LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 **Issue: January 2024**

Highlights

– Russ Keller, Chief Economist

GRF sources through December had a $136.7 million negative variance compared with the Office of Budget and Management (OBM) FY 2024 estimate. The shortfall was due to state income tax refunds paid on behalf of annual returns filed in the prior fiscal year. The December refunds spurred a $263.7 million negative variance in GRF tax revenue for the month.

The economy proved resilient in calendar year (CY) 2023, in spite of recession fears at the outset of the year. Inflation-adjusted U.S. personal income, excluding transfer payments, grew for seven consecutive months. Ohio's historically low unemployment rate has remained below the national rate since May.

Through December 2023, GRF sources totaled $21.28 billion:

- Revenue from the PIT was $101.9 million below estimate; the sales and use tax exceeded its estimate by $54.6 million;
- Federal grants were $242.2 million below estimate.

Through December 2023, GRF uses totaled $28.78 billion:

- Program expenditures were $644.1 million below estimate, as nearly every program category was below estimate;
- The largest shortfall was Medicaid, $302.1 million, which reflects both timing issues and a decline in caseloads;
- GRF transfers out totaled $6.58 billion, $986.5 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 December 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$142,844	$146,300	-$3,456	-2.4%
Nonauto Sales and Use	$1,094,326	$1,082,100	$12,226	1.1%
Total Sales and Use	*$1,237,170*	*$1,228,400*	*$8,770*	*0.7%*
Personal Income	$673,157	$940,000	-$266,843	-28.4%
Commercial Activity Tax	$21,768	$19,600	$2,168	11.1%
Cigarette	$63,056	$66,300	-$3,244	-4.9%
Kilowatt-Hour Excise	$15,882	$18,400	-$2,518	-13.7%
Foreign Insurance	$16	$300	-$284	-94.6%
Domestic Insurance	$0	$0	$0	---
Financial Institution	-$1,373	-$2,800	$1,427	51.0%
Public Utility	$8	$2,200	-$2,192	-99.6%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$2,697	$4,300	-$1,603	-37.3%
Liquor Gallonage	$4,751	$4,800	-$49	-1.0%
Petroleum Activity Tax	$3,467	$2,800	$667	23.8%
Corporate Franchise	$1	$0	$1	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,020,600**	**$2,284,300**	**-$263,700**	**-11.5%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$639	$776	-$136	-17.6%
Other Revenue	$4,734	$1,250	$3,484	278.7%
Total Nontax Revenue	**$5,373**	**$2,026**	**$3,348**	**165.3%**
Transfers In	**$3,001**	**$0**	**$3,001**	**---**
Total State Sources	**$2,028,975**	**$2,286,326**	**-$257,351**	**-11.3%**
Federal Grants	**$458,604**	**$474,505**	**-$15,902**	**-3.4%**
Total GRF Sources	**$2,487,578**	**$2,760,831**	**-$273,253**	**-9.9%**

*Estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2024 as of December 31, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$959,192	$994,000	-$34,808	-3.5%	$999,208	-4.0%
Nonauto Sales and Use	$5,984,417	$5,895,000	$89,417	1.5%	$5,751,066	4.1%
Total Sales and Use	*$6,943,608*	*$6,889,000*	*$54,608*	*0.8%*	*$6,750,275*	*2.9%*
Personal Income	$4,997,098	$5,099,000	-$101,902	-2.0%	$5,251,173	-4.8%
Commercial Activity Tax	$1,241,244	$1,177,500	$63,744	5.4%	$1,051,124	18.1%
Cigarette	$350,459	$370,600	-$20,141	-5.4%	$386,778	-9.4%
Kilowatt-Hour Excise	$135,743	$143,400	-$7,657	-5.3%	$144,478	-6.0%
Foreign Insurance	$209,744	$194,900	$14,844	7.6%	$198,367	5.7%
Domestic Insurance	$845	$6,400	-$5,555	-86.8%	$17,620	-95.2%
Financial Institution	-$36,586	-$20,400	-$16,186	-79.3%	-$10,382	---
Public Utility	$80,149	$80,100	$49	0.1%	$86,936	-7.8%
Natural Gas Consumption	$19,331	$18,700	$631	3.4%	$19,553	-1.1%
Alcoholic Beverage	$30,647	$32,500	-$1,853	-5.7%	$33,211	-7.7%
Liquor Gallonage	$28,627	$29,900	-$1,273	-4.3%	$29,013	-1.3%
Petroleum Activity Tax	$6,398	$4,800	$1,598	33.3%	$6,032	6.1%
Corporate Franchise	$130	$0	$130	---	$30	332.9%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$33	-99.8%
Total Tax Revenue	**$14,007,439**	**$14,026,400**	**-$18,961**	**-0.1%**	**$13,964,243**	**0.3%**
Nontax Revenue						
Earnings on Investments	$119,938	$49,179	$70,759	143.9%	$44,500	169.5%
Licenses and Fees	$13,535	$14,434	-$899	-6.2%	$14,118	-4.1%
Other Revenue	$131,170	$82,100	$49,070	59.8%	$139,952	-6.3%
Total Nontax Revenue	**$264,643**	**$145,712**	**$118,931**	**81.6%**	**$198,570**	**33.3%**
Transfers In	**$5,479**	**$0**	**$5,479**	**---**	**$5,635**	**-2.8%**
Total State Sources	**$14,277,562**	**$14,172,112**	**$105,450**	**0.7%**	**$14,168,448**	**0.8%**
Federal Grants	**$7,004,936**	**$7,247,111**	**-$242,176**	**-3.3%**	**$7,443,805**	**-5.9%**
Total GRF SOURCES	**$21,282,497**	**$21,419,223**	**-$136,726**	**-0.6%**	**$21,612,253**	**-1.5%**

*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

December GRF tax revenue was well below the OBM estimate, mostly on weakness in state income tax receipts that resulted from large refunds. Total tax revenue for the month was below estimate by $263.7 million (11.5%). Revenues from the PIT were below the estimate by $266.8 million. Five taxes recorded positive variances in December totaling $16.5 million, of which the largest was the nonauto sales and use tax ($12.2 million). In addition to the state income tax, negative variances in monthly revenue occurred for seven other taxes totaling $13.3 million, with the largest negative variance for the auto sales and use tax ($3.5 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 December for nontax revenue of $3.3 million and for transfers in of $3.0 million were more than offset by a negative variance for federal grants of $15.9 million. Total GRF sources for the month were $273.3 million lower than estimate. Table 1 above shows GRF sources for the month of December 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 six months of FY 2024 amounted to $14.01 billion, $19.0 million (0.1%) below estimate. The small negative YTD variance resulted from eight taxes with negative variances totaling $189.4 million, mostly offset by seven taxes with positive variances totaling $170.4 million. The largest YTD negative variances were for the PIT, $101.9 million; the auto sales and use tax, $34.8 million; the cigarette and other tobacco products (OTP) tax, $20.1 million; and the financial institutions tax (FIT), $16.2 million. The largest positive variances were for the nonauto sales and use tax, $89.4 million; the commercial activity tax (CAT), $63.7 million; and the foreign insurance tax, $14.8 million.

Other components of state source revenue include nontax revenue and transfers in. Nontax revenue for the fiscal year's first six months exceeded the estimate by $118.9 million, of which the largest component was earnings on investments, in excess of the estimate by $70.8 million. The "other revenue" category exceeded estimate by $49.0 million. Transfers in were $5.5 million when none were expected.

YTD federal grants were $242.2 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also below their estimate by similarly large magnitudes, as is the case for the first six months of FY 2024.

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

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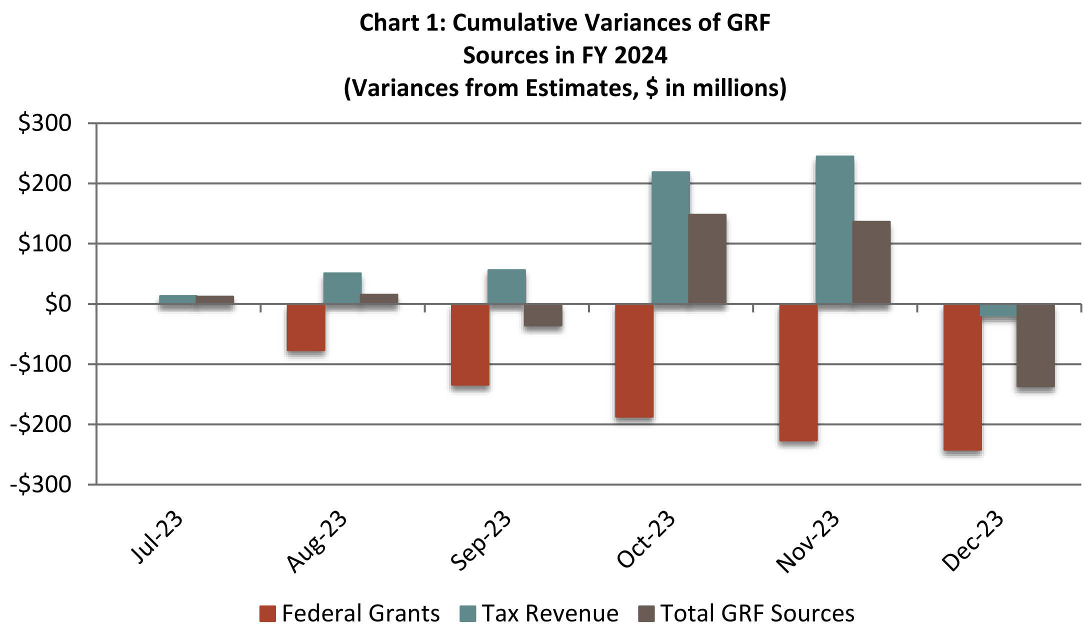
[1] This report compares actual monthly and YTD GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.



YTD GRF tax revenue grew $43.2 million (0.3%) compared to tax revenue received in the first six months of FY 2023. GRF revenue growth was driven by the nonauto component of the sales and use tax, up $233.4 million (4.1%) from revenues a year earlier; by the CAT, higher by $190.1 million (18.1%); and by the foreign insurance tax, higher by $11.4 million (5.7%). Taxes for which revenues were lower than in the year-earlier period include the PIT, by $254.1 million (4.8%); the auto sales and use tax, by $40.0 million (4.0%); the cigarette and OTP tax, by $36.3 million (9.4%); the domestic insurance tax, by $16.8 million (95.2%); and several other taxes by lesser amounts. Nearly all of the year-to-year growth in CAT revenue to the GRF was due to an increase in the GRF's allocated share of CAT total revenue. The FIT posted net refunds totaling $36.6 million, exceeding the year-earlier net refund total of $10.4 million, effectively a reduction in YTD tax revenue of $26.2 million for this tax source. The GRF typically pays out refunds under the FIT during the first half of a fiscal year as taxpayers make adjustments to previous tax filings. FIT receipts are generally expected at the end of January, March, and May, with the annual tax report due in October of each year.

Nontax revenue to the GRF in the first six months of FY 2024 was higher than a year earlier by $66.1 million, reflecting a $75.5 million (169.6%) increase in earnings on investment. Total state-source revenue was higher by $109.1 million (0.8%). However, GRF revenue from federal grants was lower than in the year-earlier period by $438.9 million (5.9%).

Sales and Use Tax

December GRF receipts from the sales and use tax were $1.24 billion, $8.8 million (0.7%) above estimate. For the first six months of FY 2024, revenue from the tax amounted to $6.94 billion, $54.6 million (0.8%) above estimate. Revenue in the fiscal year's first six months was $193.3 million (2.9%) 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 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 under the auto component.

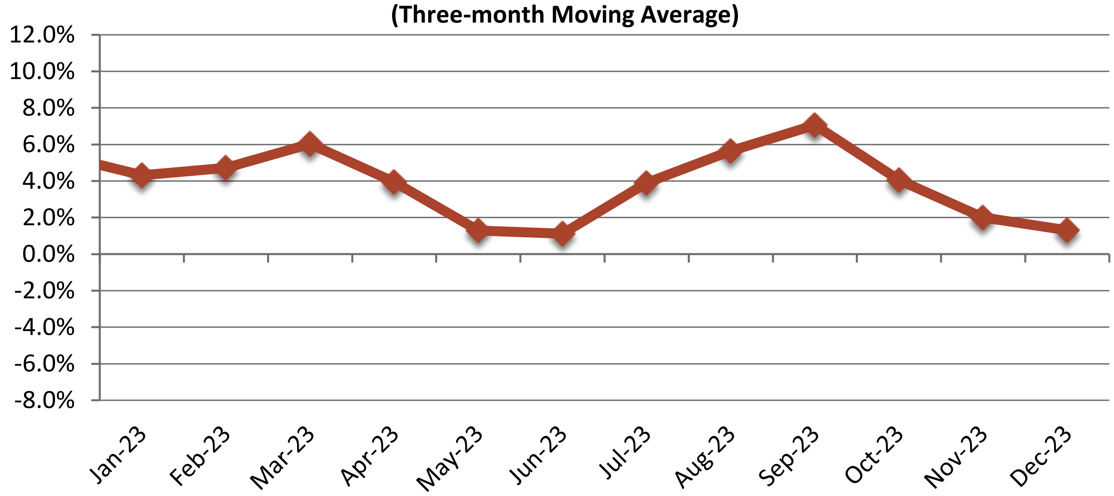
The tax base[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product (GDP) data show the dollar value of consumer spending continuing to grow through November, adjusted for normal seasonal fluctuations, as price inflation continued to moderate.

Nonauto Sales and Use Tax

December GRF receipts of $1,094.3 million were $12.2 million (1.1%) above the OBM estimate and $50.6 million (4.8%) above revenue in December 2022. For the first six months of FY 2024, revenues were $5.98 billion, $89.4 million (1.5%) above estimate and $233.4 million (4.1%) ahead of prior-year receipts.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in 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 continued in the latest quarter but slowed from that earlier in the 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 October through December 2022 to revenue received during October through December 2023.

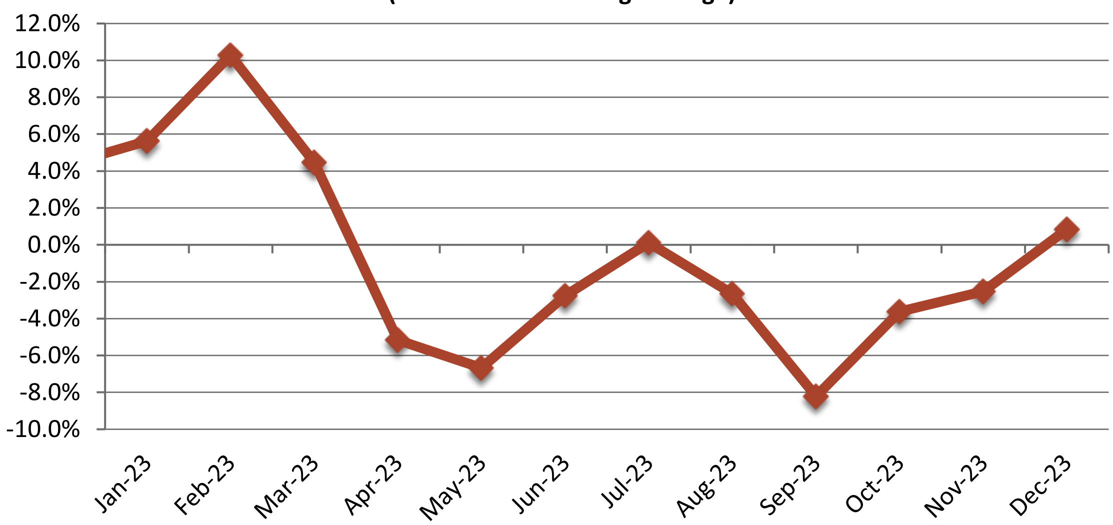
Auto Sales and Use Tax

December receipts from the auto component of the sales and use tax were $142.8 million, $3.5 million (2.4%) below estimate, and $5.1 million (3.5%) below receipts in December 2022. YTD through December, revenue of $959.2 million was below the estimate by $34.8 million (3.5%) and below year-earlier revenues by $40.0 million (4.0%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the six months through December of around 12%. 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 in 2023. On a three-month moving average basis, auto sales and use tax receipts were lower than a year earlier in nearly every month of CY 2023 since April. Revenues bounced back after plunging in the immediate aftermath of the pandemic's onset in this country, but the growth trend 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 first half of this fiscal year. New vehicle unit purchases rose, likely reflecting some easing of the still-tight inventory situation at dealers. But unit purchases of used motor vehicles as well as average prices were down from a year earlier. Used vehicles account for the majority of titles issued. As a result, total spending on new and used vehicles was 2.7% lower in the first half of FY 2024 than a year earlier.

New and Used Vehicles Titled			
FY 2024 First Half	**Titles**	**Spending ($ in millions)**	**Average Purchase Price**
New Vehicles	172,575	$8,389	$48,610
Used Vehicles	723,276	$10,270	$14,199
Total	895,851	$18,659	$20,828
Growth from FY 2023 First Half			
New Vehicles	3.9%	3.9%	-0.1%
Used Vehicles	-1.7%	-7.5%	-5.9%
Total	-0.7%	-2.7%	-2.1%

Personal Income Tax

December GRF revenue from the PIT of $673.2 million was $266.8 million (28.4%) below estimate. Revenue received during the first six months of FY 2024 totaled $5.00 billion, $101.9 million (2.0%) below estimate. Compared with a year earlier, YTD revenue was lower by $254.1 million (4.8%).

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, subsequently led to new withholding tables, which are to be used for payrolls that end on or after November 1, 2023. PIT revenue in November and December was reduced by the lower employer withholding rates.

The table below provides details on revenue from PIT components through December relative to estimates for FY 2024 and to revenue received in the year-earlier period. FY 2024 YTD gross collections were $383.3 million (6.6%) above anticipated revenue and $208.6 million (3.5%) above revenues in the year-earlier period. The strength in gross collections reflected both elevated payments with annual returns and higher estimated payments. Net receipts, however, 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, tied to pass-through entities. Total refunds in December were $302.0 million (511.0%) above

[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.

amounts that had been anticipated when the monthly estimate was formulated, and $291.6 million (419.3%) above the year-earlier amount. Tax provisions affecting pass-through entities were altered by S.B. 246 of the 134th General Assembly, discussed in this space in the October issue of this report.

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	-$57.1	-1.1%	-$139.4	-2.6%
Quarterly Estimated Payments	$211.7	57.8%	$177.9	44.4%
Trust Payments	$1.5	10.1%	-$11.1	-39.9%
Annual Return Payments	$236.0	138.7%	$189.1	87.1%
Miscellaneous Payments	-$9.0	-22.0%	-$9.0	-22.0%
Gross Collections	**$383.3**	**6.6%**	**$207.6**	**3.5%**
Less Refunds	$480.9	102.3%	$447.9	89.1%
Less LGF Distribution	$4.3	1.6%	$13.7	5.4%
GRF PIT Revenue	**-$101.9**	**-2.0%**	**-$254.1**	**-4.8%**

Commercial Activity Tax

December GRF receipts from the CAT were $21.8 million, $2.2 million (11.1%) above the estimate. Revenues for the fiscal year's first six months were $1.24 billion, $63.7 million (5.4%) above estimate. CAT taxpayers pay the tax in February, May, August, and November (based on each taxpayer's gross receipts from the preceding quarter), so December receipts are typically small as no payment is due. 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 $190.1 million (18.1%) compared with the first six months of FY 2023. Increased economic activity accounts for little of 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, net of refunds, amounted to $1.25 billion, which was $4.7 million (0.4%) higher than comparable CAT revenue in the first six 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. In the following year, this $3 million exclusion increases to $6 million of a company's gross receipts.

Cigarette and Other Tobacco Products Tax

December revenue from the cigarette and OTP tax totaling $63.1 million was below estimate by $3.2 million (4.9%). YTD revenue from the tax was $350.5 million, $20.1 million (5.4%) below estimate. The YTD total included $293.3 million from cigarette sales and $57.1 million from the sale of OTP.

FY 2024 revenue through December fell by $36.3 million (9.4%) compared to FY 2023 revenue through December 2022. OTP sales decreased by $2.9 million (4.9%) while receipts from cigarette sales decreased $33.4 million (10.2%). 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 grows 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 prepandemic downward trend. The tax on cigarettes is based on unit sales rather than value.

Other Taxes

YTD through December, receipts from the public utility tax were $80.1 million, slightly (0.1%) above estimate but $6.8 million (7.8%) below prior-year collections. The public utility tax is paid in lieu of the CAT by natural gas, pipeline, water transportation and water works utilities. Deliveries by natural gas utilities account for most of the total. The YTD revenue decline from the public utility tax appears mostly driven by lower prices for natural gas delivered to end users. Heating companies previously paid the public utility tax but are instead subject to the CAT, starting in the 2024 tax year, under a provision of H.B. 33 of the 135th General Assembly.

Receipts from the natural gas consumption tax were $19.3 million in the first half of this fiscal year, $0.6 million (3.4%) above estimate, but $0.2 million (1.1%) below a year earlier. Historically, nearly three fourths of revenue from this tax is received in the second half of each fiscal year, with about half of the year's total paid in the fiscal fourth quarter.

The kilowatt-hour tax generated $135.7 million for the GRF during the first six months of the fiscal year, $7.7 million (5.3%) below estimate and $8.7 million (6.0%) below revenue during the comparable months of FY 2023. The tax base generally is kilowatt-hours of electricity used, i.e., it does not directly depend on the price of electricity. Half of the allocation of GRF tax revenue to the Public Library Fund (PLF, Fund 7065) is debited against this tax for accounting purposes, and the PLF allocation depends on (i.e., equals 1.7% of) total GRF tax revenue. So strong total

[5] A de minimis amount ($337 in FY 2024's first half) is paid from CAT receipts to the Commercial Activity Tax Motor Fuel Receipts Fund (Fund 7019).

GRF tax revenue can make the GRF performance of the kilowatt-hour tax look worse, and conversely. YTD through December, total revenue from this tax was $265.4 million net of refunds, down $5.3 million (1.9%) from receipts in the first six months of FY 2023, while the PLF share rose $3.5 million.

The foreign insurance tax generated $209.7 million during the first half of FY 2024, $14.8 million (7.6%) above estimate and $11.4 million (5.7%) above receipts in the corresponding period in FY 2023. This tax is paid by insurance companies headquartered in other states based on premiums they receive to provide insurance covering risks located in Ohio. Revenues from this tax in a fiscal year's first six months generally reveal little about full-year receipts as first-half payments are based on previous-year tax liabilities before applying available credits.

The domestic insurance tax (paid by insurance companies headquartered in Ohio) provided $0.8 million in FY 2024's first half, $5.6 million (86.8%) below estimate and $16.8 million (95.2%) below revenue in the first six months of FY 2023. However, as with the foreign insurance tax, first-half performance tells little about the full year. Virtually all revenue from the tax is received in May and June of each fiscal year.

Nontax Revenue

YTD GRF nontax revenue totaling $264.6 million was $118.9 million (81.6%) above estimate and $66.1 million (33.3%) above such revenue in the first six months of FY 2023. The year-over-year increase in revenue was primarily due to earnings on investments, which were $70.8 million (143.9%) above estimate through December and $75.4 million (169.5%) above earnings a year earlier. The positive variance was due to higher market interest rates, as the Federal Reserve continued to raise its target for the federal funds interest rate on overnight balances traded between commercial banks. "Other Revenue" for the fiscal year's first half was $49.1 million (59.8%) above estimate. The positive YTD variance in "Other Revenue" may have been due mainly to the JobsOhio deferred payment from liquor profits, which OBM reported was $39.3 million (60.4%) above estimate in August.[6]

[6] JobsOhio is a nonprofit corporation that operates and manages various economic development programs in Ohio. It is funded from the profits on sales of spirituous liquor, which JobsOhio receives through its long-term lease of the state's liquor franchise. JobsOhio makes an annual payment to the state GRF, an amount that varies based on annual growth in liquor profits.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of December 2023
($ in thousands)
(Actual based on OAKS reports run January 8, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$1,062,667	$1,070,174	-$7,507	-0.7%
Higher Education	$207,134	$208,253	-$1,118	-0.5%
Other Education	$9,166	$4,058	$5,108	125.9%
Total Education	**$1,278,967**	**$1,282,485**	**-$3,518**	**-0.3%**
Medicaid	$819,659	$831,105	-$11,446	-1.4%
Health and Human Services	$170,780	$205,883	-$35,103	-17.1%
Total Health and Human Services	**$990,439**	**$1,036,988**	**-$46,549**	**-4.5%**
Justice and Public Protection	$211,736	$193,475	$18,261	9.4%
General Government	$40,467	$44,022	-$3,555	-8.1%
Total Government Operations	**$252,203**	**$237,497**	**$14,706**	**6.2%**
Property Tax Reimbursements	$438	$9,162	-$8,724	-95.2%
Debt Service	$76,677	$81,779	-$5,101	-6.2%
Total Other Expenditures	**$77,115**	**$90,941**	**-$13,825**	**-15.2%**
Total Program Expenditures	**$2,598,723**	**$2,647,910**	**-$49,187**	**-1.9%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$2,598,723**	**$2,647,910**	**-$49,187**	**-1.9%**

*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 December 31, 2023
($ in thousands)
(Actual based on OAKS reports run January 8, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$5,135,434	$5,160,254	-$24,820	-0.5%	$4,161,792	23.4%
Higher Education	$1,281,320	$1,325,829	-$44,509	-3.4%	$1,038,044	23.4%
Other Education	$66,706	$64,005	$2,701	4.2%	$49,854	33.8%
Total Education	**$6,483,460**	**$6,550,088**	**-$66,628**	**-1.0%**	**$5,249,690**	**23.5%**
Medicaid	$10,658,298	$10,960,373	-$302,075	-2.8%	$9,390,115	13.5%
Health and Human Services	$938,978	$1,060,976	-$121,998	-11.5%	$770,861	21.8%
Total Health and Human Services	**$11,597,276**	**$12,021,348**	**-$424,073**	**-3.5%**	**$10,160,975**	**14.1%**
Justice and Public Protection	$1,487,300	$1,557,193	-$69,893	-4.5%	$1,202,338	23.7%
General Government	$892,886	$955,764	-$62,878	-6.6%	$245,790	263.3%
Total Government Operations	**$2,380,186**	**$2,512,957**	**-$132,771**	**-5.3%**	**$1,448,128**	**64.4%**
Property Tax Reimbursements	$916,983	$931,413	-$14,430	-1.5%	$898,579	2.0%
Debt Service	$814,743	$820,939	-$6,196	-0.8%	$992,039	-17.9%
Total Other Expenditures	**$1,731,726**	**$1,752,352**	**-$20,626**	**-1.2%**	**$1,890,618**	**-8.4%**
Total Program Expenditures	**$22,192,647**	**$22,836,746**	**-$644,099**	**-2.8%**	**$18,749,411**	**18.4%**
Transfers Out	**$6,583,788**	**$5,597,298**	**$986,490**	**17.6%**	**$1,231,682**	**434.5%**
Total GRF Uses	**$28,776,435**	**$28,434,043**	**$342,392**	**1.2%**	**$19,981,093**	**44.0%**

*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 January 9, 2024)

	Month of December 2023				Year to Date through December 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$737,443	$750,279	-$12,836	-1.7%	$10,159,555	$10,444,452	-$284,897	-2.7%
Non-GRF	$2,593,134	$2,630,858	-$37,723	-1.4%	$6,599,154	$6,777,123	-$177,968	-2.6%
All Funds	$3,330,577	$3,381,136	-$50,559	-1.5%	$16,758,709	$17,221,574	-$462,866	-2.7%
Developmental Disabilities								
GRF	$72,425	$72,139	$286	0.4%	$436,674	$432,491	$4,183	1.0%
Non-GRF	$256,937	$215,948	$40,989	19.0%	$1,577,236	$1,641,085	-$63,850	-3.9%
All Funds	$329,362	$288,087	$41,275	14.3%	$2,013,910	$2,073,577	-$59,666	-2.9%
Job and Family Services								
GRF	$8,972	$7,800	$1,171	15.0%	$56,600	$77,408	-$20,808	-26.9%
Non-GRF	$16,558	$18,910	-$2,352	-12.4%	$89,095	$100,917	-$11,822	-11.7%
All Funds	$25,530	$26,711	-$1,180	-4.4%	$145,695	$178,325	-$32,630	-18.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$820	$888	-$68	-7.6%	$5,469	$6,022	-$553	-9.2%
Non-GRF	$2,143	$14,905	-$12,762	-85.6%	$17,582	$58,044	-$40,463	-69.7%
All Funds	$2,963	$15,793	-$12,830	-81.2%	$23,050	$64,066	-$41,016	-64.0%
All Departments:								
GRF	**$819,659**	**$831,105**	**-$11,446**	**-1.4%**	**$10,658,298**	**$10,960,373**	**-$302,075**	**-2.8%**
Non-GRF	**$2,868,773**	**$2,880,621**	**-$11,848**	**-0.4%**	**$8,283,067**	**$8,577,169**	**-$294,103**	**-3.4%**
All Funds	**$3,688,432**	**$3,711,726**	**-$23,294**	**-0.6%**	**$18,941,364**	**$19,537,542**	**-$596,178**	**-3.1%**

*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 January 9, 2024)

	Month of December 2023				Year to Date through December 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,678,105**	**$2,812,012**	**-$133,906**	**-4.8%**	**$12,401,913**	**$12,870,336**	**-$468,422**	**-3.6%**
CFC†	$850,026	$926,796	-$76,770	-8.3%	$3,315,671	$3,593,554	-$277,883	-7.7%
Group VIII	$715,442	$764,892	-$49,450	-6.5%	$3,020,931	$3,188,027	-$167,096	-5.2%
ABD†	$276,997	$290,267	-$13,270	-4.6%	$1,107,938	$1,146,295	-$38,357	-3.3%
ABD Kids	$74,311	$93,757	-$19,446	-20.7%	$348,764	$373,310	-$24,546	-6.6%
My Care	$257,565	$264,959	-$7,395	-2.8%	$1,507,164	$1,509,618	-$2,453	-0.2%
OhioRise	$49,113	$39,871	$9,242	23.2%	$206,990	$214,796	-$7,806	-3.6%
SPBM	$454,650	$431,468	$23,183	5.4%	$2,894,454	$2,844,735	$49,719	1.7%
Fee-For-Service	**$803,541**	**$673,704**	**$129,837**	**19.3%**	**$5,050,407**	**$5,078,588**	**-$28,181**	**-0.6%**
ODM Services	$483,903	$391,761	$92,142	23.5%	$2,355,035	$2,294,816	$60,219	2.6%
DDD Services	$320,916	$281,943	$38,973	13.8%	$1,945,832	$2,005,772	-$59,940	-3.0%
Hospital - HCAP	-$1,279	$0	-$1,279	---	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$127,867**	**$134,908**	**-$7,041**	**-5.2%**	**$880,403**	**$906,284**	**-$25,882**	**-2.9%**
Medicare Buy-In	$77,677	$83,890	-$6,212	-7.4%	$528,070	$552,357	-$24,287	-4.4%
Medicare Part D	$50,189	$51,018	-$829	-1.6%	$352,333	$353,927	-$1,595	-0.5%
Administration	**$78,919**	**$91,103**	**-$12,184**	**-13.4%**	**$608,641**	**$682,334**	**-$73,693**	**-10.8%**
Total	**$3,688,432**	**$3,711,726**	**-$23,294**	**-0.6%**	**$18,941,364**	**$19,537,542**	**-$596,177**	**-3.1%**

*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[7]

– *Michael Kerr, Budget Analyst*

– *Ivy Chen, Division Chief*

Overview

GRF program expenditures totaled $22.19 billion in the first half of FY 2024. These expenditures were $644.1 million (2.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $6.58 billion and were $986.5 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 estimated to occur until June. Total GRF uses for these six months were $28.78 billion, which is $342.4 million (1.2%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of December and YTD, respectively.

For December GRF program expenditures, negative monthly variances in Health and Human Services ($35.1 million, 17.1%), Medicaid ($11.4 million, 1.4%), Property Tax Reimbursements ($8.7 million, 95.2%), Primary and Secondary Education ($7.5 million, 0.7%), and Debt Service ($5.1 million, 6.2%) were partially offset by positive monthly variances in Justice and Public Protection ($18.3 million, 9.4%) and Other Education ($5.1 million, 125.9%). The remaining categories had monthly variances of less than $4.0 million. Total program expenditures were $13.8 million (15.2%) under estimate for the month of December.

For YTD program expenditures, Other Education spending was above its OBM estimate by $2.7 million (4.2%), but all other categories were under estimate, most significantly Medicaid ($302.1 million, 2.8%), Health and Human Services ($122.0 million, 11.5%), Justice and Public Protection ($69.9 million, 4.5%), and General Government ($62.9 million, 6.6%). The larger YTD variances 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 December by $11.4 million (1.4%) and below their YTD estimate by $302.1 million (2.8%) at the end of December. Non-GRF Medicaid expenditures were below their monthly estimate by $11.8 million (0.4%) and below their YTD estimate by $294.1 million (3.4%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $23.3 million (0.6%) below estimate in December and $596.2 million (3.1%) below their YTD estimate at the end of December.

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

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

of the variances in Medicaid expenditures. ODM had an all funds negative variance in December of $50.6 million (1.5%), and a YTD all funds negative variance of $462.9 million (2.7%) at the end of December. DODD had a December all funds positive variance of $41.3 million (14.3%) and ended the month with YTD expenditures $59.7 million (2.9%) 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 December. In percentage terms, the Administration variance of $73.7 million (10.8%) 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 $468.4 million (3.6%) 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 $28.2 million (0.6%) and Premium Assistance at $25.9 million (2.9%).

Through the COVID-19 public health emergency (PHE) of 2020-2023, caseloads increased by approximately 21,400 cases per month, on average. This was the result of federal requirements for states to provide continuous coverage in exchange for receiving a higher reimbursement on Medicaid expenditures. With the conclusion of the PHE, states have begun to evaluate the continuing eligibility of Medicaid enrollees in a redetermination process. ODM restarted the redetermination process in the spring of 2023. Since April 2023, net caseload has declined by over 250,000. This number will fluctuate, though, 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 $35.1 million in December to reach $122.0 million (11.5%). All agencies were under estimate for the YTD, including ODJFS ($93.2 million), which accounted for 76.4% of the category's YTD variance.

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

- A negative monthly variance of $15.0 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $25.5 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

- A negative monthly variance of $12.0 million in ALI 600413, Child Care State Maintenance of Effort, which created a $3.0 million YTD negative variance. This ALI is used primarily to support publicly funded child care.
- A positive monthly variance of $11.8 million in ALI 600535, Early Care and Education, which spurred a negative YTD variance of $6.1 million. This ALI is also used to pay for publicly funded child care services.
- A negative monthly variance of $10.6 million in ALI 600450, Program Operations, which increased the negative YTD variance for this ALI to $35.7 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.

Most ALIs in OhioMHAS's budget were under the YTD estimate, including ALI 336422, Criminal Justice Services, ALI 336412, Hospital Services; and ALI 336504, Community Innovations, which were under estimate by $9.1 million, $4.6 million, and $4.6 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.

The majority of ALIs in ODH's budget were under estimate for the YTD, including ALI 440474, Infant Vitality; ALI 440482, Chronic Disease, Injury Prevention, and Drug Overdose; and ALI 440485, Health Program Support, which were under estimate by $2.7 million, $2.3 million, and $2.2 million, respectively. ALI 440474 is used for programs designed to decrease infant mortality in Ohio; ALI 440482 is used to support the Bureau of Health Promotion's efforts to prevent and control chronic disease; ALI 440485 supports earmarks for various community health and medical programs across the state. On the other hand, ALI 440459, Help Me Grow, exceeded its YTD estimate by $6.8 million. This ALI funds a family support program offered to pregnant women and new parents.

Transfers out

Transfers out of the GRF were over the YTD estimate at the end of December by $986.5 million (17.6%). The July, September, and November variances in transfers out 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.[8] OBM's estimates planned for $850.0 million to be transferred for this purpose in FY 2024. All of the anticipated transfers were originally expected to occur in June, so this timing-related variance will not resolve until the end of the fiscal year.

The following GRF transfers out to support capital projects, totaling $986.1 million, have been made so far this fiscal year:

July

- $200.0 million to the School Building Program Assistance Fund (Fund 7032);
- $20.3 million to the Administrative Building Taxable Bond Fund (Fund 7016).

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

September

- $175.0 million to the Adult Correctional Building Fund (Fund 7027);
- $150.0 million to the Mental Health Facilities Improvement Fund (Fund 7033);
- $100.0 million to the Administrative Building Bond Fund (Fund 7026);
- $17.0 million to the Parks and Natural Resources Fund (Fund 7031).

November

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $80.0 million to the Cultural and Sports Facilities Building Fund (Fund 7030);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056);
- $6.3 million to the Agricultural Easement Fund (Fund 7057).

Issue Updates

2023 Ohio State Fair Generated a Profit of Nearly $345,000

– Jared Cape, Budget Analyst

The Ohio Expositions Commission reported a profit of almost $345,000 from the 2023 State Fair, which was held from July 26 through August 6. Overall, revenue from the event was nearly $10.8 million, of which more than $9.4 million (87.8%) was derived from admission fees, ticket sales for entertainment and attractions, and exhibit space rental fees. The remaining $1.3 million (12.2%) came from event sponsorship, parking and camping fees, and other sources, such as concessions and livestock auction revenues. Total expenses for the State Fair were approximately $10.4 million, with payroll and entertainment and personal service contracts accounting for approximately $7.0 million (67.6%) of that amount. The remaining nearly $3.4 million (32.4%) was spent on advertising, fairground maintenance, supplies, utilities, and other items. Over 1.0 million individuals attended the 2023 State Fair.

Typically, the Expositions Commission's funding comes from the net proceeds of the State Fair and several other events held on the state fairgrounds throughout the year. Additionally, an annual GRF appropriation of $380,000 is used to support the Junior Fair held in conjunction with the State Fair. For the FY 2024-FY 2025 biennium, however, the Commission's budget includes $190.0 million transferred from the GRF for projects outlined in the Expo 2050 master plan. This accounts for 84.4% of the Expositions Commission's budget of $225.2 million for the biennium.

OFCC Awards $199.8 Million to 35 School Districts for Career-Technical Facilities Construction

– Jason Glover, Senior Budget Analyst

In November 2023, the Ohio Facilities Construction Commission (OFCC) awarded a total of $199.8 million in federal American Rescue Plan Act (ARPA) funds to 35 school districts under the Career-Technical Construction Program. Under the program, OFCC makes competitive grants to joint vocational school districts (JVSDs) and city, local, and exempted village school districts designated as the lead district of a career-technical planning district (CTPD) for facilities construction projects that establish or expand career-technical education programs. Funds may be used for projects that renovate, improve, or build facilities to support the occupations on the Governor's Office of Workforce Transformation's Ohio's Top Jobs List or that qualify for the Innovative Workforce Incentive Program under the Department of Education and Workforce (DEW).

Grant amounts ranged from about $1.2 million to $14.7 million. The table below summarizes the grant recipients and total awards by region. As the table shows, 15 school districts in the northeast region received the most funding, at $84.2 million (42.1%). Five school districts in the southwest region received $38.0 million (19.0%), followed by seven in the northwest, at $34.3 million (17.2%), five in the southeast, at $24.7 million (12.4%), and three in the central region, at $18.6 million (9.3%). The full list of awards and recipients can be accessed by conducting a keyword "career-technical construction program" search on OFCC's website: ofcc.ohio.gov.

Career-Technical Construction Program Grant Awards, FY 2024		
Region	**Number of School Districts**	**Total Awards**
Northeast	15	$84,178,714
Southwest	5	$38,042,317
Northwest	7	$34,331,137
Southeast	5	$24,696,754
Central	3	$18,551,078
Total	**35**	**$199,800,000**

Source: Ohio Facilities Construction Commission

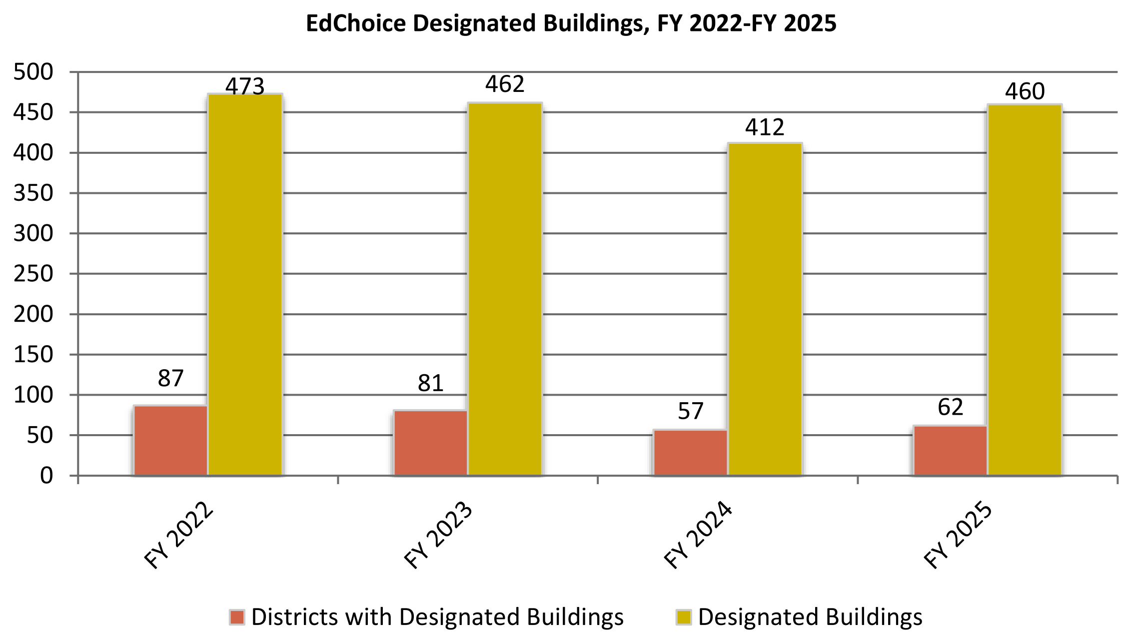
According to the program's guidelines, recipients must complete projects and spend all funds by September 30, 2026, unless otherwise approved by OFCC. When these projects are completed, OFCC estimates that more than 3,700 new students will be able to be educated in several career-technical education program areas, including healthcare, public safety, construction and engineering, and manufacturing and operations.

Separately, H.B. 33 appropriated $50.0 million in each of FY 2024 and FY 2025 from the newly created Career-Technical Education Equipment Fund (Fund 5AD1) in the DEW budget to support career-technical education equipment purchases necessary to start new or expand career-technical education programs for in-demand career fields and industry-recognized credentials. The application period for FY 2024 awards from this program closed December 15, 2023.

Number of School Buildings Designated for EdChoice Increases for the 2024-2025 School Year

– Brian Hoffmeister, Fiscal Supervisor

In November 2023, DEW released the list of 460 public school buildings across 62 districts designated for the traditional EdChoice Scholarship Program for the 2024-2025 school year. These schools are traditional public schools that fall below certain performance and poverty thresholds. Students assigned to them are eligible for an EdChoice scholarship to attend a participating chartered nonpublic school. As the chart below shows, the number of schools designated for the 2024-2025 school year (FY 2025) increased by a net of 48 schools over the 412 schools designated for FY 2024, with five more districts having at least one building designated.



A school is designated for EdChoice in the 2024-2025 school year if it both (1) ranks in the lowest 20% of buildings on the state report card's performance index for both the 2021-2022 and 2022-2023 school years and (2) is operated by a district with an average Title I formula percentage[9] of at least 20% across the 2021-2022, 2022-2023, and 2023-2024 school years.[10] A school building is also designated if it is operated by a district subject to an academic distress commission (ADC). The FY 2025 list includes 60 schools in 31 districts that are newly designated (i.e., were not designated for FY 2024). Of those, all but one met the performance index and poverty criteria (the other was a newly opened building in the East Cleveland City School District, which is subject to an ADC). On the other hand, 12 buildings in as many districts came off of the list. Within this group, 11 buildings no longer met the performance index criteria while the other building closed. No first-time traditional EdChoice scholarships may be awarded to students assigned to buildings that drop off the list, though existing scholarship students assigned to these buildings generally may renew them through grade 12.

The amount of a traditional EdChoice scholarship in FY 2024 is the lesser of a student's tuition and $6,166 for students in grades K-8 and $8,408 for students in grades 9-12. Traditional EdChoice scholarships are not means-tested, unlike EdChoice expansion scholarships under H.B. 33. As of December 18, 2023, DEW has awarded approximately 41,800 traditional EdChoice

[9] Title I formula percentage is the Title I formula count, which includes children aged five through 17 (1) below the poverty level as determined by the U.S. Census Bureau, (2) above the poverty level but receiving TANF payments, and (3) in institutions for neglected or delinquent children or in foster homes, divided by the age five through 17 population.

[10] A student may qualify for a traditional EdChoice scholarship in certain other ways, regardless of whether the student's traditional public school is designated. For example, see R.C. 3310.033 (eligibility for siblings, foster families, and children placed with guardians, custodians, or kinship caregivers) and R.C. 3310.034 (eligibility for former Autism or Jon Peterson Special Needs scholarship recipients).

scholarships for FY 2024, a 3.0% increase compared to FY 2023. Traditional EdChoice scholarships are estimated to total roughly $280 million in FY 2024 and are supported by the GRF.

Ohio EPA Announces the Award of $16.7 Million in H2Ohio Water Infrastructure Grants

– Robert Meeker, Senior Budget Analyst

On December 1, 2023, the Governor and the Ohio Environmental Protection Agency (Ohio EPA) announced $16.7 million in H2Ohio grants for 14 water infrastructure projects across the state. The project grants range from $20,000 to the Village of Bloomville for the evaluation of options for upgraded wastewater facilities to $2.5 million to the City of Toledo to design the replacement of one raw water main that conveys water from Lake Erie to the Collins Park Water Treatment Plant. The average award was $1.2 million per grant with four awardees receiving $2.0 million or more. The table below shows the 14 grant recipients, the county, and the amount of the award. The 2023 water infrastructure funding primarily focused on supporting the regionalization and consolidation of drinking water and wastewater systems which will allow for improved efficiency and cost sharing between communities. The complete list of project descriptions may be found on the H2Ohio website at: h2.ohio.gov.

H2Ohio Water Infrastructure Grants Awarded (December 2023)

Recipient	County	Amount	Recipient	County	Amount
City of Toledo	Lucas	$2,500,000	City of Coshocton	Coshocton	$1,000,000
City of Findlay	Hancock	$2,000,000	Village of Miller City	Putnam	$1,000,000
Muskingum County	Muskingum	$2,000,000	Village of Perrysville	Ashland	$1,000,000
Jackson County Water Company	Jackson	$2,000,000	Portage County	Portage	$1,000,000
Village of Matamoras	Washington	$1,500,000	City of Akron	Summit	$625,000
Ashtabula County	Ashtabula	$1,000,000	Village of Granville	Licking	$98,000
Village of Carroll	Fairfield	$1,000,000	Village of Bloomville	Seneca	$20,000
				Total	**$16,743,000**

H2Ohio is a water quality initiative created in 2019 to strategically address serious water issues including harmful algal blooms in Lake Erie; failing drinking water, wastewater, and home sewage treatment system; and lead contamination. The initiative is funded via cash transfers from the GRF. Under H.B. 33, four agencies receive H2Ohio funding for the FY 2024-FY 2025 biennium: the Department of Agriculture ($121.4 million), the Department of Natural Resources

($93.2 million), the Ohio EPA ($55.1 million), and the Lake Erie Commission ($264,000). Since 2019, the Ohio EPA has used H2Ohio funding to improve water infrastructure, replace home sewage treatment systems, improve stream monitoring, and replace lead service lines and fixtures.

Criminal Justice Services Awards $5.3 Million in Edward Byrne Memorial Justice Assistance Grants

– Maggie West, Senior Budget Analyst

On December 12, 2023, the Department of Public Safety's Office of Criminal Justice Services (OCJS) announced the award of $5.3 million in federal grants from the Edward Byrne Memorial Justice Assistance Grants (JAG) Program to 153 projects in 56 counties.[11] Under the JAG Program, local governments, state agencies, state-supported universities, statewide and local nonprofit or faith-based associations, and law enforcement agencies may apply for new or renewal funding to support crime prevention and control activities in five program purpose areas. Projects categorized in the Law Enforcement Program area received the most funding at nearly $3.0 million, or 56.3% of the total amount awarded.

Funding for the projects ranged from $3,785 for Big Brothers Big Sisters of Central Ohio for the Delaware County Youth Mentoring Program to $140,340 for the Franklin County Sheriff's Office for the Franklin County Gang Task Force. The average award is $34,728. The following table lists the number of projects funded and the total amount of funding awarded for each the five program areas. JAG Program awards provide for 12 months of funding, beginning January 1, 2024.

2023 Federal Byrne/JAG Awards by Program Purpose Area		
Program Purpose Area	Number of Projects	Total Funding
Law Enforcement Programs	92	$2,988,910
Courts, Specialty Dockets, Defense, Prosecution, and Victim Services	33	$1,398,783
Crime Prevention Programs	20	$530,586
Cross-Agency and Cross-System Collaboration, Training and Research	5	$230,052
Adult and Juvenile Corrections, Community Corrections, and Reentry	3	$165,037
Total	**153**	**$5,313,368**

[11] A complete list of funded programs by county can be found on the OCJS website at: ocjs.ohio.gov and selecting "2023 Edward Byrne Memorial Justice Assistance Grant (JAG) Funding Recommendations" under the "News" heading.

DODD Awards $2.8 Million for Keeping Families Together Grants

– Brandon T. Minster, Economist

On October 26, 2023, DODD awarded $2.8 million to developmental disabilities (DD) boards serving 52 counties in the latest round of funding for the Keeping Families Together (KFT) Grant Program. KFT funding provides services to families to help multisystem youth stay in their homes. KFT funds are used to provide services in the following categories: provider and family supports, environmental needs, service access, county DD board support, and crisis and emergency options. Specific examples of activities that can be provided with these dollars include the following: specialized training for providers and families, incentives to providers to recruit direct support professional staff, household repairs, parent coaching and mentoring, respite services, training to help county DD boards support complex cases, transportation, extended residential stays (maximum of 90 consecutive days) and vehicle modifications. In order to receive funds, county DD boards had to submit plans to DODD outlining how funds would be used to address any unmet needs in their counties or communities. DODD awarded funds to every board that applied.

Multisystem youth are children who require services from more than one child-serving system, including children services, developmental disabilities, mental health, or juvenile justice systems. Many of these youth have complex physical, emotional, and behavioral needs. The funds to support the KFT grants were allocated in H.B. 110 of the 134th General Assembly, which allowed DODD to use a portion of GRF ALI 322422, Multi-System Youth, to provide respite and other supports to county DD boards.[12] About $2.5 million was made available for these purposes during FY 2022 and FY 2023. H.B. 33 appropriated $5.0 million in funding to multisystem youth programs in ALI 322422 in both FY 2024 and FY 2025. As stated above, $2.8 million is dedicated to KFT grants in FY 2024.

Controlling Board Approves $14.7 Million for Nursing Home and Long-Term Care Strike Force

– Jacquelyn Schroeder, Senior Budget Analyst

On November 13, 2023, the Controlling Board approved about $14.7 million in federal appropriations for ODH to continue Nursing Home and Long Term Care Strike Force Team and Infrastructure Grant activities. Grant funds support skilled nursing and other long-term care facilities during infection outbreaks and help build and maintain necessary infrastructure to support resident, visitor, and healthcare personnel safety. Specifically, $5.7 million will be used to support the existing Regional Rapid Response Assistance Program (R3AP).[13] R3AP teams rapidly deploy assistance to facilities to help them prepare for, and respond to, infectious disease threats by implementing baseline infection control prevention and control practices. R3AP teams also provide short-term crisis staffing support and prevention and control education. These services are provided free of charge to facilities requiring help. Funds will be used to hire consultants to support the expansion of R3AP into a permanent program. The remaining

[12] ALI 322422 had an appropriation of $2.5 million in FY 2022 and $4.0 million in FY 2023.

[13] The Ohio Department of Aging actually performs R3AP activities due to an interagency agreement with ODH.

$9.0 million in grant funds will be used to strengthen the skilled nursing workforce by establishing pathways for careers requiring lower licensure levels and providing intensive workforce development assistance to skilled nursing facilities with staffing shortages. These funds will also be used for quality improvement and data modernization activities, which will allow prospective residents and their families to be better informed in their decision making.

In total, ODH was awarded $27.4 million in federal funds from the Centers for Disease Control and Prevention for the Nursing Home and Long-Term Care Facility Strike Team and Infrastructure Grant in 2021. This grant funding was provided through ARPA. All remaining funding for this grant must be spent by May 11, 2024.

ODOT Awards Nearly $74 Million for Traffic Safety Projects in 19 Counties

– Terry Steele, Senior Budget Analyst

On December 5, 2023, the Ohio Department of Transportation (ODOT) announced 25 new Traffic Safety Program projects in 19 counties totaling approximately $73.8 million. The funding awarded for these projects will be used for project development, right of way acquisition, and construction taking place between FY 2024 and FY 2029. Approximately $48.0 million over 15 projects is allocated for roundabout construction. The awards range from almost $376,000 for design of a reduced collision U-turn intersection on SR 220 in Pike County to just over $4.9 million to study the construction of a roundabout on SR 310 in Licking County. Three local governments received project grants totaling nearly $5.3 million during this round of awards. A list of the project grants can be found on ODOT's website: transportation.ohio.gov. Under the Highway Safety Improvement Program, ODOT allocates approximately $180 million annually for engineering improvements at severe crash locations, or locations with the potential for severe crashes. The funding can be used to make improvements on any public roadway and is available for use by both ODOT and local governments.

Attorney General Launches Public Database of Law Enforcement Separations

– Jessica Murphy, Senior Budget Analyst

On November 14, 2023, the Attorney General's Office launched a public database of peace officer separations to increase transparency regarding officer employment history. A separation occurs when a peace officer's appointment by a law enforcement agency ends. Under continuing law and practice, agencies are required to report this separation information to the Ohio Peace Officer Training Commission (OPOTC), an affiliate of the Attorney General's Office. Prior to the launch of the public-facing database, this information was only available via a public records request which would then be provided via a manual process. The new database can be found under the "public records" portion of the Ohio Peace Officer Training Academy (OPOTA) portal: opota.ohioattorneygeneral.gov. The portal also includes a list of active agencies, agency rosters, and an officer search feature which details work history and training certifications.

The table below shows separations by reason for CY 2022, as reported to OPOTC. As seen from the table, resignations in good standing represented the largest share (62.1%) of total separations, followed by retirements (26.0%). Together these two designations accounted for 3,091 (88.1%) of the 3,510 total officer separations. Of the remaining 419 separations, terminations accounted for 5.6% or 197. Very few separations were a result of a felony (1) or misdemeanor (1) conviction. There were three line-of-duty deaths reported in 2022.

CY 2022 Peace Officer Separation from Service		
Separation Reason	**Count**	**Percentage of Total**
Resignation - In good standing (no pending discipline)	2,178	62.1%
Retirement	913	26.0%
Termination	197	5.6%
Resignation - Under investigation	74	2.1%
Resignation - In lieu of termination	53	1.5%
Resignation - Other (mandatory explanation is required)	51	1.5%
Death - Other than line of duty	32	0.9%
Retirement - Retirement in lieu of termination	4	0.1%
Retirement - Retirement under criminal investigation	3	0.1%
Death - Line of duty	3	0.1%
Criminal Conviction - Felony	1	0.0%
Criminal Conviction - Misdemeanor	1	0.0%
Total	**3,510**	**100.0%**

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

The nation's economy continued to expand in December. The U.S. economy added 216,000 nonfarm payroll jobs in December, and the monthly national unemployment rate held steady at 3.7%. Inflation-adjusted gross domestic product (real GDP) expanded at a 4.9% annual rate in the third quarter, following an increase at a 2.1% annual rate. The growth in the third quarter was the strongest since the 7.0% pace of growth reported nearly two years ago. Inflation remained low in November. Total industrial production rose 0.2% in November, following a 0.9% decline in October.

The Federal Open Market Committee (FOMC) held its target interest rates range steady at its final meeting in 2023, which remains at a range of 5.25% to 5.5% since July 2023, and indicated possible rates cuts in 2024. The FOMC final meeting minutes stated that "reflecting the improvements in their inflation outlooks, their baseline projections implied that a lower target range for the federal funds rate would be appropriate by the end of 2024." The next FOMC meeting is scheduled at the end of January 2024. According to the CME FedWatch Tool as of January 5, 2024, which analyzes the probabilities of changes to the target interest rates, showed that there was only a 6.7% chance that a rate cut could occur during the FOMC January meeting while the chance for a rate cut during its March meeting was 63.9%.

In Ohio, total employment decreased by 5,300 in November after trending upward since October 2022. However, employment was up by 99,600 year over year. The state's unemployment rate was unchanged at 3.6%. The Ohio economy, measured by real GDP, grew at a rate of 4.6% in the third quarter of 2023. The personal income of Ohioans grew at an annual rate of 3.4% in the third quarter.

The National Economy

In December, the U.S. economy added 216,000 jobs and the national unemployment rate remained level at 3.7%. Downward revisions to the nonfarm payroll employment figures for October and November reduced 71,000 jobs over that prior period. Employment gains in 2023 averaged 225,000 per month compared to 399,000 month-to-month increases in 2022. For the month, there were job gains in government, health care, social assistance, and construction. Employment changed little in most other major industries, with the exception of transportation and warehousing, which saw a decline of 23,000. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5.

The number of people counted as unemployed nationally was 6.3 million in December, remained relatively steady from November. December's level represents a 553,000 increase in the number of unemployed since recent lows in April of this year. Of the 6.3 million unemployed, 1.2 million had been without jobs and actively looking for work for six months or more, a number that changed little since last month and over the past six months. The number of people working part time for economic reasons was 4.2 million in December, changed little since last month but increased by 333,000 over the year. The labor force participation rate, the share of the population that is either employed or actively seeking work, decreased from 62.8% in November to 62.5% for December.

The number of nationwide job openings modestly decreased to 8.8 million in November, which is the lowest level since March 2021. Decreases in job openings for the month were primarily reported in transportation, warehousing, and utilities and federal government. Increased job openings were reported in wholesale trade. In November, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) decreased compared to the previous month. The number of people choosing to quit also decreased. 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 4.9% annual rate in the third quarter of 2023 according to the third estimate published by the U.S. Bureau of Economic Analysis (BEA), a downward revision from BEA's second estimate of a 5.2% annual rate. The downward revision took into account weaker consumer spending and lower private inventory investment and exports, but higher government spending at both federal and state and local level and business and residential investment than previously estimated in the second estimate. Real GDP rose at a 2.1% annual rate in the second quarter of 2023. Growth in the third quarter was led by increases in consumer spending; private inventory investment; exports; spending by federal, state, and local government; and residential and nonresidential fixed investment. The recent GDP growth was the strongest quarter in nearly two years, as it was only eclipsed by the 7.0% annualized growth rate in the fourth quarter of 2021.

Total industrial production rose 0.2% in November mainly reflecting increases in manufacturing output (0.3%) as motor vehicles and parts production resumed after strikes at several major automakers. The index for total industrial production was 0.4% lower in November than a year earlier. Mining output also increased 0.3% for the month while the index for utilities declined 0.4%. Among major market groups, output of consumer goods and materials were up by 0.1% and 0.3%, respectively. Output of business supplies increased 0.9% while output of construction supplies was unchanged.

The consumer price index (CPI) for all items rose 0.1% in November, seasonally adjusted, after a flat reading in October and a 0.4% increase in September. Compared to a year ago, the CPI increased 3.1% before seasonal adjustment. Food prices rose 0.2% in November while energy prices decreased 2.3%. The CPI core index (all items excluding food and energy) increased 0.3% in November, after increasing 0.2% in the previous month. Compared to November 2022, the food index was up 2.9%, the core index was up 4.0%, and the energy index declined 5.4%. 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 of 2022 and has trended downward since.

Personal income, not adjusted for inflation, increased 0.4% in November largely driven by increases in compensation and income from assets (e.g., real estate, stocks, bonds), but were partly offset by a decrease in personal current transfer receipts. A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index decreased 0.1% in November and was 2.6% higher than a year earlier. Excluding food and energy, the PCE price index increased 0.1% in November and was up 3.2% over the year. November marked the seventh consecutive month that inflation-adjusted personal income (when excluding government benefits) was positive.

Approximately 1.4 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of December. Unit sales for this month were 17.5%

higher than the number of units sold in November. In CY 2023 vehicle sales totaled 15.5 million, which is 12.4% higher than the quantity sold in 2022.

Housing starts in the U.S. was up by 14.8% in November, seasonally adjusted, and increased 9.3% compared to November 2022. Building permits for new housing units in the U.S. fell 2.5% from October to November, but increased by 4.1% from the preceding November. Midwest housing starts increased by 1.4% for the month but fell by 7.9% compared with the prior November. Building permits for new housing units in the Midwest increased by 12.4% in November but decreased by 6.8% from a year earlier. New home sales dipped 12.2% in November, seasonally adjusted, but were up by 1.4% from a year earlier. In the Midwest, however, the number of new houses sold in November went up 25.0% and increased by 52.2% from a year earlier.

The Ohio Economy

Ohio’s total nonfarm payroll employment, seasonally adjusted, dropped by 5,300 (0.1%) in November, marking the first monthly employment decline since October 2022. In November, employment in the goods-producing industries and private service-providing sector decreased by 3,200 and 2,100, respectively, but government jobs remained unchanged. November’s job losses were reported in construction, leisure and hospitality, trade, transportation, and utilities, and financial activities. Job gains largely occurred in private educational and health services, other services, information, professional and business services, and manufacturing. Compared to November of last year, the state’s nonfarm payroll employment was 99,600 (1.8%) higher. Over the last 12 months, job gains were reported in private educational health services, leisure and hospitality, other services, construction, durable goods manufacturing, and professional and business services. Job gains were also reported in all levels of government. Employment in financial activities, trade, transportation, and utilities, and nondurable goods manufacturing declined.

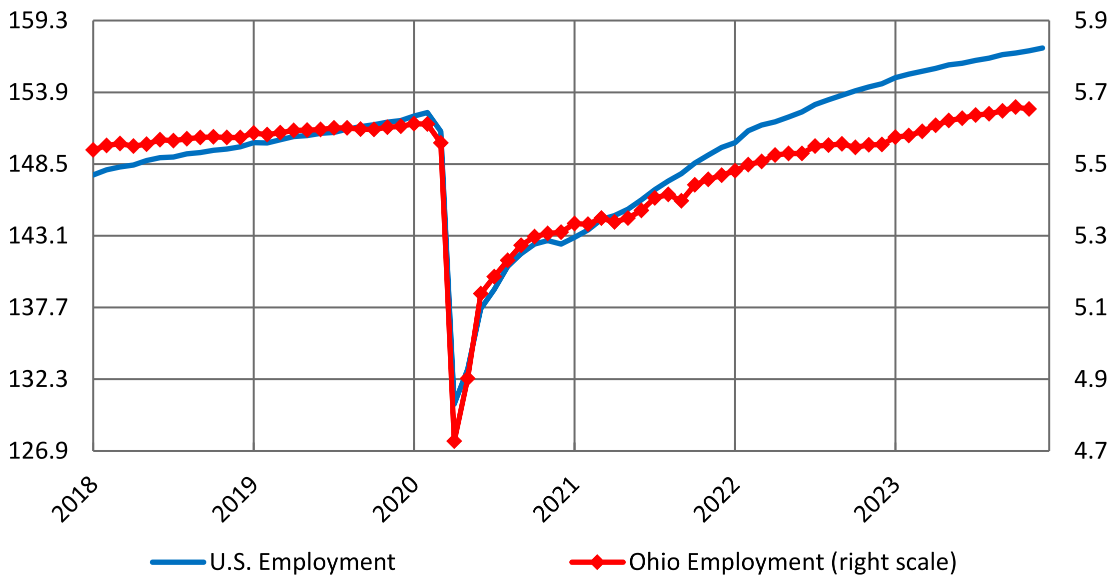
In November, Ohio’s unemployment rate remained at 3.6%, unchanged from October, but down from 4.1% in November of last year. The number of unemployed workers in Ohio was 212,000 in November, 5,000 more than in October but 25,000 fewer than in November of last year. The state’s unemployment rate in November continued to be lower than the U.S. unemployment rate for the seventh consecutive month.

Ohio’s real GDP increased 4.6% at a seasonally adjusted annual rate in the third quarter of 2023, after increasing at a 1.9% rate in the second quarter. Industries that contributed the most to Ohio’s GDP growth were retail trade, nondurable goods manufacturing, and construction. In comparison, U.S. GDP grew at a 4.9% annualized rate in the third quarter. Ohio’s GDP growth was ranked 29th among the 50 states. Among the five neighboring states, Ohio’s GDP growth was lower than Pennsylvania (5.6%), Kentucky (4.9%), and Indiana (4.8%), but higher than West Virginia (3.7%) and Michigan (2.9%). In current dollars (i.e., without adjusting for inflation), Ohio’s GDP was about $881 billion at an annual rate in the third quarter, accounting for about 3.2% of total U.S. GDP.

Ohio’s personal income, seasonally adjusted, grew at an annual rate of 3.4% in the third quarter of 2023, following 4.0% growth in the second quarter and a 6.8% increase in the first quarter. Ohio’s personal income growth in the third quarter was driven by increases in net earnings (wages and salaries, supplements to wages and salaries, and proprietors’ income) and dividends, interest, and rent, and partially offset by transfer receipts. Earnings in state and local government, health care and social assistance, and construction were the leading contributors to Ohio's personal income growth in the third quarter. Nationwide, personal income growth was 3.5% in the third quarter. Ohio's personal income growth ranked 23rd among the 50 states and was higher than growth in the five neighboring states except for Pennsylvania (3.6%). Kentucky's personal income growth was 3.1%, Indiana's 2.7%, Michigan's 2.6%, and West Virginia's 2.5%.

In November, the number of existing homes sold in Ohio decreased by 8.6% compared to November of last year, according to the Ohio REALTORS. From January through November of 2023, existing home unit sales declined by 15.1% compared to the corresponding months in 2022. The statewide sales price of homes sold in January through November of 2023 averaged $273,013, or 4.5% higher than in the corresponding period a year earlier.

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



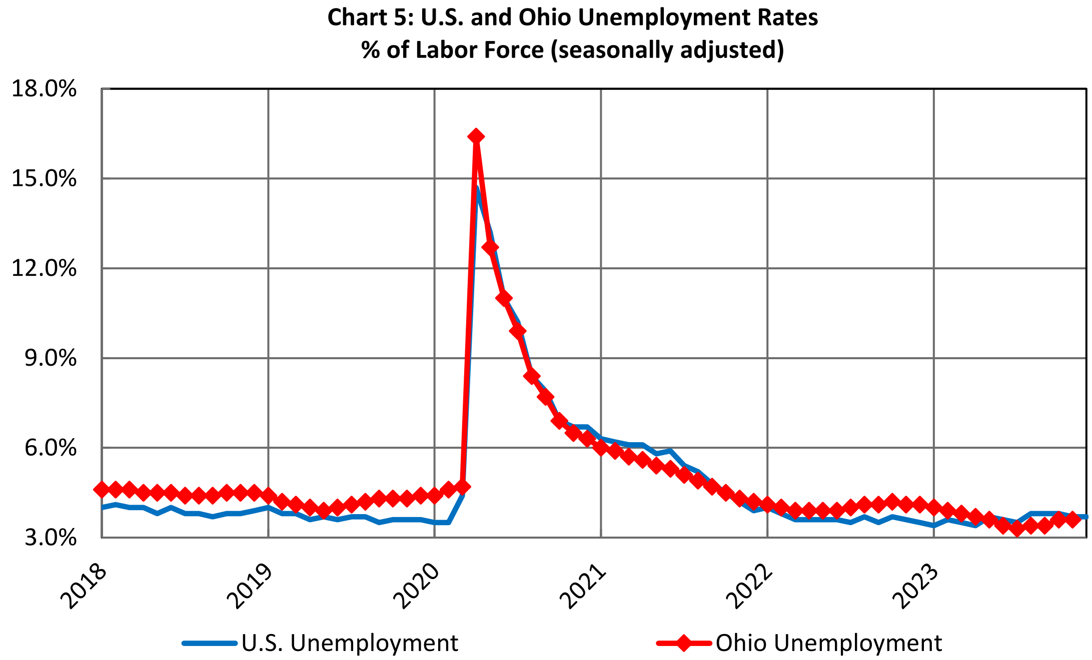


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
U.S. Unemployment
Ohio Unemployment

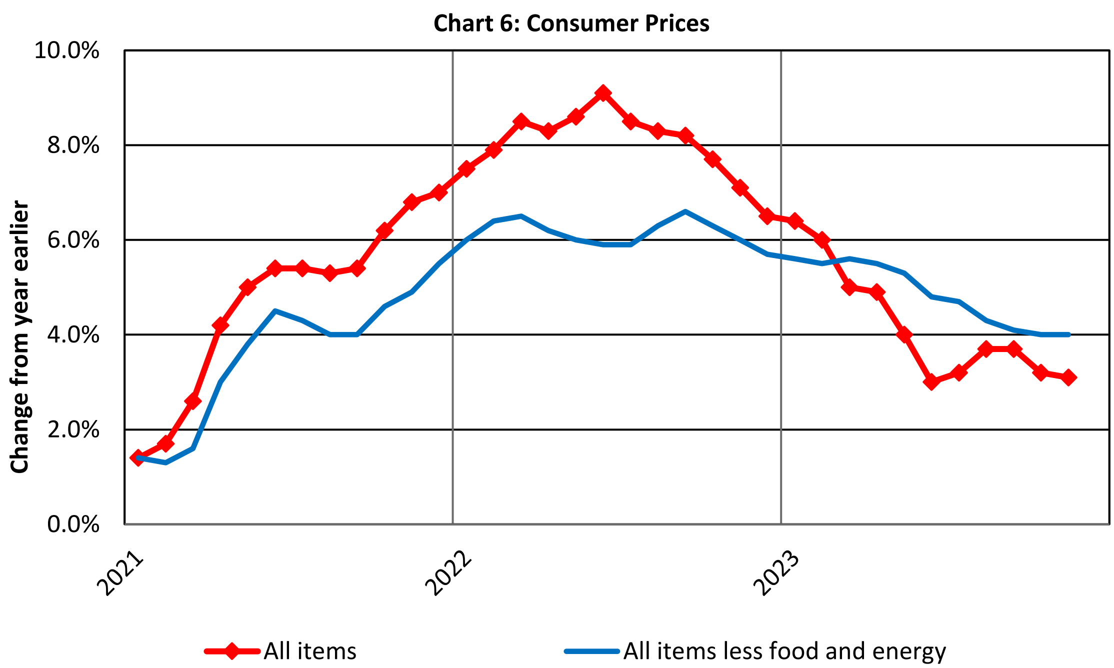


Chart 6: Consumer Prices
Change from year earlier
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2021
2022
2023
All items
All items less food and energy