LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 Issue: February 2024

Highlights

– *Russ Keller, Chief Economist*

GRF tax revenue through January had an $89.4 million negative variance compared with the Office of Budget and Management (OBM) FY 2024 estimate. The shortfall was largely driven by pass-through entities, which have altered their previous payment patterns in response to a recent law change. The sales tax and commercial activity tax (CAT) remain ahead of their seven month estimate.

The labor market continued its strength in the new year, as job gains were seen at both the national and state levels. Consumer spending also increased, but growth has moderated in conjunction with inflation.

Through January 2024, GRF sources totaled $25.06 billion:

- ❖ Revenue from the personal income tax (PIT) was $159.6 million below estimate; the sales and use tax exceeded its estimate by $36.1 million;
- ❖ Federal grants were $403.8 million below estimate.

Through January 2024, GRF uses totaled $32.25 billion:

- ❖ Program expenditures were $907.8 million (3.4%) below estimate, as every program category was below estimate;
- ❖ The largest shortfall was Medicaid, $537.2 million, which reflects both timing issues and a decline in caseloads.
- ❖ GRF transfers out totaled $6.58 billion, $986.7 million (17.6%) more than OBM's estimate. Most of the variance is due to transfers related to the recent capital budget, made earlier in the fiscal year than anticipated.

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Table 1. General Revenue Fund Sources
Actual vs. Estimate
Month of January 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on February 5, 2024)

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$151,340	$145,500	$5,840	4.0%
Nonauto Sales and Use	$1,089,966	$1,114,300	-$24,334	-2.2%
Total Sales and Use	*$1,241,305*	*$1,259,800*	*-$18,495*	*-1.5%*
Personal Income	$1,063,752	$1,121,400	-$57,648	-5.1%
Commercial Activity Tax	$124,111	$110,200	$13,911	12.6%
Cigarette	$59,162	$63,700	-$4,538	-7.1%
Kilowatt-Hour Excise	$25,771	$23,900	$1,871	7.8%
Foreign Insurance	-$6,440	-$2,500	-$3,940	-157.6%
Domestic Insurance	$0	$0	$0	---
Financial Institution	$60,611	$61,400	-$789	-1.3%
Public Utility	$447	$100	$347	347.1%
Natural Gas Consumption	$83	$200	-$117	-58.3%
Alcoholic Beverage	$3,907	$4,800	-$893	-18.6%
Liquor Gallonage	$5,721	$5,900	-$179	-3.0%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$9	$0	$9	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,578,439**	**$2,648,900**	**-$70,461**	**-2.7%**
Nontax Revenue				
Earnings on Investments	$111,006	$42,086	$68,921	163.8%
Licenses and Fees	$4,633	$2,752	$1,881	68.4%
Other Revenue	$11,097	$10,850	$247	2.3%
Total Nontax Revenue	**$126,737**	**$55,687**	**$71,049**	**127.6%**
Transfers In	**$1,563**	**$0**	**$1,563**	**---**
Total State Sources	**$2,706,738**	**$2,704,587**	**$2,151**	**0.1%**
Federal Grants	**$1,073,152**	**$1,234,821**	**-$161,670**	**-13.1%**
Total GRF Sources	**$3,779,890**	**$3,939,409**	**-$159,519**	**-4.0%**

Table 2. General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2024 as of January 31, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on February 5, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$1,110,531	$1,139,500	-$28,969	-2.5%	$1,150,790	-3.5%
Nonauto Sales and Use	$7,074,382	$7,009,300	$65,082	0.9%	$6,838,688	3.4%
Total Sales and Use	*$8,184,913*	*$8,148,800*	*$36,113*	*0.4%*	*$7,989,477*	*2.4%*
Personal Income	$6,060,850	$6,220,400	-$159,550	-2.6%	$6,477,099	-6.4%
Commercial Activity Tax	$1,365,355	$1,287,700	$77,655	6.0%	$1,167,480	16.9%
Cigarette	$409,621	$434,300	-$24,679	-5.7%	$454,199	-9.8%
Kilowatt-Hour Excise	$161,513	$167,300	-$5,787	-3.5%	$168,616	-4.2%
Foreign Insurance	$203,304	$192,400	$10,904	5.7%	$197,576	2.9%
Domestic Insurance	$845	$6,400	-$5,555	-86.8%	$17,620	-95.2%
Financial Institution	$24,025	$41,000	-$16,975	-41.4%	$49,948	-51.9%
Public Utility	$80,597	$80,200	$397	0.5%	$87,494	-7.9%
Natural Gas Consumption	$19,414	$18,900	$514	2.7%	$19,881	-2.3%
Alcoholic Beverage	$34,554	$37,300	-$2,746	-7.4%	$37,905	-8.8%
Liquor Gallonage	$34,349	$35,800	-$1,451	-4.1%	$34,849	-1.4%
Petroleum Activity Tax	$6,398	$4,800	$1,598	33.3%	$6,032	6.1%
Corporate Franchise	$139	$0	$139	---	$42	229.5%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$33	-99.8%
Total Tax Revenue	**$16,585,878**	**$16,675,300**	**-$89,422**	**-0.5%**	**$16,708,252**	**-0.7%**
Nontax Revenue						
Earnings on Investments	$230,991	$91,264	$139,727	153.1%	$113,383	103.7%
Licenses and Fees	$18,168	$17,186	$982	5.7%	$17,604	3.2%
Other Revenue	$142,221	$92,950	$49,271	53.0%	$150,503	-5.5%
Total Nontax Revenue	**$391,380**	**$201,400**	**$189,980**	**94.3%**	**$281,490**	**39.0%**
Transfers In	**$7,042**	**$0**	**$7,042**	**---**	**$13,135**	**-46.4%**
Total State Sources	**$16,984,300**	**$16,876,700**	**$107,600**	**0.6%**	**$17,002,877**	**-0.1%**
Federal Grants	**$8,078,087**	**$8,481,932**	**-$403,845**	**-4.8%**	**$8,586,224**	**-5.9%**
Total GRF SOURCES	**$25,062,387**	**$25,358,632**	**-$296,245**	**-1.2%**	**$25,589,101**	**-2.1%**

*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]

– Phil Cummins, Senior Economist

Overview

January GRF tax revenue continued below the OBM estimate, with weakness especially in receipts from the income tax and the nonauto sales and use tax. Total tax revenue for the month was below estimate by $70.5 million (2.7%). Revenues were below the estimate from PIT by $57.6 million, and from the nonauto sales and use tax by $24.3 million. Six other taxes were also below the estimate, by a total of $10.5 million. Five taxes recorded positive variances in January totaling $22.0 million, of which the largest variance was CAT, by $13.9 million.

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. Positive variances in January for nontax revenue of $71.0 million and for transfers in of $1.6 million were more than offset by a negative variance for federal grants of $161.7 million. Total GRF sources for the month were $159.5 million lower than estimate. Table 1 above shows GRF sources for the month of January compared to estimates, while Table 2 shows year-to-date (YTD) GRF sources compared to both estimates and FY 2023 YTD revenue.

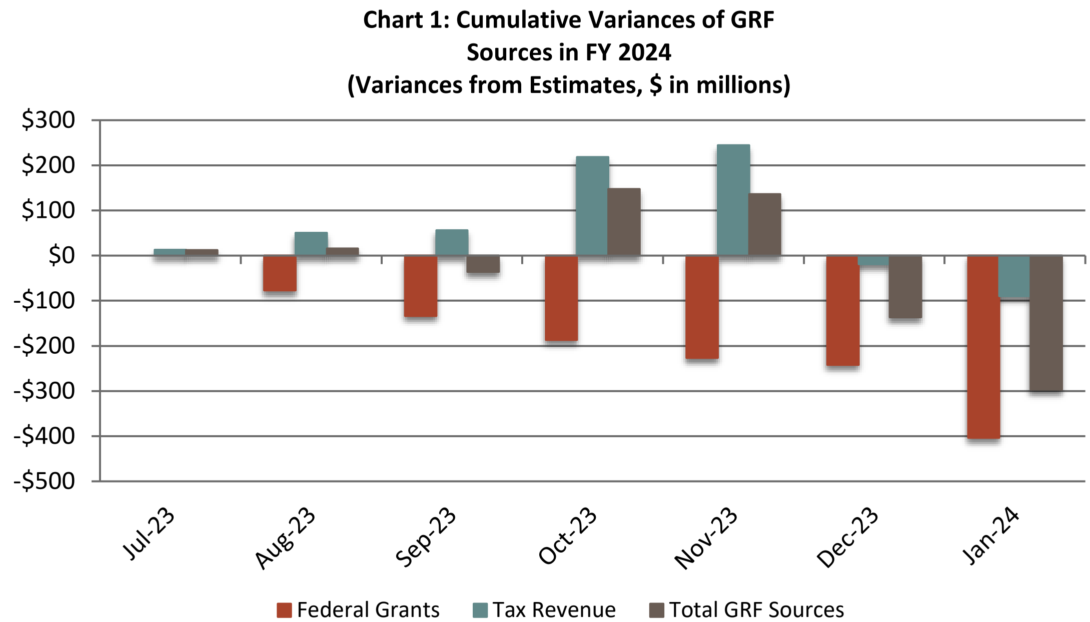
GRF tax receipts in the first seven months of FY 2024 amounted to $16.59 billion, $89.4 million (0.5%) below estimate. The negative YTD variance resulted from eight taxes with negative variances totaling $245.7 million, partially offset by seven other taxes with positive variances totaling $156.3 million. The largest YTD negative variances were for the PIT, $159.6 million; the auto sales and use tax, $29.0 million; the cigarette and other tobacco products (OTP) tax, $24.7 million; and the financial institution tax (FIT), $17.0 million. The largest positive variances were for the CAT, $77.7 million; the nonauto sales and use tax, $65.1 million; and the foreign insurance tax, $10.9 million. More details about revenue from the four largest tax sources (the sales tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

Other components of state source revenue include nontax revenue and transfers in. Nontax revenue for the fiscal year's first seven months exceeded the estimate by $190.0 million, of which the largest component was earnings on investments, in excess of the estimate by $139.7 million. The “other revenue” category exceeded estimate by $49.3 million. Transfers in were $7.0 million when none were expected.

YTD federal grants were $403.8 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also below their estimate by large magnitudes, as was the case in the first seven months of FY 2024.

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

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



YTD GRF tax revenue was lower than in the first seven months of FY 2023 by $122.4 million (0.7%). By far the weakest component of GRF revenue on this basis was the PIT, lower by $416.2 million. Other taxes for which revenues were lower than in the year-earlier period include the cigarette and other tobacco products tax, by $44.6 million (9.8%); the auto sales tax, by $40.3 million (3.5%); the FIT, by $25.9 million (51.9%); the domestic insurance tax, by $16.8 million (95.2%); and six other taxes by lesser amounts. On the positive side, taxes with YTD GRF receipts higher than a year earlier include the nonauto sales and use tax, by $235.7 million (3.4%); the CAT, by $197.9 million (16.9%); and three other taxes. Year-to-year growth in CAT revenue to the GRF resulted 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 seven months of FY 2024 was higher than a year earlier by $109.9 million, reflecting a $117.6 million (103.7%, more than doubling) increase in earnings on investment. With the YTD decline in GRF tax revenues, however, total state-source revenue was lower by $18.6 million (0.1%). GRF revenue from federal grants was lower than in the year-earlier period by $508.1 million (5.9%).

Sales and Use Tax

January GRF receipts from the sales and use tax were $1.24 billion, $18.5 million (1.5%) below the estimate. For the first seven months of FY 2024, revenue from the tax was $8.18 billion, $36.1 million (0.4%) above estimate. Revenue in the fiscal year's first seven months was $195.4 million (2.4%) higher than in the year-earlier period. The sales and use tax is the state's largest tax revenue source.

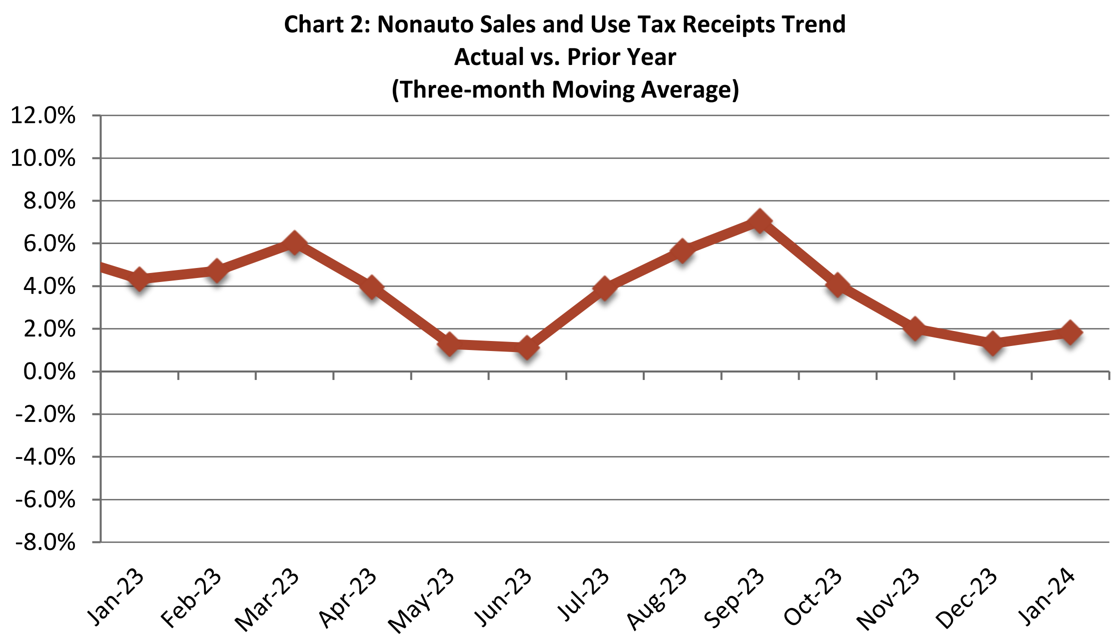
For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. 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 December as price inflation continued to moderate.

Nonauto Sales and Use Tax

January GRF receipts of $1.09 billion were $24.3 million (2.2%) below the OBM estimate but $2.3 million (0.2%) above revenue in January 2023. For the first seven months of FY 2024, revenues were $7.07 billion, $65.1 million (0.9%) above estimate and $235.7 million (3.4%) 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 late in last year and continued slower into the current calendar year.



[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 November 2022 through January 2023 to revenue received during November 2023 through January 2024.

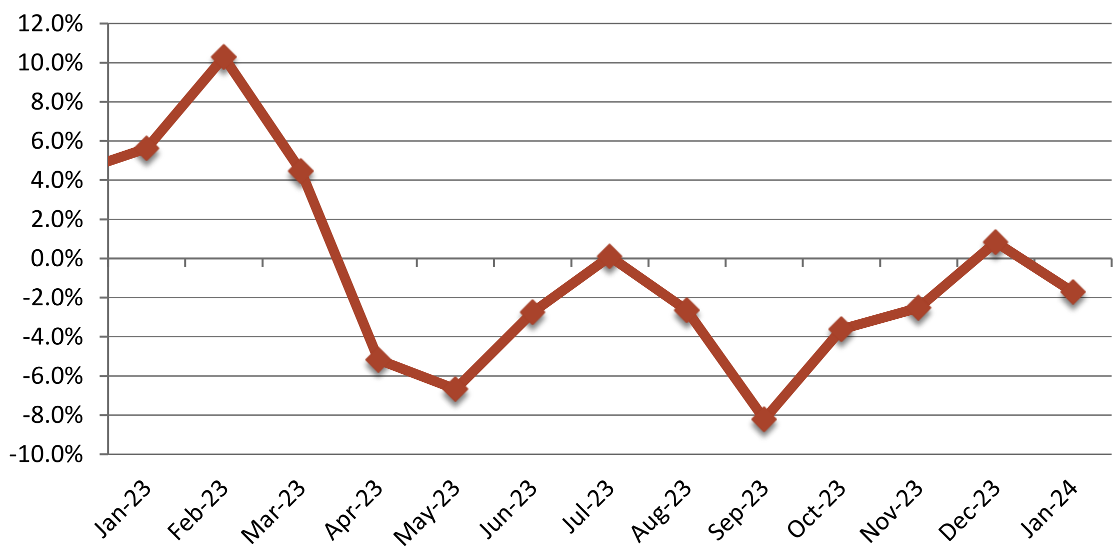
Auto Sales and Use Tax

January receipts from the auto component of the sales and use tax were $151.3 million, $5.8 million (4.0%) above estimate, and $0.2 million (0.2%) below receipts in January 2023. For the fiscal YTD through January, revenue of $1.11 billion was below the estimate by $29.0 million (2.5%) and below year-earlier revenues by $40.3 million (3.5%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the seven months through January of around 11%. Dealer inventories nationwide have increased, facilitating sales, though they remain tight compared with historical norms.

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)



Personal Income Tax

January GRF revenue from the PIT of $1.06 billion was $57.6 million (5.1%) below estimate. Revenue received during the first seven months of FY 2024 totaled $6.06 billion, $159.6 million (2.6%) below estimate. Compared with a year earlier, YTD revenue was lower by $416.2 million (6.4%).

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 small portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue. The primary driver of GRF revenue from the PIT is withholding payments, which were about 79% of gross collections from the tax in FY 2023. Lower PIT rates enacted in H.B. 33 of the 135th General Assembly, the main operating budget act, led to new withholding tables for payrolls that end on or after November 1, 2023. PIT revenue starting in November was reduced by the lower employer withholding rates.

The table below provides details on revenue from PIT components through January relative to estimates for FY 2024 and to revenue received in the year-earlier period. FY 2024 YTD gross collections were $373.5 million (5.2%) above anticipated revenue and $51.2 million (0.7%) above revenues in the year-earlier period. The strength in gross collections reflected both elevated payments with annual returns and higher estimated payments. On the other hand, YTD withholding was below the year-earlier amount, likely due at least in part to the H.B. 33 tax cuts as reflected in the new withholding tables. Withholding was also below estimate. Net receipts were greatly reduced by refunds well in excess of both the estimate and year-earlier levels. OBM said that big refunds were paid in December to taxpayers with extensions on their 2022 tax filings, related to the change in taxation of pass-through entity (PTE) income made by S.B. 246 of the 134th General Assembly. Refunds were $302.0 million above estimate in December, and continued higher in January, by $52.4 million. Changes in the way payments are categorized, as a result of S.B. 246, appear to account for a shift of some PTE revenue from withholding to annual return payments.

FY 2024 YTD Personal Income Tax Revenue Variance and Annual Change by Component

Category	Variance from Estimate		Change from FY 2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$156.1	-2.5%	-$362.9	-5.6%
Quarterly Estimated Payments	$287.1	46.6%	$230.2	34.2%
Trust Payments	$2.4	10.9%	-$12.6	-34.4%
Annual Return Payments	$247.5	132.8%	$202.3	87.4%
Miscellaneous Payments	-$7.3	-17.1%	-$5.9	-14.2%
Gross Collections	**$373.5**	**5.2%**	**$51.2**	**0.7%**

[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.

FY 2024 YTD Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY 2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Less Refunds	$533.2	85.4%	$458.1	65.5%
Less LGF Distribution	-$0.2	-0.1%	$9.4	3.2%
GRF PIT Revenue	**-$159.6**	**-2.6%**	**-$416.2**	**-6.4%**

Commercial Activity Tax

January GRF receipts from the CAT were $124.1 million, $13.9 million (12.6%) above the estimate. GRF revenues for the fiscal year's first seven months were $1.37 billion, $77.7 million (6.0%) above estimate. CAT taxpayers pay the tax in February, May, August, and November based on their gross receipts in the previous calendar quarter. January receipts are typically smaller as payment is not due until the following month. For tax periods beginning in 2024, businesses with taxable gross receipts of $3 million or less do not owe the CAT, and all taxpayers that remain subject to the CAT pay quarterly; the category of annual CAT taxpayer is eliminated.

YTD GRF revenue from the CAT grew by $197.9 million (16.9%) compared with the first seven months of FY 2023. Increased economic activity does not account for this growth. Allocation of CAT revenue was changed by H.B. 33 of the 135th General Assembly, which directed that all revenue from the tax after the first 0.65% go to the GRF. The 0.65% credited from CAT revenues goes to Fund 2280, used by the Department of Taxation to enforce state tax law. Prior to FY 2024 the GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD CAT revenue on an all-funds basis net of refunds, $1.37 billion, was $8.2 million (0.6%) lower than comparable CAT revenue in the first seven months of FY 2023.[5]

Revenue comparisons with FY 2023 will become more complex starting with payments due in May 2024 because of the H.B. 33 provision described above that reduces the CAT tax base. The amount due in May will be based on gross receipts in January through March less the exclusion amount. This exclusion amount increases from $3 million of annual gross receipts in 2024 to $6 million in 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

January revenue from the cigarette and OTP tax totaling $59.2 million was below estimate by $4.5 million (7.1%). YTD revenue from the tax was $409.6 million, $24.7 million (5.7%) below estimate. The YTD total included $343.4 million from cigarette sales and $66.2 million from the sale of OTP.

[5] A small amount, $337 in the first seven months of FY 2024, was paid to CAT Motor Fuel Receipts Fund (Fund 7019).

FY 2024 revenue through January fell by $44.6 million (9.8%) compared to revenue in the first seven months of FY 2023. OTP sales decreased by $3.2 million (4.6%) while receipts from cigarette sales decreased $41.4 million (10.8%). 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 January 2024
($ in thousands)
(Actual based on OAKS reports run February 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$898,132	$894,368	$3,764	0.4%
Higher Education	$208,533	$196,506	$12,027	6.1%
Other Education	$5,621	$10,708	-$5,087	-47.5%
Total Education	**$1,112,286**	**$1,101,581**	**$10,705**	**1.0%**
Medicaid	$1,765,069	$2,000,165	-$235,096	-11.8%
Health and Human Services	$164,458	$192,433	-$27,975	-14.5%
Total Health and Human Services	**$1,929,527**	**$2,192,598**	**-$263,071**	**-12.0%**
Justice and Public Protection	$293,094	$302,797	-$9,703	-3.2%
General Government	$54,843	$61,113	-$6,269	-10.3%
Total Government Operations	**$347,937**	**$363,909**	**-$15,972**	**-4.4%**
Property Tax Reimbursements	-$427	$0	-$427	---
Debt Service	$85,705	$80,639	$5,066	6.3%
Total Other Expenditures	**$85,278**	**$80,639**	**$4,639**	**5.8%**
Total Program Expenditures	**$3,475,027**	**$3,738,727**	**-$263,700**	**-7.1%**
Transfers Out	**$231**	**$0**	**$231**	**---**
Total GRF Uses	**$3,475,258**	**$3,738,727**	**-$263,469**	**-7.0%**

*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 January 31, 2024
($ in thousands)
(Actual based on OAKS reports run February 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$6,033,565	$6,054,622	-$21,056	-0.3%	$5,431,255	11.1%
Higher Education	$1,489,853	$1,522,335	-$32,482	-2.1%	$1,419,037	5.0%
Other Education	$72,327	$74,713	-$2,386	-3.2%	$61,536	17.5%
Total Education	**$7,595,746**	**$7,651,670**	**-$55,924**	**-0.7%**	**$6,911,827**	**9.9%**
Medicaid	$12,423,366	$12,960,537	-$537,171	-4.1%	$12,321,292	0.8%
Health and Human Services	$1,103,436	$1,253,409	-$149,973	-12.0%	$1,039,478	6.2%
Total Health and Human Services	**$13,526,802**	**$14,213,946**	**-$687,144**	**-4.8%**	**$13,360,770**	**1.2%**
Justice and Public Protection	$1,780,394	$1,859,989	-$79,596	-4.3%	$1,642,274	8.4%
General Government	$947,729	$1,016,877	-$69,147	-6.8%	$338,121	180.3%
Total Government Operations	**$2,728,123**	**$2,876,866**	**-$148,743**	**-5.2%**	**$1,980,394**	**37.8%**
Property Tax Reimbursements	$916,555	$931,413	-$14,858	-1.6%	$912,161	0.5%
Debt Service	$900,448	$901,578	-$1,130	-0.1%	$1,104,685	-18.5%
Total Other Expenditures	**$1,817,003**	**$1,832,991**	**-$15,988**	**-0.9%**	**$2,016,846**	**-9.9%**
Total Program Expenditures	**$25,667,674**	**$26,575,473**	**-$907,798**	**-3.4%**	**$24,269,838**	**5.8%**
Transfers Out	**$6,584,019**	**$5,597,298**	**$986,721**	**17.6%**	**$1,975,658**	**233.3%**
Total GRF Uses	**$32,251,693**	**$32,172,771**	**$78,923**	**0.2%**	**$26,245,496**	**22.9%**

*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 February 7, 2024)

	Month of January 2024				Year to Date through January 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,684,427	$1,916,637	-$232,210	-12.1%	$11,843,982	$12,361,089	-$517,107	-4.2%
Non-GRF	$1,012,143	$1,068,899	-$56,756	-5.3%	$7,611,297	$7,846,021	-$234,724	-3.0%
All Funds	$2,696,570	$2,985,536	-$288,966	-9.7%	$19,455,279	$20,207,111	-$751,832	-3.7%
Developmental Disabilities								
GRF	$72,742	$73,668	-$926	-1.3%	$509,416	$506,159	$3,257	0.6%
Non-GRF	$273,875	$320,891	-$47,016	-14.7%	$1,851,110	$1,961,976	-$110,866	-5.7%
All Funds	$346,616	$394,558	-$47,942	-12.2%	$2,360,526	$2,468,135	-$107,609	-4.4%
Job and Family Services								
GRF	$7,065	$8,972	-$1,907	-21.3%	$63,665	$86,380	-$22,715	-26.3%
Non-GRF	$12,548	$14,546	-$1,998	-13.7%	$101,643	$115,463	-$13,820	-12.0%
All Funds	$19,613	$23,518	-$3,905	-16.6%	$165,308	$201,843	-$36,535	-18.1%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$835	$888	-$53	-5.9%	$6,303	$6,909	-$606	-8.8%
Non-GRF	$2,384	$15,560	-$13,177	-84.7%	$19,966	$73,605	-$53,639	-72.9%
All Funds	$3,219	$16,448	-$13,229	-80.4%	$26,269	$80,514	-$54,245	-67.4%
All Departments:								
GRF	**$1,765,069**	**$2,000,165**	**-$235,096**	**-11.8%**	**$12,423,366**	**$12,960,537**	**-$537,171**	**-4.1%**
Non-GRF	**$1,300,949**	**$1,419,896**	**-$118,947**	**-8.4%**	**$9,584,016**	**$9,997,065**	**-$413,049**	**-4.1%**
All Funds	**$3,066,018**	**$3,420,061**	**-$354,043**	**-10.4%**	**$22,007,382**	**$22,957,602**	**-$950,220**	**-4.1%**

*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 February 7, 2024)

	Month of January 2024				Year to Date through January 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,063,351**	**$2,323,339**	**-$259,988**	**-11.2%**	**$14,465,265**	**$15,193,675**	**-$728,410**	**-4.8%**
CFC†	$521,617	$628,418	-$106,801	-17.0%	$3,837,288	$4,221,972	-$384,684	-9.1%
Group VIII	$467,342	$547,219	-$79,877	-14.6%	$3,488,273	$3,735,247	-$246,974	-6.6%
ABD†	$174,141	$187,926	-$13,785	-7.3%	$1,282,079	$1,334,221	-$52,142	-3.9%
ABD Kids	$59,009	$64,903	-$5,894	-9.1%	$407,773	$438,213	-$30,440	-6.9%
My Care	$289,966	$294,420	-$4,454	-1.5%	$1,797,130	$1,804,037	-$6,907	-0.4%
OhioRise	$37,725	$46,404	-$8,678	-18.7%	$244,716	$261,200	-$16,484	-6.3%
SPBM	$513,551	$554,050	-$40,499	-7.3%	$3,408,006	$3,398,785	$9,220	0.3%
Fee-For-Service	**$799,786**	**$861,453**	**-$61,667**	**-7.2%**	**$5,850,193**	**$5,940,041**	**-$89,848**	**-1.5%**
ODM Services	$459,797	$473,038	-$13,242	-2.8%	$2,814,831	$2,767,854	$46,977	1.7%
DDD Services	$339,989	$388,415	-$48,425	-12.5%	$2,285,822	$2,394,187	-$108,365	-4.5%
Hospital - HCAP	$0	$0	$0	-	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$127,141**	**$140,631**	**-$13,490**	**-9.6%**	**$1,007,544**	**$1,046,915**	**-$39,371**	**-3.8%**
Medicare Buy-In	$77,418	$84,102	-$6,684	-7.9%	$605,488	$636,458	-$30,971	-4.9%
Medicare Part D	$49,723	$56,529	-$6,806	-12.0%	$402,056	$410,456	-$8,401	-2.0%
Administration	**$75,739**	**$94,638**	**-$18,898**	**-20.0%**	**$684,381**	**$776,972**	**-$92,591**	**-11.9%**
Total	**$3,066,018**	**$3,420,061**	**$354,043**	**-10.4%**	**$22,007,382**	**$22,957,602**	**-$950,220**	**-4.1%**

*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]

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $25.67 billion in the first seven months of FY 2024. These expenditures were $907.8 million (3.4%) below OBM's estimates for the YTD. GRF uses also include transfers out, which totaled $6.58 billion and were $986.7 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 seven months were $32.25 billion, which was $78.9 million (0.2%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of January and YTD, respectively.

For January program expenditures, negative monthly variances in GRF Medicaid ($235.1 million, 11.8%), Health and Human Services ($28.0 million, 14.5%), Justice and Public Protection ($9.7 million, 3.2%), and General Government ($6.3 million, 10.3%) were slightly offset by a positive monthly variance in Higher Education ($12.0 million, 6.1%). The remaining categories had monthly variances of about $5 million or less. Total program expenditures were $263.7 million (7.1%) below estimate for the month of January.

For YTD program expenditures, all categories were under their FY 2024 estimate, most significantly GRF Medicaid ($537.2 million, 4.1%), Health and Human Services ($150.0 million, 12.0%), Justice and Public Protection ($79.6 million, 4.3%), and General Government ($69.1 million, 6.8%). 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 January by $235.1 million (11.8%) and below their YTD estimate by $537.2 million (4.1%) at the end of January. Non-GRF Medicaid expenditures were below their monthly estimate by $118.9 million (8.4%) and below their YTD estimate by $413.0 million (4.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $354.0 million (10.4%) below estimate in January and $950.2 million (4.1%) below their YTD estimate at the end of January.

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 January of

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[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.

$289.0 million (9.7%), and a YTD all funds negative variance of $751.8 million (3.7%) at the end of January. DODD had a January all funds negative variance of $47.9 million (12.2%) and ended the month with YTD expenditures $107.6 million (4.4%) 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 January. In percentage terms, the Administration variance of $92.6 million (11.9%) was the largest. This continued the recent pattern of lower administrative spending, especially by "sister" agencies. In terms of absolute dollars, the largest variance was in Managed Care, which was $728.4 million (4.8%) below the YTD estimate. The Managed Care variance is largely due to a lower-than-projected caseload, a lower per-member-per-month (PMPM) spending, and the delayed timing of delivery payments. The other categories with negative variances were Fee-for-Service (FFS) at $89.8 million (1.5%) and Premium Assistance at $39.4 million (3.8%).

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 significantly from 2020 to 2023. The average monthly caseload increase during the PHE was over 21,000. With the conclusion of the PHE, states again began redeterminations of eligibility. Since April 2023, ODM's net caseload has declined by over 350,000. This included over 86,000 children disenrolled by September 2023. 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 programs, except for debt service. The Ohio Department of Job and Family Services (ODJFS) accounts for 53.4% of the estimated expenditures for this category for FY 2024, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.5% and the Ohio Department of Health (ODH) at 8.1%. Eight other agencies make up the remaining 9.0% of estimated spending.

This category's negative YTD variance increased by $28.0 million in January to reach $150.0 million (12.0%). All agencies were under estimate for the YTD, except for the Commission on Service and Volunteerism (CSV), which was over its estimate by less than $20,000. The Commission manages, monitors, and evaluates programs funded by AmeriCorps and promotes volunteerism and community service efforts across the state. ODJFS was under estimate for the YTD by $114.0 million, which accounted for 76.0% of the category's YTD variance.

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

- A negative monthly variance of $7.9 million in ALI 600523, Family and Children Services, which increased the YTD negative variance for this ALI to $19.3 million. This ALI is used primarily to support family and children services, including foster parent stipends, education training vouchers, and public children services agencies.

- A negative monthly variance of $6.2 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $31.7 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) Program.
- A negative monthly variance of $4.8 million in ALI 600450, Program Operations, which resulted in a negative YTD variance for this ALI of $40.5 million. This ALI primarily supports the operating expenses of several offices within ODJFS.

Through the first seven months of FY 2024, OhioMHAS's expenditures were $13.6 million below estimate. Notable ALIs include ALI 336422, Criminal Justice Services, ALI 336412, Hospital Services, and ALI 336504, Community Innovations, which were under estimate by $9.6 million, $5.6 million, and $5.1 million, respectively. ALI 336422 is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system; ALI 336412 is used to support the operating costs of state mental health hospitals; and ALI 336504 is used for a variety of community programs that support OhioMHAS's mission.

ODH expenditures were $8.6 million below their YTD estimate. The majority of its ALIs were under estimate, including ALI 440485, Health Program Support, ALI 440474, Infant Vitality, ALI 440482, Chronic Disease, Injury Prevention, and Drug Overdose, and ALI 440527, Lead Abatement, which were under estimate by $3.1 million, $2.8 million, $2.3 million, and $2.2 million, respectively. On the other hand, ALI 440459, Help Me Grow, was over estimate for the YTD by $6.8 million. Item 440485 supports earmarks for various community health and medical programs across the state; item 440474 is used for programs designed to decrease infant mortality in Ohio; item 440482 is used to support the Bureau of Health Promotion's efforts to prevent and control chronic disease; item 440527 is used for a variety of lead abatement and lead hazard control activities; and item 440459 funds a voluntary family support program offered to expectant or new parents.

Higher Education

The Higher Education program category includes all GRF expenditures by the Ohio Department of Higher Education (ODHE), except for debt service. This category had a positive variance of $12.0 million (6.1%) in January, decreasing the category's YTD negative variance to $32.5 million (2.1%). ALI 235419, Mental Health Support, was above estimate for the month of January by $6.4 million, but below estimate by $0.6 million for the YTD. Expenditures from ALI 235563, Ohio College Opportunity Grant, were also above their January estimate by $1.1 million, reducing the ALI's negative YTD variance to $11.8 million.

Item 235419 provides resources and support to address behavioral health needs at public and private nonprofit universities and colleges. ODHE prioritizes, through this line item, behavioral health services and direct aid to students who are unable to afford care. Item 235563 funds need-based financial aid for higher education students through the Ohio College Opportunity Grant (OCOG) Program. OCOG awards provide grant money to Ohio residents enrolled at an Ohio college or university who demonstrate the highest levels of financial need.

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 69.8% of the estimated expenditures for this category for FY 2024. Eleven other agencies make up the remaining 30.2% of estimated spending.

The January expenditures in this category were below its monthly estimate by $9.7 million, increasing its negative YTD variance to $79.6 million (4.3%). The variance for the month was primarily due to the Ohio Public Defender Commission (PUB), which had a negative monthly variance of $14.7 million, due mainly to ALI 019501, County Reimbursement, which was under estimate by $14.6 million in January. PUB was under estimate for the YTD by $20.1 million. Item 019501 is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. The estimates for this ALI allocate the appropriation over the entire fiscal year, but actual expenditures depend on the costs incurred by counties and the timing of requests for reimbursement. Most other agencies in this category were also under estimate for the YTD, including DRC and the Attorney General's Office (AGO), which had negative YTD variances of $19.3 million and $15.1 million, respectively.

DRC's YTD variance was below anticipated levels mainly due to YTD negative variances of $10.4 million in ALI 505321, Institution Medical Services, and $3.7 million in ALI 506321, Institution Education Services. Item 505321 is used to provide medical services to inmates of the state's prisons and item 506321 is used to pay for the costs of operating a school system for inmates, including reentry services designed to facilitate employment and career development.

The negative YTD variance in AGO was mainly due to negative YTD variances of $6.4 million in ALI 055501, Rape Crisis Centers, and $4.1 million in ALI 055509, Law Enforcement Training. Item 055501 is used to provide grants to eligible rape crisis programs across the state and item 055509 is used by the Attorney General to provide state funding for the continued professional training of peace officers and troopers required under R.C. 109.803.

Transfers out

Transfers out of the GRF were above the monthly estimate for January by $0.2 million, increasing the positive YTD variance in transfers out to $986.7 million (17.6%). The majority of the January variance was due to a transfer of the pro rata share of interest earned on invested balances from the Ohio Lottery Commission to the Deferred Prizes Trust Fund (Fund 8710). This line item holds moneys deemed necessary for the funding of annuity prizes. A smaller amount, less than $10,000, was transferred to the Waterways Safety Fund (Fund 7086) to account for the foregone revenue in CY 2023 from free watercraft registrations issued to disabled veterans, Congressional Medal of Honor awardees, and prisoners of war.

The July, September, and November variances in transfers out, totaling $986.1 million, were due to transfers to support capital appropriations. 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 to 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

Department of Development Awards over $86.0 Million for Lead Abatement

– Jared Cape, Budget Analyst

On December 14, 2023, the Department of Development (DEV) awarded approximately $84.3 million in grants for lead abatement projects in 72 counties under the Lead Safe Ohio Program. The grants include nearly $50.3 million for owner-occupied homes, over $17.3 million for rental properties, nearly $8.1 million for administration, over $6.5 million for childcare facilities, $1.5 million for congregate care shelters, and over $0.5 million for equipment. Additionally, on January 11, 2024, DEV awarded nearly $1.7 million in grants to remove lead from 82 low - and moderate-income households in 21 counties. 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. For more information on the Lead Safe Ohio Program, view the Department of Development's website: development.ohio.gov/community.

The Lead Safe Ohio Program was established in H.B. 45 of the 134th General Assembly and is supported by American Rescue Plan Act (ARPA) dollars under Fund 5CV3 line item 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.

ODNR Proposes Six Projects to Receive $10.0 Million in Abandoned Mine Land Economic Revitalization Program Funding

– Tom Wert, Senior Budget Analyst

On December 28, 2023, the Ohio Department of Natural Resources (ODNR) Division of Mineral Resources Management identified six projects the Division proposed to receive a total of nearly $10.0 million through the Abandoned Mine Land Economic Revitalization Program (AMLER). The projects, located in Athens, Jackson, Muskingum, Summit, and Tuscarawas counties, focus on a variety of economic revitalization activities including improvements to parks, floodplain enhancement, trail development, construction of day care facilities, support for workforce development programs, aircraft hangar construction, and boat ramp construction. Funding for the projects is pending approval from the U.S. Office of Surface Mining Reclamation and Enforcement.

The Division of Mineral Resources Management administers the federal Abandoned Mines Land Program in Ohio. Funding for AMLER is received from the federal government and deposited to the credit of the Abandoned Mine Reclamation Fund (Fund 3B50). Fund 3B50 received appropriations totaling $61.2 million in both FY 2024 and FY 2025. Additional details about AMLER and the proposed projects can be found on ODNR's website: ohiodnr.gov.

Proposed Abandoned Mine Land Economic Revitalization Program Projects – December 2023			
County	**Community**	**Funding**	**Project**
Athens	Glouster	$2,800,000	Survivor Advocacy Outreach Program
Jackson	Jackson	$2,000,000	Downtown Revitalization and Park Improvements
Jackson	Wellston	$1,840,000	Wellston RV Park Path
Muskingum	Zanesville	$700,000	Putnam Landing Boat Dock
Summit	Akron-Canton	$2,000,000	Airport Westside Hangar Development
Tuscarawas	New Philadelphia	$650,600	Roswell Recreational Trail Phase 1

Medicaid Contracts with CWRU to Expand Services for Children and Youth

– Nelson V. Lindgren, Economist

On December 18, 2023, the Controlling Board approved a request from the Ohio Department of Medicaid to contract with Case Western Reserve University (CWRU) to expand access to home and community-based behavioral health services for children and youth. The contract is for $5.0 million in both FY 2024 and FY 2025. Under the contract, CWRU will do the following: select providers to deliver intensive home-based treatment (IHBT) services to help build statewide capacity; provide technical assistance to selected providers, and manage the distribution of funds. CWRU must give first priority to certified IHBT providers or those in the process of becoming certified. Additionally, priority must be given to providers that operate in areas with no access, or limited access, to these services. CWRU must ensure that selected providers use the funds for specified activities, including: the development of workforce strategies that focus on hiring, recruitment, and retention; staff training to improve the quality of specialized services provided; partial coverage of staff salaries to help providers increase caseloads; and the development of necessary information technology infrastructure to deliver high-quality specialized behavioral health services.

The funds to support this contract come from ARPA. ARPA increased the federal matching rate for certain Medicaid home and community-based 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 home and community-based services; offer a broader range of these services - especially for people with behavioral health conditions; make long-term investments in home and community-based services' 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.

Providers for PACE Expansion Selected

– Ryan Sherrock, Economist

On December 15, 2023, the Ohio Department of Aging (ODA) announced the providers selected to increase the number of Program for All-Inclusive Care for the Elderly (PACE) sites operating in the state. The providers were selected through a competitive bidding process and will operate in seven new service areas encompassing the following counties: Franklin, Hamilton, Lorain, Lucas, Montgomery, Summit, and a service area focused on rural communities consisting of Ashtabula, Mahoning, and Trumbull counties. The selected providers must establish a physical PACE site, hire and train staff, build IT infrastructure, and develop a transportation network in their service area. Each site must have staff to provide primary care, social services, restorative therapies, personal care, support services, nutrition counseling, recreational therapy, and meals.

This expansion is being implemented due to H.B. 45 of the 134th General Assembly, which provided $50.0 million in FY 2023 in ARPA funding to help selected providers establish PACE sites in their service areas. To be eligible to become a PACE provider, H.B. 45 required an entity to: provide a feasibility study of its proposed service area; have a current, valid Medicaid provider agreement or be eligible to enter into such an agreement; meet federal requirements; have experience providing health care to frail older adults; and have a suitable center to become a PACE site or plans to acquire or build a facility.

PACE is an innovative care model that helps people ages 55 and older who need a nursing facility-based level of care receive the supports they need to remain in their homes and communities. The PACE site provides participants with all of their needed health care, medical care, and ancillary services in acute, sub-acute, institutional, and community settings. PACE providers receive a monthly capitated rate in exchange for providing these services. There is currently only one PACE site, McGregor PACE, which is located in Cuyahoga County.[8] While ODA administers PACE, funding for actual services is provided in the Department of Medicaid's budget.

Public School Enrollment Decline Continues in FY 2024

– Brian Hoffmeister, Fiscal Supervisor

Enrollment in Ohio's public schools – traditional school districts, community and STEM (science, technology, engineering, and mathematics) schools, and joint vocational school districts (JVSDs).– is continuing its downward trend according to January 2024 data from the Department of Education and Workforce (DEW). Overall FY 2024 enrolled average daily membership (enrolled ADM) across the three types of public schools is currently about 5,000 students (0.3%) lower than in FY 2023, driven by a 13,000 student (0.9%) decline in enrolled ADM in traditional school districts, which comprise 89% of all public school students. Between FY 2020 (the beginning of

[8] During FY 2023, between 600 and 650 individuals a month were served by the McGregor PACE site.

the COVID-19 pandemic) and FY 2024, traditional district enrolled ADM has fallen by roughly 68,000 students (4.5%). Most of this decrease occurred in FY 2021 as some families shifted educational environments for their children in reaction to the pandemic.

Meanwhile, enrollment gains in other types of public schools have partially offset the loss of students in traditional district schools. Community and STEM school and JVSD enrollment both increased, by 4.5% and 6.3%, respectively, between FY 2023 and FY 2024. Enrolled ADM for community and STEM schools currently totals approximately 121,100, about 14% above FY 2020 levels and rebounding from a post-pandemic decline from FY 2021 to FY 2022. The previous peak in community and STEM school enrollment occurred in FY 2021, when enrollment in e-schools increased sharply due to shifting educational preferences during the pandemic. Enrolled ADM for JVSDs totals roughly 49,200 in FY 2024, or 13% above FY 2020 levels. In FY 2024, community schools represent approximately 8% of total public school enrollment statewide, while JVSDs represent approximately 3%.

Public School Enrolled ADM by School Type, FY 2020-FY 2024

Fiscal Year	Traditional Districts	Community and STEM Schools	JVSDs	Total
2020	1,510,023	106,266	43,402	1,659,691
2021	1,467,079	117,671	42,446	1,627,197
2022	1,462,691	115,089	44,418	1,622,198
2023	1,455,106	115,879	46,289	1,617,274
2024*	1,442,046	121,064	49,204	1,612,314
Change FY 2023-FY 2024	-0.9%	4.5%	6.3%	-0.3%
Change FY 2020-FY 2024	-4.5%	13.9%	13.4%	-2.9%

* FY 2024 data is not final and, thus, is subject to change.

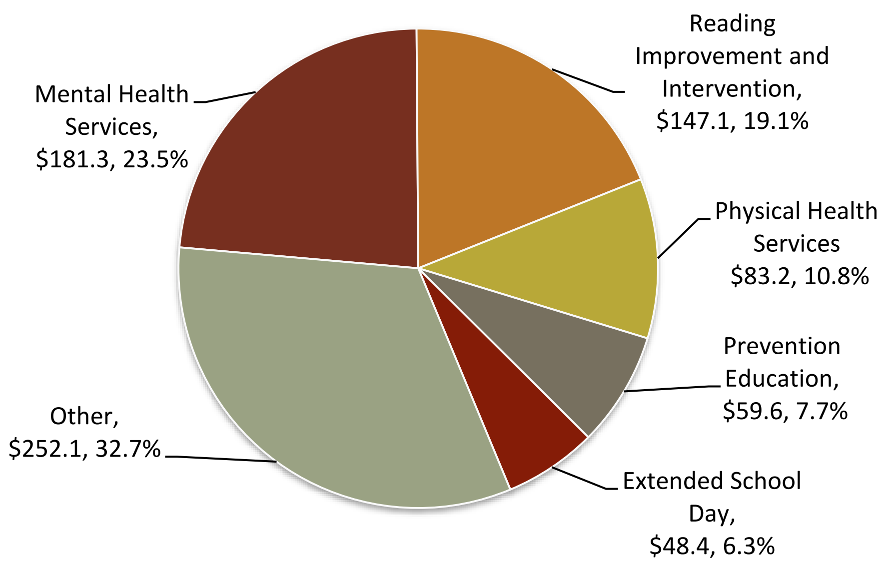
DEW Reports School Use of Disadvantaged Pupil Impact Aid and Student Wellness and Success Funds

– Isabel Travis, LSC Fellow

In December 2023, DEW issued its annual report on the use of disadvantaged pupil impact aid (DPIA) and student wellness and success funds (SWSF) by public schools. The report summarizes the initiatives on which districts and schools spent these funds during FY 2023 as well as the amount spent. DPIA and SWSF are components of the school funding formula that state law restricts to a menu of certain initiatives. Districts and schools may use SWSF for initiatives providing wrap-around services to mitigate barriers to learning, including mental and physical health services, connections to community resources, and family engagement activities. DPIA may be used for these services as well as services that focus mainly on academics, such as reading improvement and intervention, extended school day and school year, academic intervention, and dropout prevention.

In FY 2023, DEW reports that districts and schools spent a combined $771.7 million in DPIA and SWSF, including $714.4 million (93%) from funds originally authorized for FY 2023 and $57.4 million (7%) from remaining funds originally authorized in previous fiscal years. Most of the $771.4 million went toward mental health services, reading improvement and intervention, physical health services, prevention education, and extended school day initiatives. The chart below shows the shares of DPIA and SWSF spending in FY 2023 for these initiatives and the total for all others. Schools spent the most on mental health services, with $181.3 million expended on a total of 546 initiatives. Reading initiatives were the next largest type ($147.1 million; 235 initiatives), followed by physical health services ($83.2 million; 317 initiatives), prevention education, which includes curricula to promote mental health and prevent substance abuse and suicide ($59.6 million; 216 initiatives), and extended school day ($48.4 million; 115 initiatives).

DPIA and SWSF Spending by Initiative ($ in millions), FY 2023



In FY 2023, districts and schools were required to use DPIA and certain SWSF funds in cooperation with at least one of eight types of community partners, including educational service centers (ESCs); mental health treatment providers; alcohol, drug addiction, and mental health (ADAMH) boards; public hospitals; and county departments of job and family services. Districts and schools most often collaborated with ESCs, with 580 (65%) districts and schools reporting such a partnership. Mental health treatment providers (41%) and nonprofit organizations with experience serving children (27%) had the next highest partnership rates.

For additional details, see DEW's Student Wellness and Success Funds & Disadvantaged Pupil Impact Report Fiscal Year 2023 (PDF), which is accessible by conducting a keyword "student wellness and success funds" search on the DEW website: education.ohio.gov.

ODHE Awards 30 Institutions $2.4 Million in Commercial Truck Driver Student Aid

– Jason Glover, Senior Budget Analyst

In November 2023, the Ohio Department of Higher Education (ODHE) awarded a total of $2.4 million to 30 institutions under the Commercial Truck Driver Student Aid Program. Under the program, ODHE makes awards to eligible schools that, in turn, distribute the funds in the form of a forgivable loan and a grant of equal amounts to each eligible student who commits to reside in and be employed in the state for a minimum of one year after completing a qualifying commercial driver license (CDL) training program. The total amount of the grant and loan awarded to each student cannot exceed the lesser of $20,000 or the cost of tuition and related expenses of a CDL training program. A student who accepts aid under the program must sign a promissory note to pay back the loan funds if the student does not satisfy the residency, employment, or training program requirements. ODHE will forgive an individual's loan after one year of documented employment and residency in Ohio. H.B. 33 funds the program with an appropriation of $2.6 million from GRF ALI 235595, Commercial Truck Driver Student Aid Program, in each of FY 2024 and FY 2025.

The institutions applying to participate in the program were eligible to request up to $200,000. ODHE awarded each institution amounts ranging from $32,000 at two institutions to almost $99,000 at 16 institutions. The table below summarizes the grant recipients and total award amounts by sector. As the table shows, ODHE awarded 43% of the funds, or $1.05 million, to 12 private, for-profit schools.[9] Eleven community colleges received approximately $840,000, followed by seven Ohio Technical Centers that received approximately $560,000. Each institution will distribute its funding to eligible students enrolled in a qualifying CDL training program from January 1, 2024, to December 31, 2024.

Commercial Truck Driver Student Aid Awards, FY 2024		
Sector	**Institutions**	**Awards**
Private, For-Profit Schools	Capital Transportation Academy, CMV Pros LLC, Columbus CDL Training Academy, Direct Venture CDL Training, Drivers Edge CDL Training Academy, Great Lakes Truck Driving School, Hamrick School, Northeast Ohio Truck Driver Training, Ohio Business College, Trainco Truck Driving Schools, TruckTrailerPro CDL School, Valley College	$1,048,166
Community Colleges	Central Ohio Technical, Clark State, Cuyahoga, Eastern Gateway, Hocking, Northwest State, Owens,* Southern State, Stark State, Terra State	$838,387

[9] According to ODHE, a 13th private, for-profit school, 160 Driving Academy, was awarded funds under the program to support students at each of its five locations. However, ODHE had not received the Academy's awards acceptance at the time of this publication. Therefore, 160 Driving Academy, and its awards, are not included in the table.

Commercial Truck Driver Student Aid Awards, FY 2024		
Sector	**Institutions**	**Awards**
Ohio Technical Centers	Apollo Career Center, Brown and Clermont Adult Career Campuses, Buckeye Hills Career Center, Butler Tech, Mid-East Career and Technology Centers, Vantage Career Center, Washington County Career Center	$562,343
	Total	**$2,448,896**

* Owens State Community College has two locations that each received awards.

Ohio Traffic Safety Office Awards $23.1 Million in Traffic Enforcement and Education Grants

– Maggie West, Senior Budget Analyst

On December 27, 2023, the Ohio Traffic Safety Office (OTSO) housed within the Ohio Department of Public Safety (ODPS) announced the award of 165 competitive traffic safety grants totaling $23.1 million. Individual grants were awarded to 135 local agencies in 62 counties (some receiving multiple grants) and ranged from a low of $20,785 to a high of $3.0 million. The Ohio State Highway Patrol (OSHP) received the largest number of individual grants (12) and was awarded the most funding overall ($9.5 million or 41.0% of the total amount awarded). OSHP has statewide jurisdiction for traffic enforcement efforts. Other recipients include state agencies, political subdivisions, nonprofit organizations, colleges and universities, hospitals, and other interested groups within Ohio in areas where a fatal and serious injury traffic crash problem has been identified. A complete list of awards and recipients is available on OTSO's website under News: otso.ohio.gov.

These grants are funded through money provided by the National Highway Traffic Safety Administration in an effort to promote highway safety programs nationwide. The grant period began October 1, 2023, and runs through September 30, 2024, coinciding with federal fiscal year (FFY) 2024.

Ohio's FFY 2024 grants were awarded in the following five program areas: (1) Statewide Programming (57.4% of total funding), which supports statewide education, enforcement, and awareness initiatives addressing traffic safety priority areas, (2) Impaired Driving Enforcement and Selective Traffic Enforcement Program (20.1%), which includes awards to 48 sheriff's offices and 30 police departments for overtime hours used to reduce traffic-related fatal crashes, (3) Countywide OVI Task Forces (12.5%), which supports high-visibility enforcement, public awareness, and impaired driving initiatives, (4) Safe Community Programs (9.4%), which assists communities in addressing traffic safety priority areas, and (5) Dedicated Traffic Enforcement Program (0.6%), which provides funding for a dedicated traffic enforcement officer at one sheriff's office and one police department as part of a pilot program to help reduce certain traffic-related fatal crashes.

Ohio Traffic Safety Grants, FFY 2024		
Program Area	**Number of Grants**	**Program Area Total**
Statewide Programming	32	$13,276,303
Impaired Driving Enforcement and Selective Traffic Enforcement Program	78	$4,633,625
Countywide OVI Task Forces	12	$2,881,055
Safe Community Programs	41	$2,170,213
Dedicated Traffic Enforcement	2	$148,903
Total	**165**	**$23,110,099**

Office of Criminal Justice Services Awards Nearly $4.0 Million in Violence Against Women Act Grants

– Shaina Morris, Budget Analyst

On December 22, 2023, the Office of Criminal Justice Services (OCJS) announced the award of nearly $4.0 million in Violence Against Women Act (VAWA) grants for 135 projects in 45 counties. The purpose of the VAWA grant is to assist local governments and nonprofit community-based organizations in administering justice for and strengthening services to victims of domestic violence, dating violence, sexual assault, and stalking. A complete list of awards and recipients is available on the OCJS website under Grant Funding & Monitoring: ocjs.ohio.gov.

OCJS, a division of ODPS, administered two portions of VAWA grants for the FFY 2023. The first grant, which awarded $3.9 million for 133 projects, solicited proposals from victim providers, law enforcement, prosecutors, and courts throughout Ohio. The second grant awarded $35,000 each to two community-based, culturally specific victim service agencies to provide culturally relevant and language specific services and resources. Individual awards across both programs ranged from $2,756 (Geauga) to $55,211 (Wood).

This year, the U.S. Department of Justice awarded $172.9 million across all 50 states and six territories under the STOP (Services, Training, Officers, and Prosecutors) Violence Against Women Formula Grants Program. The federal Office on Violence Against Women (OVW) has administered over $9.5 billion in grant funds since its inception in 1995, supporting communities in implementing effective strategies that prevent and respond to these crimes.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

– Lin Kong, Budget Analyst

Overview

The U.S. economy continued to expand in early 2024, gaining 353,000 workers in January. The national unemployment rate stayed at 3.7% for the month, unchanged since November. Inflation-adjusted gross domestic product (real GDP) rose at an annualized rate of 3.3% in the fourth quarter of 2023, after increasing at a 4.9% annual rate in the third quarter. Inflation remained mild in December, but some broader indexes were up slightly. Total industrial production rose 0.1% in December, after being unchanged in the previous month. Housing starts dipped in December, but new home sales increased. Sales at retailers rose.

The Federal Open Market Committee (FOMC) held its target interest rate range steady at its meeting on January 31, 2024, which remains between 5.25% and 5.5% since July 2023. The Preliminary Transcript of FOMC Chair's Press Conference on January 31, 2024 indicated that "In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess the incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."

In Ohio, total employment increased by 7,000 in December after a drop in employment the month prior. Year-over-year employment rose by 106,400. The state's unemployment rate increased slightly to 3.7% for the month. The number of existing Ohio homes sold in December decreased by 9.5% compared to December of last year. The January release of the Federal Reserve's Beige Book reported strong economic activity in recent months in the Ohio region.

The National Economy

Total nationwide nonfarm employment rose by 353,000 jobs in January, and the national unemployment rate held at 3.7%, unchanged since November. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5. The rise in payroll employment in January was the largest one-month increase since January 2023, and higher than the average monthly increase for 2023. Employment gains in all of 2023 averaged 255,000 per month. All seasonally adjusted U.S. payroll employment data were revised back to January 2019 to reflect an annual benchmark revision based on a count of total payroll employment in March 2023. As a result of the revision, total employment in December was estimated to have been 117,000 higher than previously reported. In January, job gains were reported in professional and business services, health care, retail trade, and social assistance. Job losses occurred in mining, quarrying, and oil and gas extraction.

The number of people counted as unemployed nationally changed little at 6.1 million in January. Of the total unemployed people, 1.3 million had been without jobs and actively looking for work for six months or more, a number that changed little from December. The number of people working part-time for economic reasons was 4.4 million in January, up slightly from the previous month, but a 373,000 increase from one year ago. The labor force participation rate, the share of the civilian population age 16 and over that is either employed or actively seeking work, stayed at 62.5% in January, unchanged from December.

The number of nationwide job openings rose slightly to 9.0 million in December. Job openings for the month were largely reported in professional and business services while openings in wholesale trade decreased. Both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) changed little compared to the previous month. The number of people choosing to quit also changed little. Employees are more likely to quit jobs if they are confident they can find other or better positions.

U.S. real GDP grew at a 3.3% annual rate in the fourth quarter of 2023 according to the advance estimate published by the U.S. Bureau of Economic Analysis (BEA), following growth at 2.1% and 4.9% in the second and third quarters, respectively. Consumer spending, exports, state and local government spending, nonresidential fixed investment, federal government spending, private inventory investment, and residential fixed investment increased.

Total industrial production increased 0.1% in December, after being unchanged in November. Manufacturing output also increased 0.1%. The index for mining increased 0.9%, but the index for utilities declined 1.0%. Among major market groups, output of consumer goods edged up by 0.2%. Output of business supplies decreased 0.2% and output of construction supplies decreased 0.1%.

The consumer price index (CPI) for all items rose 0.3% in December, seasonally adjusted, following a flat reading in October and a 0.1% increase in November. Compared to a year ago, the CPI increased 3.4% before seasonal adjustment. The food index rose 0.2% in December and the energy index increased 0.4%. The CPI core index (all items excluding food and energy) increased 0.3% in December, the same reading as in the previous month. Compared to December 2022, the food index was up 2.7%, the core index was up 3.9% while the energy index was down 2.0%. Chart 6 below shows percentage increases from the prior year in the CPI since the beginning of 2021. Inflation by this measure peaked in June 2022 and has since trended downward.

Personal income, not adjusted for inflation, increased 0.3% in December largely driven by increases in compensation (i.e., private wages and salaries) and personal income receipts on assets. A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index increased 0.2% in December and was up 2.6% on a yearly basis. Excluding food and energy, the PCE price index increased 0.2% in December and was 2.9% higher than a year ago.

In January, approximately 1.0 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold. Unit sales for the month were 26.2% lower than the number of units sold in December. In the first month of calendar year 2024, vehicle sales were 2.8% higher than the quantity sold during the same period in 2023.

Retail sales increased 0.6% in December and grew 4.8% over the year. Motor vehicles and parts dealers' sales rose 1.1% from November to December and increased 10.3% for the year. Sales at food services and drinking places were unchanged in December, but increased 11.1% over the year.

Housing starts in the U.S. decreased by 4.3% in December, seasonally adjusted, but increased 7.6% compared to December of last year. Building permits for new housing units in the U.S. were up by 1.9% in December and increased by 6.1% from the preceding December. Midwest housing starts increased by 4.7% for the month and were up by 8.2% compared with the prior December. Building permits for new housing units in the Midwest increased by 4.7% in December and grew by 8.2% from a year earlier. New home sales increased by 8.0% in December, seasonally adjusted, and were up by 4.4% from a year earlier. In the Midwest, the number of new houses sold was up by 9.2% in December and increased by 6.0% from a year earlier.

The Ohio Economy

Ohio's total nonfarm payroll employment, seasonally adjusted, rose by 7,000 (0.1%) in December following a drop in employment the previous month. In December, employment in the goods-producing industries declined 3,400 (0.4%), but employment increased in the private services sector and government by 8,400 (0.2%) and 2,000 (0.3%), respectively. December's job gains largely occurred in leisure and hospitality (5,200), educational and health services (4,800), and government (2,000). Monthly losses were reported in mining, logging, and construction (4,100), financial activities (1,300), and professional and business services (1,300). Compared to December of last year, the state's nonfarm payroll employment was 106,400 (1.9%) higher. Over the last 12 months, the largest job gains were reported in educational and health services (53,200), leisure and hospitality (28,900), and government (13,400). Employment declined in financial activities (9,700), as well as in trade, transportation, and utilities (1,700).

In December, Ohio's unemployment rate was 3.7%, up slightly from 3.6% in November, but down from 4.1% in December of last year. The number of unemployed workers in Ohio was 214,300 in December, 2,700 more than in November but 21,400 fewer than in December of last year. The state's unemployment rate in December mirrored the national unemployment rate, ending a seven month streak of the Ohio unemployment rate being lower than the U.S. unemployment rate.

In January, the Federal Reserve published the latest edition of its Beige Book, which details current economic conditions across the 12 Federal Reserve districts. The Fourth District Beige Book, prepared by the Federal Reserve Bank of Cleveland, summarizes the economic outlook for Ohio and the surrounding area. The publication reported a slight increase in business activity in recent weeks, with an expected rise in business activity in the coming months. Consumer spending increased slightly, and many firms have returned to offering "more typical" annual wage increases. However, the report does suggest that the current level of consumer spending may be unsustainable as lower-income households had become more reliant on "buy now, pay later" payment options. Nonresidential construction activity had seemingly rebounded since the prior period, and manufacturers have reported a recent increase in overall demand.

In December, the number of existing homes sold in Ohio decreased by 9.5% compared to December of last year, according to the Ohio REALTORS. With the conclusion of 2023, Ohio's home sales decreased 14.9% from the 2022 year end level. Despite this dip in sales activity, the demand for homes in Ohio remains strong, evident by a 5.1% increase in average home sales price in 2023 compared to 2022. The average home price in December was $265,808, an 8.1% increase from $245,934 in December of last year.

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

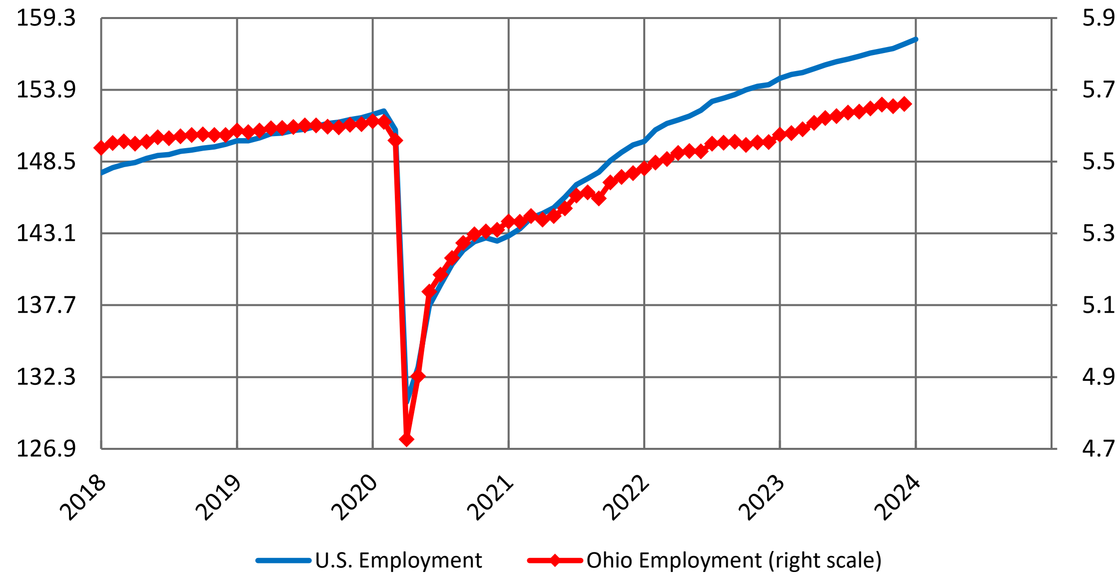
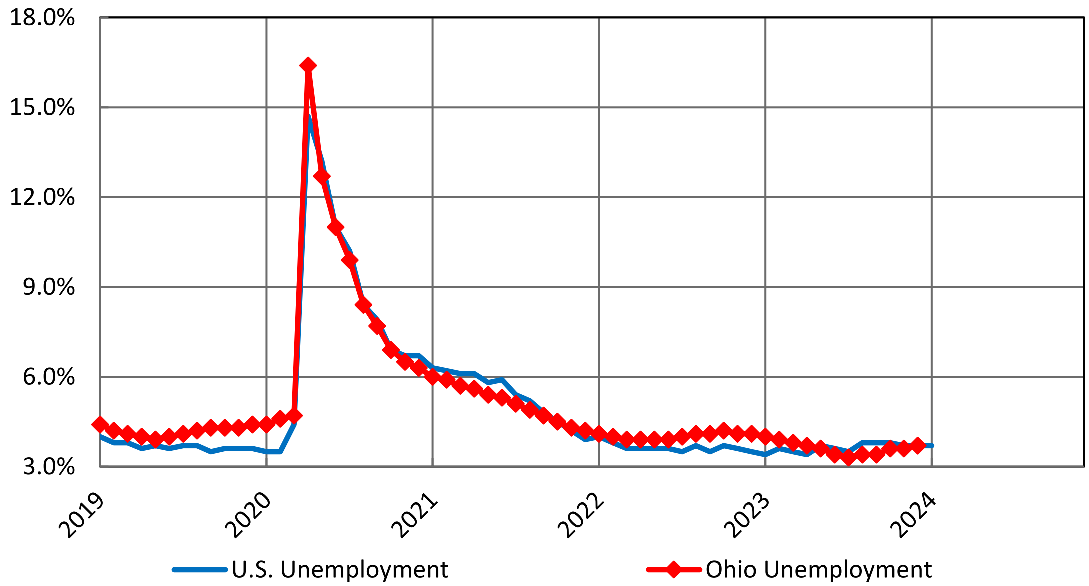


Chart 5: U.S. and Ohio Unemployment Rates % of Labor Force (seasonally adjusted)



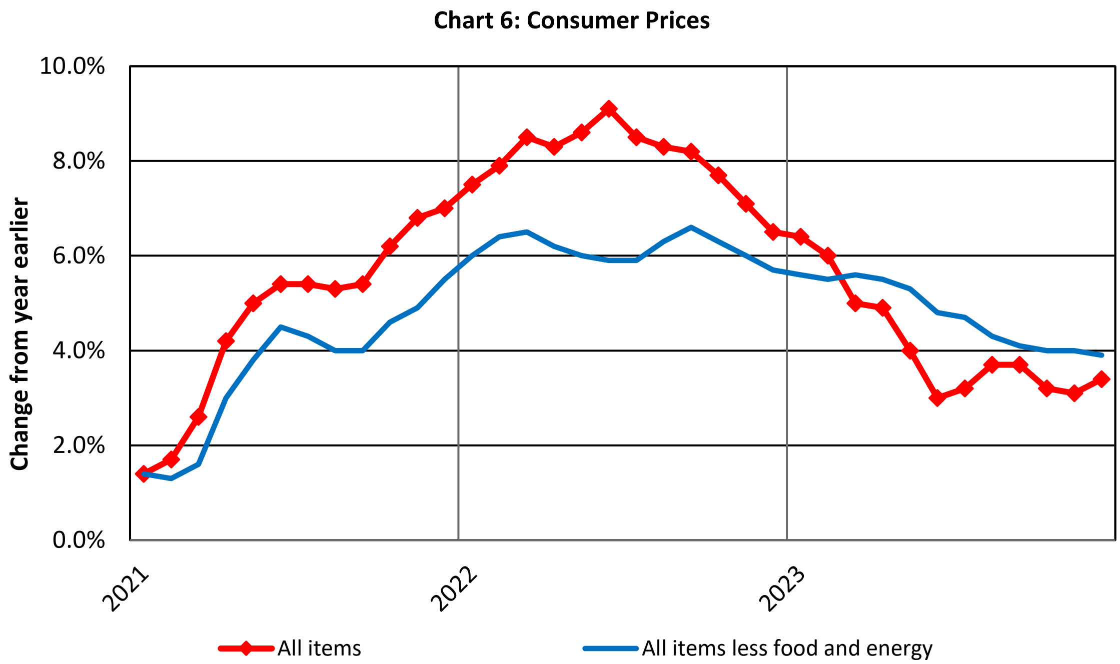


Chart 6: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy