaining at the end of FY 2024 to be carried over into FY 2025. The next application period will take place in the spring of 2024. Separately, H.B. 33 appropriated $200.0 million from ARPA funds to the Ohio Facilities Construction Commission (OFCC) to support construction projects that establish or expand CTE programs for in-demand career fields and industry-recognized credentials. OFCC awarded these funds in November 2023.

80,200 Students Participate in College Credit Plus Program in FY 2023

– Jason Glover, Senior Budget Analyst

In January 2024, DEW and Ohio Higher Education (ODHE) released their annual report on the College Credit Plus (CCP) Program, which allows qualified public, nonpublic, and home-instructed students in grades 7-12 to take college courses for both college and high school credit.[9] The Year 8 Report, covering FY 2023 (the 2022-2023 academic year), shows that approximately 80,200 students participated in the CCP Program, an increase of 5.3% from the 76,200 students enrolled in FY 2022. The report shows that, with the exception of a small COVID-19-related decrease (-0.6%) in FY 2021, CCP enrollment has increased each year since FY 2016 (the first year of CCP operation), as seen in the chart below. Through FY 2023, CCP enrollment has increased 50% from the approximately 53,300 students who took CCP classes in FY 2016.

College Credit Plus Enrollment and Payments, FY 2016 - FY 2023



In FY 2023, over 93% of participants passed their CCP courses and, thus, received college credit. According to the report, 44% of participating students were seniors, 31% were juniors, and nearly 16% were freshmen and sophomores. The remaining participants were home school

[9] See the CCP Annual Report, 2022-2023, Year 8 (PDF), which, along with additional details on the CCP Program, is available on ODHE's website: highered.ohio.gov.

or private school students for which a grade level was not reported (9%) or were in 7th or 8th grade (less than 1%). Most participants took one or two college courses through the program.

Under CCP, funding for public students is deducted from the state aid allocated to the educating district or school. Funding for nonpublic and home-instructed students is paid directly by the state through certain GRF and non-GRF appropriations. As seen in the chart above, with the exception of FY 2022, the amount paid to colleges under the program has increased each year since FY 2016. From FY 2022 to FY 2023, payments to colleges increased by approximately $4.5 million (7.4%), mainly stemming from the continued increase in the number of CCP participants. The decrease in payments to colleges in FY 2022 likely was due to a rebound in the number of CCP courses taught in a high school setting following the COVID-19-related decline of these course delivery options in FY 2021 (see table below). Generally, these courses have the lowest payment rates, with default payment rates of $41.64 to $83.28 per credit hour. Online CCP courses, like CCP courses taken on a college campus, are funded at the highest default payment rate, at $166.55 per credit hour. The default rates are used unless the school district or school and college agree on an alternative payment structure.

CCP courses delivered at a high school by a qualified high school teacher comprise the greatest share of courses, at 38.0% in FY 2023. The share of online courses decreased slightly in FY 2023, to 35.9%, though it remains elevated compared to the share before the pandemic. From FY 2021 to FY 2023, the online delivery method averaged 37.5% of the total courses taken each year, up 16.8 percentage points from 20.7% in FY 2020.

Percentage of CCP Courses by Delivery Method, FY 2020-FY 2023

Delivery Method	Default Rate	FY 2020	FY 2021	FY 2022	FY 2023
At High School – Qualified High School Teacher	$41.64	36.2%	35.5%	38.1%	38.0%
Online	$166.55	20.7%	40.3%	36.3%	35.9%
On College Campus	$166.55	27.3%	14.4%	15.8%	15.6%
At High School – College Faculty	$83.28	8.0%	6.2%	7.6%	7.4%
Unreported*		7.8%	3.6%	2.1%	3.1%

*According to ODHE, the delivery method for some courses is unreported due to data issues with student records and potentially other factors.

Ohio Traffic Safety Office Awards $4.6 Million in Creating Opportunities for Driver Education (CODE) Grants

– Maggie West, Senior Budget Analyst

On January 23, 2024, the Department of Public Safety announced the award of $4.6 million in the first round of Creating Opportunities for Driver Education (CODE) grants. Funding was competitively awarded to 34 recipients in 25 counties to provide more driver training opportunities to students in underserved areas of the state. Recipients included

Education Service Centers (ESCs), school districts, career technical programs, and existing and certain prospective driver training enterprises. Individual grant awards ranged from $63,694 (16 recipients in various counties) to $322,373 (Pickaway County ESC). Clark County received the most CODE grant funding with recipient awards totaling $483,530. The table below shows CODE grant awards and the number of recipients by county.[10]

CODE grants are administered by the Ohio Traffic Safety Office and are provided on a reimbursement basis. Eligible expenses include vehicle purchases, retrofitting of vehicles for student driving, state-required student driver decals, instructor candidate training compensation, background checks, online driver education, and the partial cost of administration time, licensed driving instructor salaries, and driving mentor salaries. The grant period runs through June 30, 2025. CODE grants are part of a larger teen driver training effort that also includes the Drive to Succeed Grant program, which aims to expand teen driver training access to low-income populations by providing funding for localized scholarship programs. Proposals for the second round of Drive to Succeed Grant funding were due March 15, 2024.

Creating Opportunities for Driver Education Grant Awards by County (Round One)

County (# of Recipients)	Amount Awarded	County (# of Recipients)	Amount Awarded	County (# of Recipients)	Amount Awarded
Ashland (1)	$153,697	Jefferson (1)	$261,031	Pickaway (1)	$322,373
Champaign (1)	$265,027	Licking (1)	$254,123	Preble (3)	$191,082
Clark (2)	$483,530	Logan (2)	$266,827	Richland (1)	$63,694
Crawford (1)	$63,694	Mahoning (2)	$294,490	Summit (1)	$211,357
Erie (1)	$79,247	Marion (2)	$127,388	Tuscarawas (1)	$246,503
Fairfield (1)	$100,958	Montgomery (1)	$304,120	Union (1)	$63,694
Fulton (1)	$63,694	Morrow (1)	$175,043	Washington (1)	$146,150
Gallia (1)	$106,183	Muskingum (2)	$127,388	**Total**	**$4,626,070**
Hardin (2)	$127,388	Perry (2)	$127,388		

[10] A complete list of award recipients is available on the Creating Opportunities for Driver Education (CODE) website at: otso.ohio.gov.

Office of Criminal Justice Services Awards Nearly $4.8 Million in Ohio Body-Worn Camera Grants

– Shaina Morris, Budget Analyst

On January 12, 2024, the Office of Criminal Justice Services (OCJS), a division of the Ohio Department of Public Safety, announced grant awards totaling nearly $4.8 million under the Ohio Body-Worn Camera Grant Program. A total of 108 law enforcement agencies across 49 counties received awards during this third round of funding. Of the agencies that received funding, 32 will create new body-worn camera programs and 76 agencies will dedicate funding toward expanding or upgrading their existing programs.

OCJS received $10.7 million in grant requests, of which approximately 45% were awarded. All qualifying agencies that do not currently have a program in place received priority funding ($1.7 million). The remaining funding ($3.1 million) went to agencies to upgrade aging cameras, add storage capacity, or hire record-retention personnel. Individual awards ranged from a low of $2,000 (Magnolia Police Department in Stark County) to as high as $271,407 (Perry Township Police Department in Stark County).

In total, the program has issued funding to over 300 law enforcement agencies since its creation in 2021. The program received earmarked funding of $5.0 million in each fiscal year in the last two main operating budget acts. The earmarked funds are appropriated from GRF ALI 768425, Justice Program Services. The next round of grant funding is scheduled to take place in FY 2025.

Ohio Public Transit Agencies Receive $29.3 Million in Low-or No-Emissions Grants

– Terry Steele, Senior Budget Analyst

On March 4, the Controlling Board approved $10.3 million in additional expenditures for the Ohio Department of Transportation (ODOT) to administer rural transit agency awards from the federal Low-or No-Emissions Grant Program. Under this program, Ohio received approximately $29.3 million to support ten public transit agencies. Of this grant total, five urban transit agencies will receive just under $19.1 million in grant awards that they will self-administer, while five rural transit agencies will receive about $10.3 million, which will be administered by ODOT. The grants will be used to purchase low-emission vehicles, install electric vehicle chargers, and fund project consultant support. The table below summarizes the federal award to each of these ten transit agencies, along with the required 20% local matching funds for their projects.

Low- or No-Emission Grant Awards			
Transit Agency (Urban)	**Federal Award**	**Local Match**	**Total Project Costs**
Warren Regional Transit	$1,208,632	$302,158	$1,510,790
Toledo Area Regional Transit	$9,090,504	$2,271,626	$11,363,130
Stark Area Regional Transit	$4,412,127	$1,103,032	$5,515,159

Low- or No-Emission Grant Awards			
Transit Agency (Urban)	**Federal Award**	**Local Match**	**Total Project Costs**
Butler County Regional Transit	$1,091,115	$272,779	$1,363,894
Greater Cleveland Regional Transit	$3,266,263	$816,565	$4,082,828
Total (Urban)	**$19,068,641**	**$4,766,160**	**$23,835,801**
Transit Agency (Rural)	**Federal Award**	**Local Match**	**Total Project Costs**
Perry County Transit	$2,825,474	$706,368	$3,531,842
Chillicothe County Transit	$1,161,474	$290,368	$1,451,842
Seneca Crawford Area Transit	$3,571,579	$892,895	$4,464,474
Ottawa County Transit	$1,568,089	$392,022	$1,960,111
Geauga County Transit	$1,136,409	$284,102	$1,420,511
Total (Rural)	**$10,263,025**	**$2,565,755**	**$12,828,780**

Tracking the Economy

– Michael Kerr, Budget Analyst

– Ruhaiza Ridzwan, Senior Economist

Overview

The national economy continued to expand in early 2024. Employment nationwide increased 303,000 in March and the unemployment rate declined to 3.8%. The net job gain in March was larger than the monthly gain in employment for February, and it exceeded the average monthly gain in the past 12 months. Job openings changed little in February. Inflation-adjusted gross domestic product (real GDP) rose at a 3.4% annual rate in last year's fourth quarter, after increasing at a 4.9% annual rate in the third quarter. Industrial production increased in February, as both mining and manufacturing output rose. Personal income and consumer spending both expanded. Inflation, as measured by the all-item, seasonally adjusted consumer price index (CPI) rose in February, the largest monthly increase since August 2023. Sales of cars and light trucks picked up. U.S. housing market indicators were mixed.

In Ohio, total employment increased in February, following a decline in January. The state's unemployment rate remained at 3.7% in February, a lower rate than the U.S. unemployment rate. During the past 12 months, the state's unemployment rate has been held between 3.3% and 3.7% and was lower than or the same as the U.S. unemployment rate. The state's real GDP grew at an annualized rate of 2.8% in the fourth quarter of 2023, after increasing at a 4.6% annual rate in the third quarter. Ohio personal income grew at a 3.7% annual rate in the last quarter of 2023, which was the slowest quarterly growth in 2023. Home sales in the state continued to expand.

The National Economy

In March, the U.S. economy added 303,000 jobs and the national unemployment rate declined slightly to 3.8%. The U.S. unemployment rate was 3.9% in February. Growth of U.S. nonfarm payroll employment for the previous 12 months averaged 231,000 per month. For March, there were job gains in health care, government, construction, leisure and hospitality, other services, and social assistance. Employment changed little in most other major industries, including the retail trade, which realized job gains in general merchandise that were partially offset by losses in building material, garden equipment, and supplies dealers along with automotive parts, accessories, and tire retailers. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment rates are shown in Chart 5.

The number of people counted as unemployed nationally was 6.4 million in March, a slight decrease from the 6.5 million unemployed in February. A year earlier, the number of people counted as unemployed nationally was 5.9 million. Of the 6.4 million unemployed in March, 1.2 million had been without jobs and actively looking for work for six months or more, a number that has little changed since last month. The number of people working part-time for economic reasons was 4.3 million in March, little changed from February. The labor force participation rate, the share of the population that is either employed or actively seeking work, also remained relatively steady at 62.7%, relatively unchanged over the last year.

The number of nationwide job openings in February changed little at 8.8 million, down from a series high of 12.2 million in March 2022. For the month, increased job openings were reported in finance and insurance, state and local government (excluding education), and arts, entertainment and recreation; openings, however, decreased in information and federal government. In the Midwest, the number of job openings in February, along with the number and rate of hires, also remained relatively unchanged. Although the nationwide hiring rate decreased 0.1%, total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were stable, with the Midwest increasing by 0.1%. Layoffs and discharges increased across the nation in accommodation and food services and arts, entertainment, and recreation. The number of people choosing to quit nationwide was constant in February at 2.2%, unchanged since November 2023. In the Midwest, the number of people choosing to quit rose slightly, by 0.2%. Employees are more likely to quit jobs if they are confident they can find other or better positions.

Real GDP rose at a 3.4% annual rate in the fourth quarter of last year, according to the third estimate by the U.S. Bureau of Economic Analysis (BEA), slightly quicker than previous estimates compiled with less complete source data. Durable and nondurable goods manufacturing, along with retail trade, were the principal contributors to the nationwide rise in real GDP. Consumer spending, exports, government spending at all levels, and residential and nonresidential fixed investment expanded. Private inventory investment slowed. Imports rose but decelerated. Growth was slower than in the third quarter of last year, when real GDP rose at a 4.9% annual rate, but faster than in the second quarter when real GDP rose at a 2.1% annual rate.

Industrial production rose 0.1% in February after decreasing 0.5% the previous month. The increase in February resulted from a 2.2% rise in mining output and a 0.8% increase in manufacturing output. Utilities' production declined 7.5% due to reduced demand for heating, which resulted from unusually warm temperatures in February. Among market groups, output of consumer goods decreased by 1.4%. However, output of construction supplies and business equipment increased by 1.9% and 1.7%, respectively.

The CPI rose 0.4% in February on a seasonally adjusted basis, the largest monthly increase since August 2023, as gasoline rose 3.8% and utility gas service rose 2.3%. Compared with a year earlier, the CPI for all items was 3.2% higher, a slight increase from the annual rate of inflation in January (3.1%). The index for energy increased 2.3% in February as prices for aforementioned gasoline and utility gas service rose. However, the food index remained unchanged, with the index for prices of food for consumption away from home only increasing by 0.1% from the prior month. The CPI for all items less food and energy rose 0.4% for the month to reach 3.8% above the previous year's rate. Chart 6 below shows percentage CPI increases from the prior year since the beginning of 2021. Inflation by this measure peaked in June 2022.

The producer price index for final demand (PPI) increased 0.6% in February, seasonally adjusted, following a 0.3% increase in January. The monthly increase in February was driven by a 1.2% increase in prices for final demand goods, the largest rise since August 2023; this was largely driven by prices for energy, particularly gasoline. The prices for diesel fuel, chicken eggs, jet fuel, beef, veal, and tobacco products also increased. Elsewhere, the index for final demand services rose 0.3% for February, following an increase of 0.5% the previous month. The monthly increase for February was driven by a rise in prices for traveler accommodation services. The index for final demand transportation and warehousing also increased 0.9%. However the index for final demand trade declined 0.3% for the month, following a 0.1% rise in January.

Personal income, not adjusted for inflation, increased 0.3% in February largely driven by increases in compensation from private goods-producing industries and government social benefits; this was partially offset by decreases in personal dividend income. A related measure of inflation, the personal consumption expenditures (PCE) price index – an indicator used by the Federal Reserve, also increased 0.3% in February, which was 2.5% higher than the year prior. Excluding food and energy, the PCE price index increased 0.3% in February and was up 2.8% over the year. Real personal consumption expenditures increased by 0.4% for the month.

Approximately 1.4 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of March. Unit sales for the month were 16.1% higher than the number of units sold in February. YTD vehicle sales totaled 3.7 million, which is 5.1% higher than the quantity sold during the same three months in calendar year 2023.

Existing home sales increased 9.5% nationwide in February with sales 3.3% lower than this time last year, according to the National Association of REALTORS. In the Midwest, existing home sales rose 8.4% in February, down 3.7% from a year prior. Housing starts in the U.S. rose 10.7% in February compared to the revised, seasonally adjusted January estimate, which is 5.9% above the February 2023 rate. Building permits for new housing units in the U.S. increased 1.9% from the revised January estimate, 2.4% above the rate from the preceding year. Midwest housing starts increased 50.7% in February and building permits in the Midwest increased by 3.8%. New home sales, however, declined 0.3% nationally in February compared to the revised, seasonally adjusted January estimate, but increased 5.9% compared to the February 2023 rate. In the Midwest, the number of new houses sold declined 2.4% for the month.

The Ohio Economy

Ohio’s unemployment rate remained at 3.7% in February, unchanged from January. Ohio’s unemployment rate was below the U.S. unemployment rate of 3.9% for February. The number of unemployed Ohioans was 214,000 in February, an increase of 2,000 from January. From a year earlier, the number of unemployed Ohioans increased by 3,000.

The state’s total nonfarm payroll employment, seasonally adjusted, grew by 2,900 in February from the revised total in January, or 0.1%, following a decrease of 300 jobs in January. Increases in employment in the latest month were reported in goods-producing industries, but employment in private-service providing industries and government decreased. The largest gains occurred in local government; leisure and hospitality; private educational and health services; manufacturing; construction; and federal government. Losses largely occurred in state government; financial activities; professional and business services; and trade, transportation, and utilities. Compared to a year ago, total nonfarm payroll employment increased by 29,300, or 0.5%. The increase was largely in private educational and health services; leisure and hospitality; and other services. Losses occurred in trade, transportation, and utilities; professional and business services; financial activities; state government; and information.

Among Ohio metropolitan areas, both the Cleveland-Elyria and Mansfield areas had the strongest nonfarm payroll employment growth in the year ended in February at 0.8% while both the Akron and Weirton-Steubenville areas had the weakest at - 0.5%. In February, the Columbus area had the lowest unemployment rate in the state at 3.8%. Unemployment rates in the Cleveland-Elyria, Mansfield, and Akron were 4.6%, 5.3%, and 4.5%, respectively. The highest unemployment rate in the state was in the Weirton-Steubenville area at 6.2%. Unemployment rates in all metropolitan areas in Ohio were higher than in February of last year, except in Cleveland-Elyria and Lima. These metropolitan data are not seasonally adjusted.

The state's real GDP grew at an annualized rate of 2.8% in the fourth quarter of 2023, after increasing at a 4.6% annual rate in the third quarter. Ohio's growth in the fourth quarter was lower than the real GDP growth for the 50 states and the District of Columbia of 3.4%. Ohio's growth in the fourth quarter was largely led by nondurable goods manufacturing; health care and social assistance; retail trade; and durable goods manufacturing. Wholesale trade; agriculture, forestry, fishing, and hunting; and state and local government shrank. In the entire year 2023, Ohio's real GDP increased 1.2% from 2022 according to the U.S. Bureau of Economic Analysis (BEA) preliminary estimates, a lower increase than the nationwide real GDP growth of 2.5%. During the past six years, Ohio has trailed the nation in annual real GDP growth rate, except in 2019. The largest expansion in Ohio's GDP in 2023 was in retail trade sector, followed by health care and social assistance. Nondurable goods manufacturing; finance and insurance; and wholesale trade sectors declined. Ohio's GDP accounted for about 3.1% of U.S. GDP. Ohio's 2023 growth ranked 43rd among the 50 states and was slower than the growth for all five of the neighboring states – West Virginia (4.7%), Kentucky (3.5%), Pennsylvania (2.2%), Michigan (1.5%), and Indiana (1.4%).

Ohio personal income grew at a 3.7% annual rate in the in the fourth quarter of 2023, following an increase at a 4.4% annual rate in the third quarter. Ohio's personal income growth in the fourth quarter was driven by increases in earnings and in property income (dividends, interest, and rent), largely offset by lower transfer receipts (from social security, Medicare, Medicaid, unemployment compensation, and other programs). Ohio's quarterly growth ranked 33rd in the nation (from highest growth to lowest). Nationwide, the average state personal income grew at a 4.0% annual rate in the fourth quarter of 2023, up from a 3.9% rate of increase in the third quarter. For the entire year of 2023, Ohio's personal income grew 4.8%, slightly below nationwide growth for the same period of 5.2%. Ohio's full-year growth also ranked 33rd in the nation (from highest growth to lowest). Net earnings and property income accounted for all of the year's personal income growth, for both the U.S. and Ohio.

The number of existing homes sold in Ohio increased by 7.8% in the month of February as compared to sales in February 2023, according to the Ohio Realtors. During the first two months of this year, existing home unit sales were 6.3% higher than in the corresponding months of last year. The statewide sales price of homes sold in the first two months of 2024 averaged $259,793, or 8.9% higher than in the same period in 2023.

Chart 4: U.S. and Ohio Nonfarm Payroll Employment
(in millions, not seasonally adjusted)

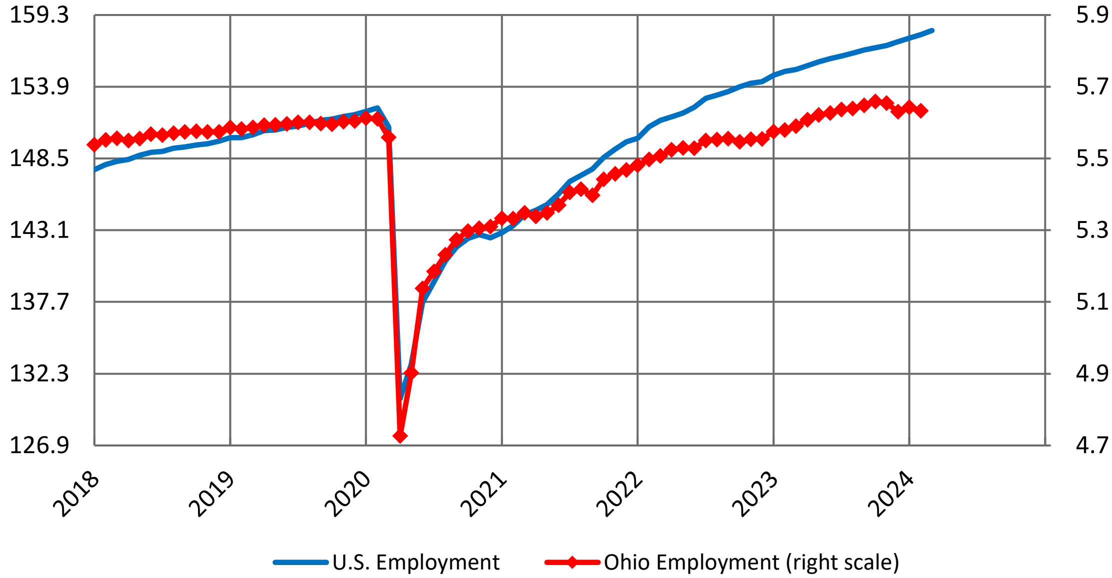
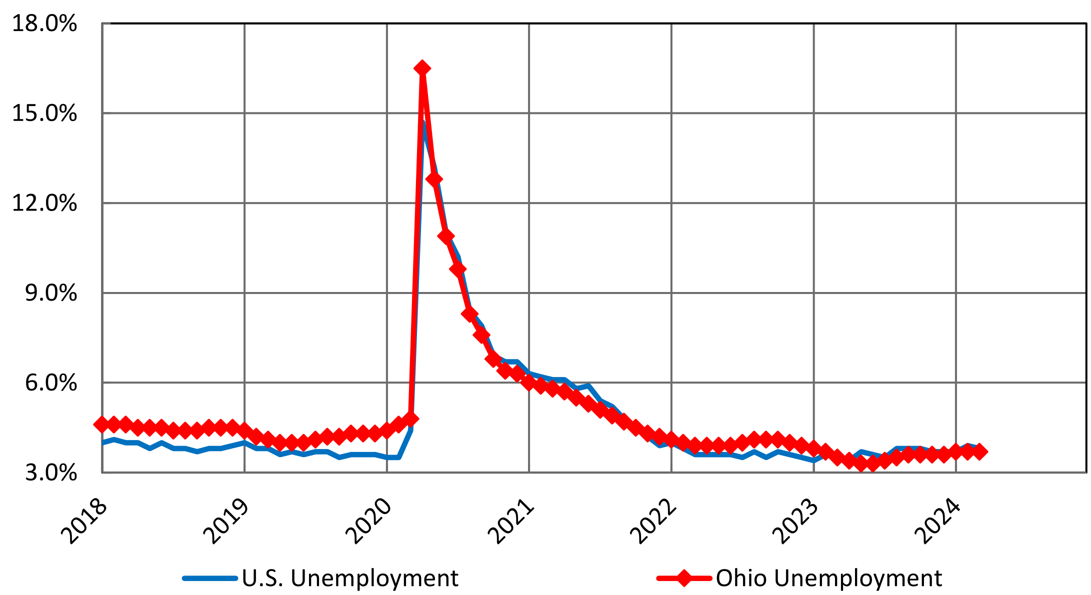


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)



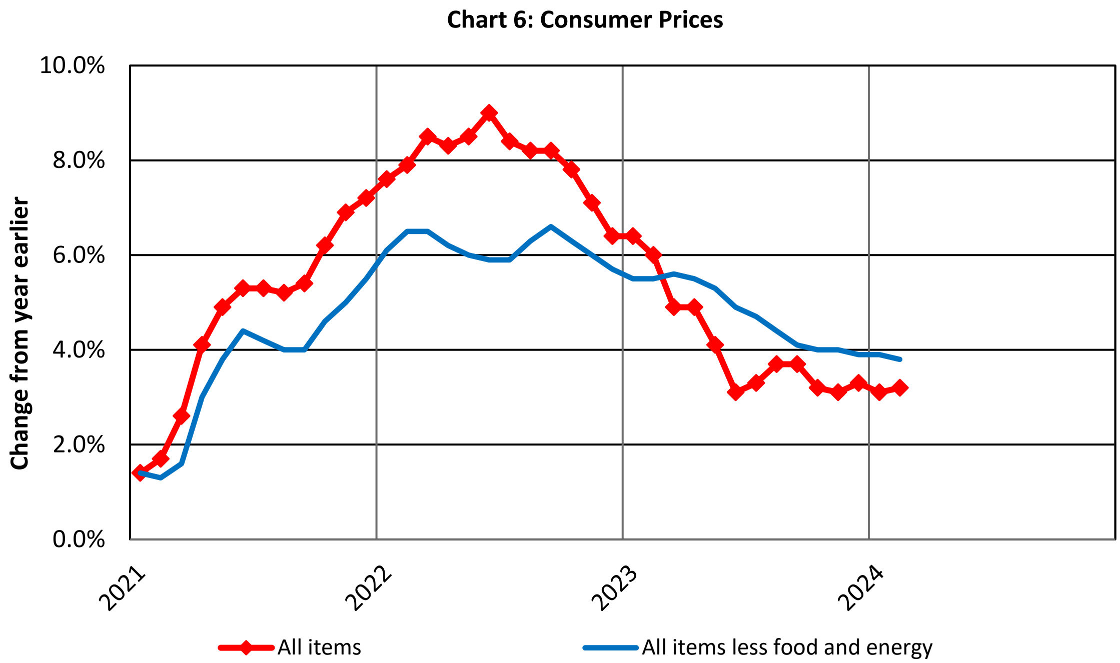


Chart 6: Consumer Prices
Change from year earlier
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2021
2022
2023
2024
All items
All items less food and energy