LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 Issue: November 2023

Highlights

– *Russ Keller, Chief Economist*

GRF sources through October had a $147.8 million positive variance compared with the Office of Budget and Management (OBM) FY 2024 estimate. GRF uses were $241.7 million above estimate through the first four months of the fiscal year.

Ohio's unemployment rate was 3.4% in September, and it remained below the comparable U.S. rate for the fifth consecutive month. Higher interest rates have moderated both inflation and consumer spending. The number of Ohio homes sold in the first nine months of 2023 was down 16.8%, as compared to the prior-year period. The average sale price was up 4.4% over that timeframe.

Through October 2023, GRF sources totaled $14.98 billion:

- Revenue from the personal income tax (PIT) was $105.2 million above estimate; the sales and use tax also exceeded its estimate by $52.3 million;
- Federal grants were $187.1 million below estimate.

Through October 2023, GRF uses totaled $22.62 billion:

- Program expenditures were $421.1 million below estimate, as nearly every program category was below estimate;
- The largest shortfall was Medicaid, $241.8 million, which reflects both timing issues and a decline in caseloads;
- GRF transfers out totaled $6.26 billion, $662.8 million (11.8%) more than OBM's estimate. Most of the variance is due to transfers, which relate to the recent capital budget, occurring earlier in the fiscal year than anticipated.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of October 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2023)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$173,346	$158,500	$14,846	9.4%
Nonauto Sales and Use	$958,519	$982,400	-$23,881	-2.4%
Total Sales and Use	*$1,131,865*	*$1,140,900*	*-$9,035*	*-0.8%*
Personal Income	$844,393	$710,600	$133,793	18.8%
Commercial Activity Tax	$135,316	$118,700	$16,616	14.0%
Cigarette	$65,145	$66,300	-$1,155	-1.7%
Kilowatt-Hour Excise	$26,006	$26,500	-$494	-1.9%
Foreign Insurance	$188,122	$183,800	$4,322	2.4%
Domestic Insurance	$14,642	$200	$14,442	7221.0%
Financial Institution	-$7,455	-$10,100	$2,645	26.2%
Public Utility	$5,829	$4,400	$1,429	32.5%
Natural Gas Consumption	$19	$500	-$481	-96.3%
Alcoholic Beverage	$6,104	$5,400	$704	13.0%
Liquor Gallonage	$4,715	$4,900	-$185	-3.8%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$14	$0	$14	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,414,714**	**$2,252,100**	**$162,614**	**7.2%**
Nontax Revenue				
Earnings on Investments	$119,946	$49,179	$70,767	143.9%
Licenses and Fees	$2,862	$1,813	$1,049	57.9%
Other Revenue	$3,265	$1,250	$2,015	161.2%
Total Nontax Revenue	**$126,073**	**$52,242**	**$73,831**	**141.3%**
Transfers In	**$170**	**$0**	**$170**	**---**
Total State Sources	**$2,540,957**	**$2,304,342**	**$236,615**	**10.3%**
Federal Grants	**$1,088,105**	**$1,141,251**	**-$53,145**	**-4.7%**
Total GRF Sources	**$3,629,062**	**$3,445,592**	**$183,470**	**5.3%**

*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 October 31, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$664,205	$690,500	-$26,295	-3.8%	$696,661	-4.7%
Nonauto Sales and Use	$3,900,179	$3,821,600	$78,579	2.1%	$3,721,149	4.8%
Total Sales and Use	*$4,564,384*	*$4,512,100*	*$52,284*	*1.2%*	*$4,417,810*	*3.3%*
Personal Income	$3,523,191	$3,418,000	$105,191	3.1%	$3,443,187	2.3%
Commercial Activity Tax	$735,247	$668,300	$66,947	10.0%	$599,721	22.6%
Cigarette	$224,919	$237,900	-$12,981	-5.5%	$247,282	-9.0%
Kilowatt-Hour Excise	$100,281	$104,000	-$3,719	-3.6%	$108,691	-7.7%
Foreign Insurance	$198,098	$194,700	$3,398	1.7%	$197,967	0.1%
Domestic Insurance	$15,787	$6,400	$9,387	146.7%	$17,530	-9.9%
Financial Institution	-$15,952	-$12,400	-$3,552	-28.6%	-$9,458	---
Public Utility	$46,878	$44,300	$2,578	5.8%	$48,754	-3.8%
Natural Gas Consumption	$13,516	$13,900	-$384	-2.8%	$14,241	-5.1%
Alcoholic Beverage	$21,642	$22,400	-$758	-3.4%	$25,645	-15.6%
Liquor Gallonage	$19,249	$20,100	-$851	-4.2%	$19,526	-1.4%
Petroleum Activity Tax	$2,931	$2,000	$931	46.5%	$2,538	15.5%
Corporate Franchise	$124	$0	$124	---	-$3	---
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$5	-98.9%
Total Tax Revenue	**$9,450,294**	**$9,231,700**	**$218,594**	**2.4%**	**$9,133,436**	**3.5%**
Nontax Revenue						
Earnings on Investments	$119,969	$49,179	$70,790	143.9%	$44,491	169.6%
Licenses and Fees	$12,307	$12,155	$152	1.3%	$11,019	11.7%
Other Revenue	$122,508	$79,600	$42,908	53.9%	$136,102	-10.0%
Total Nontax Revenue	**$254,784**	**$140,933**	**$113,850**	**80.8%**	**$191,612**	**33.0%**
Transfers In	**$2,478**	**$0**	**$2,478**	**---**	**$5,635**	**-56.0%**
Total State Sources	**$9,707,556**	**$9,372,633**	**$334,923**	**3.6%**	**$9,330,683**	**4.0%**
Federal Grants	**$5,271,591**	**$5,458,670**	**-$187,079**	**-3.4%**	**$6,127,458**	**-14.0%**
Total GRF SOURCES	**$14,979,147**	**$14,831,304**	**$147,844**	**1.0%**	**$15,458,140**	**-3.1%**

*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

October GRF tax revenue was well above the OBM estimate, mostly on the strength of PIT receipts. Total tax revenue for the month was higher than estimate by $162.6 million (7.2%). Revenues from the PIT exceeded the estimate by $133.8 million. Other positive variances included the commercial activity tax (CAT), $16.6 million; the auto sales and use tax, $14.8 million; and the domestic insurance tax, $14.4 million. The nonauto sales and use tax was below estimate by $23.9 million. Other taxes showed smaller variances.

Total GRF revenue consists of GRF tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. A positive variance in October for nontax revenue of $73.8 million was partly offset by a negative variance for federal grants of $53.1 million. Total GRF sources for the month were $183.5 million higher than estimate. Table 1 above shows GRF sources for the month of October compared to estimates, while Table 2 shows year-to-date (YTD) GRF sources compared to both estimates and FY 2023 YTD revenue.

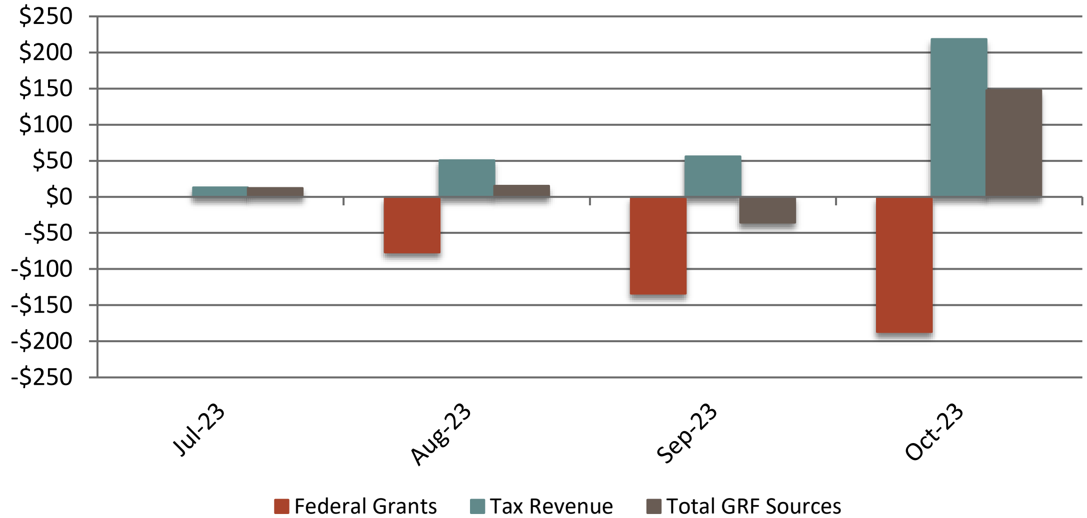
GRF tax receipts in the first four months of FY 2024 amounted to $9.45 billion, $218.6 million (2.4%) above estimate. The positive YTD variance was due primarily to the PIT, $105.2 million above estimate; the nonauto sales and use tax, $78.6 million above estimate; and the CAT, $66.9 million above estimate. Negative variances for the auto sales and use tax, $26.3 million, and the cigarette and other tobacco products (OTP) tax, $13.0 million, partially offset these positive variances. More details about revenue from the four largest tax sources (the sales and use tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

The positive YTD variance for tax revenue was augmented by a $113.9 million positive variance for nontax revenue. Earnings on investments exceeded its October estimate by $70.8 million. October was the first month for which revenue from this source was expected, but actual earnings on investments of $119.9 million for the month were well in excess of the estimate. The "other revenue" category exceeded estimate by $42.9 million for the July to October period, chiefly due to an August JobsOhio deferred payment from liquor profits, according to OBM. On the other hand, YTD federal grants were $187.1 million below estimate. For federal grants, large negative variances are typically due to Medicaid expenditures below the estimate by similarly large magnitudes. In this case, YTD GRF spending for Medicaid was below estimate by $241.8 million.

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

[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: Cumulative Variances of GRF Sources in FY 2024 (Variances from Estimates, $ in millions)



YTD GRF tax revenue grew $316.9 million (3.5%) compared to tax revenue received in the first four months of FY 2023. GRF revenue growth was driven by the nonauto component of the sales and use tax, up $179.0 million (4.8%) from revenues a year earlier; by the CAT, higher by $135.5 million (22.6%); and by the PIT, $80.0 million (2.3%) higher. Most of the year-to-year growth in CAT revenue to the GRF was due to an increase in the share of CAT total revenue allocated to the GRF, a change made by H.B. 33 of the 135th General Assembly, the main operating budget act. Revenue from several other taxes declined, notably from the auto sales and use tax, down $32.5 million; and from the cigarette and OTP tax, down $22.4 million (continuing a long-term trend).

Sales and Use Tax

October GRF receipts from the sales and use tax were $1.13 billion, $9.0 million (0.8%) below estimate. For the first four months of FY 2024, revenue from the tax amounted to $4.56 billion, $52.3 million (1.2%) above estimate. Revenue in the fiscal year's first four months was $146.6 million (3.3%) 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.

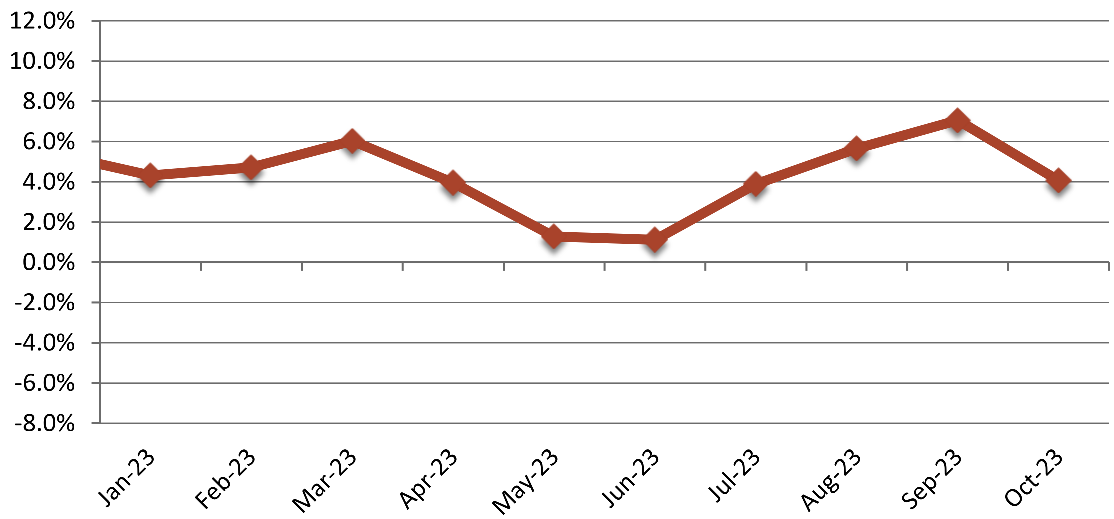
The tax base[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product (real GDP) data show strong consumer spending in the July to September quarter, as total outlays by consumers rose at a 4.0% inflation-adjusted annual rate, with outlays for goods increasing at a 4.8% rate. Price inflation continued to moderate in the third quarter. The combined effect was an upturn in nominal consumer outlays in the third calendar quarter, albeit in national rather than state statistics, relevant to tax revenue for the first fiscal quarter of FY 2024.

Nonauto Sales and Use Tax

October GRF receipts of $958.5 million were $23.9 million (2.4%) below the OBM estimate, and $14.9 million (1.5%) below revenue in October 2022. For the first four months of FY 2024, revenues were $3.90 billion, $179.0 million (4.8%) above year-earlier 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. The growth pattern generally tracks that for national consumer spending in the GDP accounts, turning higher in the third calendar quarter, shown as the data point for September in the chart. Growth appears to be slowing again in the most recent three months.

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. For Ohio's sales and use tax, the tax base includes most goods, but excludes most services and also excludes food consumed off of the premises where sold.

[3] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during August through October 2022 to revenue received during August through October 2023.

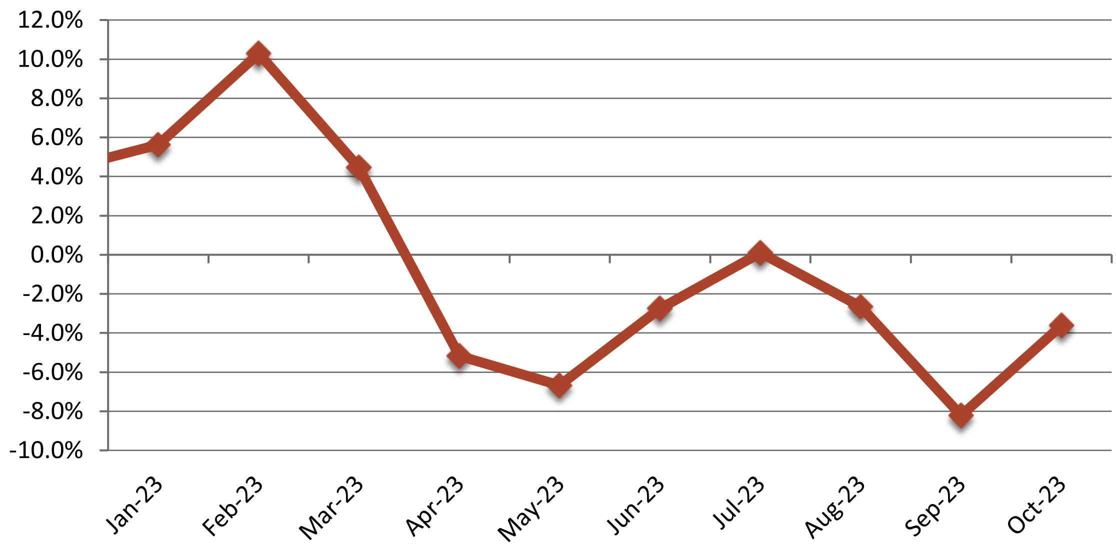
Auto Sales and Use Tax

October receipts from the auto component of the sales and use tax were $173.3 million, $14.8 million (9.4%) above estimate, and $11.5 million (7.1%) above receipts in October 2022. However, YTD through October, revenue of $664.2 million was below the estimate by $26.3 million (3.8%) and below year-earlier revenues by $32.5 million (4.7%).

National data on unit sales of light vehicles (automobiles and light trucks) show a year-over-year increase in the four months through October of around 13%. Dealer inventories nationwide have increased but remain lean by historical standards. The national market for light vehicles appears stronger than the market in Ohio, based on tax revenues. As cited in the previous issue of *Budget Footnotes*, statistics from the Ohio Bureau of Motor Vehicles show a decline in used vehicle spending that offset gains from new vehicle sales.

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 have been lower than a year earlier in nearly every month since April. Revenues bounced back after plunging in the immediate aftermath of the pandemic's onset in this country, but the growth trend has slowed since, turning negative this year.

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



Personal Income Tax

October GRF revenue of $844.4 million was $133.8 million (18.8%) above estimate. Revenue received during the first four months of FY 2024 totaled $3.52 billion, $105.2 million (3.1%) above estimate. Compared with a year earlier, YTD revenue was higher by $80.0 million (2.3%).

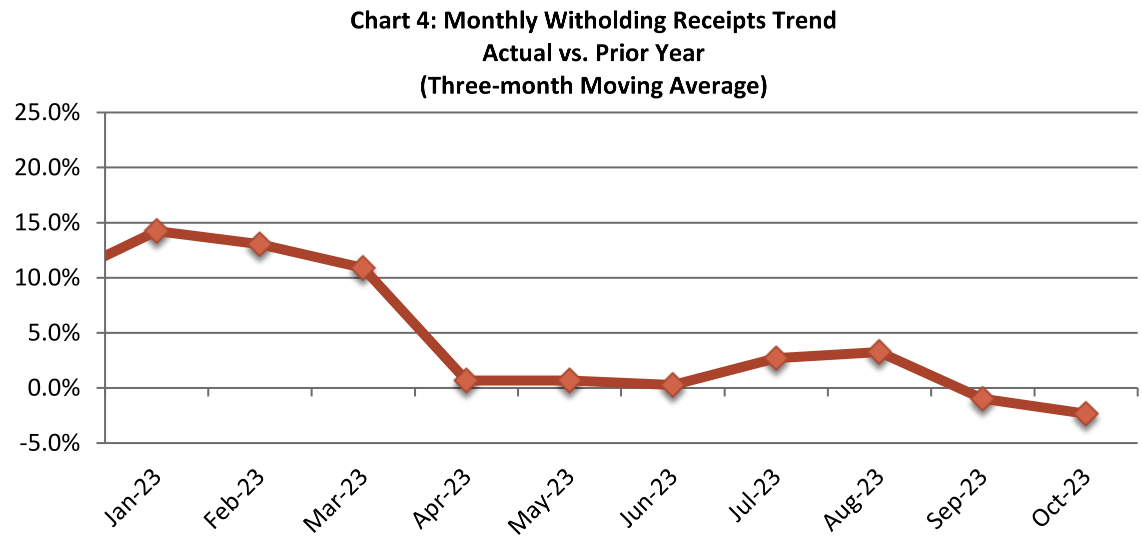
Gross tax collections under the PIT include withholding payments, quarterly estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a small portion of revenue is transferred to the 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 led to release by the Department of Taxation of new withholding tables, but the new withholding rates did not go into effect until November 1, so did not reduce withholding received through October.

The table below provides details on revenue from PIT components through October relative to estimates for FY 2024 and to revenue received in the year-earlier period. FY 2024 YTD gross collections were $236.9 million (6.0%) above anticipated revenue and $197.4 million (5.0%) 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 were restrained by refunds in excess of both the estimate and year-earlier levels. YTD withholding, in contrast, was below both the estimate and the year-earlier pace. Classification of certain payments as withholding or final settlements was affected by which tax form was filed and the timing of that filing, in the implementation of S.B. 246 of the 134th General Assembly, as discussed in this space last month.

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	-$85.3	-2.5%	-$46.5	-1.4%
Quarterly Estimated Payments	$128.3	42.7%	$107.7	33.5%
Trust Payments	$0.0	0.2%	-$12.0	-46.2%
Annual Return Payments	$199.8	142.6%	$153.6	82.5%
Miscellaneous Payments	-$5.9	-22.5%	-$5.4	-20.8%
Gross Collections	**$236.9**	**6.0%**	**$197.4**	**5.0%**
Less Refunds	$130.7	40.5%	$108.9	31.6%
Less LGF Distribution	$1.0	0.6%	$8.5	5.0%
GRF PIT Revenue	**$105.2**	**3.1%**	**$80.0**	**2.3%**

[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.

The chart below shows changes in actual employer withholding received monthly, on a three-month moving average basis relative to one year ago. Growth of withholding slowed earlier this year and recently was below its year-earlier level. The Department of Taxation decreased withholding rates starting November 1 on income over $20,000 per year and subject to withholding, as a result of tax rate reductions in H.B. 33. The most recent previous change to withholding rates was a 3% across-the-board rate reduction effective September 1, 2021, and thereafter.



Commercial Activity Tax

October GRF receipts from the CAT were $135.3 million, $16.6 million (14.0%) above the estimate. Revenues for the fiscal year's first four months were $735.2 million, $66.9 million (10.0%) above estimate. Quarterly CAT taxpayers pay the tax in February, May, August, and November (based on their respective gross receipts from the preceding quarter), so October receipts are typically smaller than revenue received in those months.[5]

YTD GRF revenue from the CAT grew by $135.5 million (22.6%) compared with the first four months of FY 2023. Increased economic activity accounts for little of this growth. Allocation of CAT revenue was changed by H.B. 33, which directed that all revenue from the tax after the first 0.65% go to the GRF. The first 0.65% of CAT revenues is directed to Fund 2280, used by the Department of Taxation to enforce state tax law. Prior to July, the GRF received 85% of total CAT revenue net of the Fund 2280 portion. Through October, YTD all funds CAT revenue net of refunds amounted to $740.3 million, $29.9 million (4.2%) higher than in the first four months of FY 2023.[6]

Revenue comparisons with FY 2023 will become more complex starting in January 2024 because of another H.B. 33 provision. Starting then, the CAT tax base will be reduced by exclusion

[5] During FY 2023, GRF revenue from the four months of receipts from quarterly taxpayers (listed above) accounted for 77% of the full-year GRF revenue from the tax.

[6] Part of the 4.2% growth was due to a $1.3 million decrease in refunds paid from the year-earlier period. The volume of refunds depends in part on the value of tax credits claimed.

of the first $3 million of a company's gross receipts from tax. The exclusion will increase to $6 million in 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

October revenue from the cigarette and OTP tax totaling $65.1 million was below estimate by $1.2 million (1.7%). YTD revenue from the tax was $224.9 million, $13.0 million (5.5%) below estimate. The YTD total included $186.3 million derived from the sale of cigarettes and $38.6 million from the sale of OTP.

FY 2024 revenue through October fell by $22.4 million (9.0%) compared to FY 2023 revenue through October 2022. OTP sales decreased by $2.4 million (5.8%) while receipts from cigarette sales decreased $20.0 million (9.7%). 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.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of October 2023
($ in thousands)
(Actual based on OAKS reports run November 6, 2023)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$908,019	$904,811	$3,209	0.4%
Higher Education	$216,132	$263,715	-$47,582	-18.0%
Other Education	$14,320	$14,521	-$201	-1.4%
Total Education	**$1,138,471**	**$1,183,046**	**-$44,575**	**-3.8%**
Medicaid	$1,822,643	$1,893,758	-$71,115	-3.8%
Health and Human Services	$186,425	$211,348	-$24,923	-11.8%
Total Health and Human Services	**$2,009,068**	**$2,105,106**	**-$96,038**	**-4.6%**
Justice and Public Protection	$289,289	$288,730	$559	0.2%
General Government	$63,236	$84,568	-$21,332	-25.2%
Total Government Operations	**$352,525**	**$373,298**	**-$20,773**	**-5.6%**
Property Tax Reimbursements	$534,873	$303,754	$231,119	76.1%
Debt Service	$54,982	$55,057	-$75	-0.1%
Total Other Expenditures	**$589,855**	**$358,811**	**$231,044**	**64.4%**
Total Program Expenditures	**$4,089,920**	**$4,020,261**	**$69,658**	**1.7%**
Transfers Out	**$855**	**$0**	**$855**	**---**
Total GRF Uses	**$4,090,775**	**$4,020,261**	**$70,514**	**1.8%**

*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 October 31, 2023
($ in thousands)
(Actual based on OAKS reports run November 6, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$3,285,081	$3,304,130	-$19,049	-0.6%	$3,001,970	9.4%
Higher Education	$809,258	$865,729	-$56,471	-6.5%	$811,531	-0.3%
Other Education	$52,795	$55,513	-$2,717	-4.9%	$45,908	15.0%
Total Education	**$4,147,134**	**$4,225,371**	**-$78,237**	**-1.9%**	**$3,859,409**	**7.5%**
Medicaid	$8,076,929	$8,318,742	-$241,812	-2.9%	$8,103,291	-0.3%
Health and Human Services	$627,286	$671,934	-$44,648	-6.6%	$569,354	10.2%
Total Health and Human Services	**$8,704,215**	**$8,990,675**	**-$286,460**	**-3.2%**	**$8,672,645**	**0.4%**
Justice and Public Protection	$1,084,194	$1,157,658	-$73,464	-6.3%	$1,005,424	7.8%
General Government	$804,250	$848,229	-$43,979	-5.2%	$184,005	337.1%
Total Government Operations	**$1,888,443**	**$2,005,886**	**-$117,443**	**-5.9%**	**$1,189,428**	**58.8%**
Property Tax Reimbursements	$915,577	$853,847	$61,730	7.2%	$804,831	13.8%
Debt Service	$699,937	$700,606	-$670	-0.1%	$893,447	-21.7%
Total Other Expenditures	**$1,615,513**	**$1,554,453**	**$61,060**	**3.9%**	**$1,698,279**	**-4.9%**
Total Program Expenditures	**$16,355,305**	**$16,776,386**	**-$421,080**	**-2.5%**	**$15,419,761**	**6.1%**
Transfers Out	**$6,260,074**	**$5,597,298**	**$662,776**	**11.8%**	**$974,214**	**542.6%**
Total GRF Uses	**$22,615,379**	**$22,373,684**	**$241,695**	**1.1%**	**$16,393,975**	**37.9%**

*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 November 7, 2023)

	Month of October 2023				Year to Date through October 2023			
Department	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid								
GRF	$1,736,542	$1,803,694	-$67,152	-3.7%	$7,745,867	$7,972,643	-$226,776	-2.8%
Non-GRF	$1,213,846	$1,293,380	-$79,534	-6.1%	$2,912,235	$3,006,531	-$94,297	-3.1%
All Funds	$2,950,389	$3,097,075	-$146,686	-4.7%	$10,658,102	$10,979,174	-$321,073	-2.9%
Developmental Disabilities								
GRF	$75,375	$72,139	$3,236	4.5%	$290,865	$287,579	$3,286	1.1%
Non-GRF	$299,696	$313,721	-$14,025	-4.5%	$1,052,007	$1,142,058	-$90,051	-7.9%
All Funds	$375,071	$385,860	-$10,789	-2.8%	$1,342,872	$1,429,637	-$86,765	-6.1%
Job and Family Services								
GRF	$9,879	$17,003	-$7,124	-41.9%	$36,384	$54,446	-$18,062	-33.2%
Non-GRF	$18,416	$15,157	$3,259	21.5%	$55,988	$59,515	-$3,527	-5.9%
All Funds	$28,295	$32,160	-$3,865	-12.0%	$92,372	$113,961	-$21,589	-18.9%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Regents								
GRF	$847	$922	-$75	-8.1%	$3,813	$4,074	-$261	-6.4%
Non-GRF	$1,990	$12,025	-$10,035	-83.4%	$13,309	$33,594	-$20,284	-60.4%
All Funds	$2,837	$12,947	-$10,110	-78.1%	$17,123	$37,668	-$20,545	-54.5%
All Departments:								
GRF	**$1,822,643**	**$1,893,758**	**-$71,115**	**-3.8%**	**$8,076,929**	**$8,318,742**	**-$241,812**	**-2.9%**
Non-GRF	**$1,533,948**	**$1,634,283**	**-$100,335**	**-6.1%**	**$4,033,538**	**$4,241,698**	**-$208,160**	**-4.9%**
All Funds	**$3,356,591**	**$3,528,041**	**-$171,450**	**-4.9%**	**$12,110,468**	**$12,560,440**	**-$449,972**	**-3.6%**

*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 November 7, 2023)

	Month of October 2023				Year to Date through October 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,985,654**	**$2,091,412**	**-$105,757**	**-5.1%**	**$7,854,804**	**$8,141,814**	**-$287,010**	**-3.5%**
CFC†	$486,099	$539,447	-$53,349	-9.9%	$1,986,517	$2,132,100	-$145,583	-6.8%
Group VIII	$445,000	$475,876	-$30,875	-6.5%	$1,867,751	$1,952,382	-$84,631	-4.3%
ABD†	$163,558	$170,011	-$6,453	-3.8%	$667,738	$685,722	-$17,985	-2.6%
ABD Kids	$54,148	$55,386	-$1,238	-2.2%	$220,177	$224,213	-$4,036	-1.8%
My Care	$257,859	$267,949	-$10,090	-3.8%	$993,467	$1,020,222	-$26,755	-2.6%
OhioRise	$31,640	$36,365	-$4,725	-13.0%	$124,684	$136,790	-$12,106	-8.9%
SPBM	$547,350	$546,378	$973	0.2%	$1,994,470	$1,990,384	$4,086	0.2%
Fee-For-Service	**$1,150,789**	**$1,205,046**	**-$54,257**	**-4.5%**	**$3,186,849**	**$3,296,954**	**-$110,106**	**-3.3%**
ODM Services	$420,570	$437,077	-$16,507	-3.8%	$1,510,312	$1,522,510	-$12,199	-0.8%
DDD Services	$355,450	$378,969	-$23,520	-6.2%	$1,301,767	$1,385,444	-$83,677	-6.0%
Hospital - HCAP	$374,770	$389,000	-$14,230	-3.7%	$374,770	$389,000	-$14,230	-3.7%
Premium Assistance	**$125,036**	**$130,137**	**-$5,100**	**-3.9%**	**$627,630**	**$641,307**	**-$13,677**	**-2.1%**
Medicare Buy-In	$74,237	$79,053	-$4,816	-6.1%	$376,363	$389,254	-$12,892	-3.3%
Medicare Part D	$50,799	$51,084	-$284	-0.6%	$251,268	$252,053	-$785	-0.3%
Administration	**$95,112**	**$101,447**	**-$6,335**	**-6.2%**	**$441,185**	**$480,364**	**-$39,179**	**-8.2%**
Total	**$3,356,591**	**$3,528,041**	**-$171,450**	**-4.9%**	**$12,110,468**	**$12,560,440**	**-$449,972**	**-3.6%**

*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

For the YTD through October, FY 2024 GRF program expenditures totaled $16.36 billion. These expenditures were $421.1 million (2.5%) below OBM's estimates. GRF uses also include transfers out, which totaled $6.26 billion and were $662.8 million (11.8%) over estimate for the YTD, due primarily to the timing of $662.3 million of transfers to support capital appropriations occurring in July and September but not estimated to occur until June. Total GRF uses for these four months were $22.62 billion, which was $241.7 million (1.1%) above estimate.

For program expenditures, a positive monthly variance in Property Tax Reimbursements of $231.1 million (76.1%) in October more than offset negative variances in this category in the first quarter of the fiscal year resulting in a positive YTD variance of $61.7 million (7.2%). This positive variance was entirely offset, however, by negative YTD variances in all other program categories. The three largest negative YTD variances were in Medicaid ($241.8 million, 2.9%), Justice and Public Protection ($73.5 million, 6.3%), and Higher Education ($56.5 million, 6.5%). Primary and Secondary Education's negative YTD variance ($19.0 million, 0.6%) fell by $3.2 million in October, along with Justice and Public Protection, which fell by $0.6 million. The three positive October variances, especially Property Tax Reimbursements, were only partially offset by negative monthly variances in all other program categories. The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. GRF Medicaid expenditures were below their monthly estimate in October by $71.1 million (3.8%) and below their YTD estimate by $241.8 million (2.9%) at the end of October. Non-GRF Medicaid expenditures were below their monthly estimate by $100.3 million (6.1%) and below their YTD estimate by $208.2 million (4.9%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $171.5 million (4.9%) below estimate in October and $450.0 million (3.6%) below their YTD estimate at the end of October.

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 October of $146.7 million (4.7%), and a YTD all funds negative variance of $321.1 million (2.9%) at the end of October. DODD had an October all funds negative variance of $10.8 million (2.8%) and ended

[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.

the month with YTD expenditures $86.8 million (6.1%) 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 October. In percentage terms, the Administration variance of $39.2 million (8.2%) 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 $287.0 million (3.5%) below the YTD estimate. The Managed Care variance is largely due to timing of delivery payments and a lower-than-projected caseload. The other categories with negative variances were Fee-for-Service (FFS) at $110.1 million (3.3%) and Premium Assistance at $13.7 million (2.1%).

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 were once again able to evaluate the continuing eligibility of Medicaid enrollees in a process called redetermination. Since April 2023, net caseload has declined by over 250,000.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In September, this category had a negative variance of $61.7 million (19.2%), after a larger negative August variance earlier in the fiscal year. In October, the category had a positive monthly variance of $231.1 million (76.1%), resulting in a positive YTD variance at the end of October of $61.7 million (7.2%).

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 negative YTD variance in this category fell by $0.6 million in October to settle at $73.5 million (6.3%) at the end of the month. Both the monthly and YTD variances were primarily due to DRC, which had a positive monthly variance of $5.5 million and a negative YTD variance of $35.8 million. Most other agencies in this category were also under estimate for the YTD, including the Public Defender Commission and the Department of Public Safety with negative YTD variances of $14.7 million and $8.1 million, respectively.

DRC's YTD variance was below anticipated levels mainly due to YTD negative variances of $16.9 million in appropriation line item (ALI) 501321, Institutional Operations, and $8.8 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of

Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

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 negative variance of $47.6 million (18.0%) in October, increasing the category's YTD negative variance to $56.5 million (6.5%). ALI 235535, Ohio State Agricultural Research, was below estimate by $12.4 million for October and the YTD. Expenditures from ALI 235563, Ohio College Opportunity Grant, were also below their October estimate by $9.5 million, resulting in a $9.3 million negative YTD variance.

ALI 235535 supports the Ohio Agricultural Research and Development Center (OARDC), which is the research arm of the Ohio State University's (OSU's) College of Food, Agricultural, and Environmental Sciences. OSU operates OARDC to help Ohio's agricultural industries improve their competitiveness and profitability. ALI 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.

Primary and Secondary Education

This program category contains all GRF spending by the Department of Education and Workforce (DEW), except for property tax reimbursement and Medicaid spending. This category was under the YTD estimate by $19.0 million (0.6%) at the end of October, despite a positive monthly variance of $3.2 million (0.4%). The positive monthly variance was primarily due to ALI 200502, Pupil Transportation, which was over estimate by $20.5 million (21.7%) in October. This variance resulted in a $20.4 million positive YTD variance for the line item. The largest negative YTD variance in this program category was in ALI 200550, Foundation Funding – All Students, which was under the YTD estimate by $20.1 million following a negative October monthly variance of $7.1 million.

ALI 200502 supports public school operating costs for transporting public and nonpublic students to and from school. DEW uses the bulk of the line item to distribute funds through the transportation formula, which is a component of state foundation aid that supports regular transportation services provided in buses either owned by the district or operated through contract.

ALI 200550 is the main source of state support for public schools in Ohio, including those operated by traditional school districts, joint vocational school districts, and community and STEM (i.e., science, technology, engineering, and mathematics) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. For FY 2024, estimated spending in this ALI comprises 85.7% of total estimated spending in the category. Expenditures from this ALI are governed by a variety of formulas and data which can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in this ALI.

Transfers out

Transfers out of the GRF were over the monthly estimate for October by $0.9 million, slightly increasing the positive YTD variance in transfers out to $662.8 million (11.8%). The larger

July and September 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 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 $662.3 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).

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).

[8] 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 $1.8 million to Minority- and Women-Owned Businesses

– Shannon Pleiman, Senior Budget Analyst

On September 26, 2023, the Department of Development (DEV) awarded over $1.8 million in loans and bonds through the Women's Business Enterprise Loan Program and Ohio Minority Business Bonding Program. These programs aim to grow and expand minority- and women-owned Ohio businesses. Under this announcement, DEV approved approximately $1.3 million in Women's Business Enterprise Loans to five companies with loans ranging from over $60,000 to $500,000. The remaining support under this announcement is $500,000 in an Ohio Minority Business Bond to one company. As a result of this combined support, it is projected that 41 employees will be retained and 12 jobs will be created. For FY 2024, more than $3.6 million in loan funds remains available through the Women's Business Enterprise Loan Program and $8.5 million in bonding remains available in the Ohio Minority Business Bonding Program.

The Women's Business Enterprise Loan Program offers loans with below-market interest rates of up to 3%. To qualify, businesses must be 51% owned and controlled by women or be certified by the state of Ohio as a women-owned business enterprise. The minimum loan amount is $45,000 and the maximum is $500,000. Loans for equipment and machinery must be repaid within ten years, while loans for owner-occupied real estate purchases and improvements must be repaid within 15 years. Under the program, the state provides a maximum of 75% of the funds requested. Private lenders must provide 15%, and the borrower must contribute 10% equity. The Women's Business Enterprise Loan Program is supported by federal funding Ohio received under the U.S. Treasury Department's State Small Business Credit Initiative and loan repayments of loans issued under the Women's Business Enterprise Loan Program.

The Ohio Minority Business Bonding Program provides business bonding assistance to minority businesses which otherwise cannot obtain bid, performance, and payment bond protection in the private-sector surety market. The maximum bond amount is $1.0 million per company. A premium of up to 2% is charged for each bond issued, and is deposited into the Minority Business Bonding Fund (Fund 4500). The fund is backed by up to $10.0 million in unclaimed funds, overseen by the Department of Commerce, to pay for any losses arising from the program. Businesses must be certified by the state of Ohio as a minority business enterprise and not have defaulted on a previous bond issued by DEV.

ODOT Awards $16.9 million to Small Cities for Roadway Improvements

– Terry Steele, Senior Budget Analyst

In September, the Ohio Department of Transportation (ODOT) announced $16.9 million in awards to ten municipalities for roadway improvement projects through the Small City Program. A detailed project description and timeline of fund disbursement can be found on

ODOT's website. ODOT is providing up to 95% of the eligible costs for construction and construction inspection. Combined with the local funding match for these awards, and the local share of other costs, the total construction value of these projects is approximately $38.9 million.

Small City Road Improvement Awards		
City	**Project Description**	**Award**
Mount Vernon	Edgewood Road widening	$2,000,000
St. Marys	Spring Street reconstruction	$2,000,000
Van Wert	Leeson Avenue roadway reconstruction	$2,000,000
Norwalk	West Main Street Phase 3	$1,915,611
Port Clinton	West Perry, Harrison, and Monroe streets reconstruction	$1,699,400
Tiffin	North Sandusky Street reconstruction	$1,658,961
Columbiana	Fairfield Avenue repairs	$1,554,390
East Liverpool	Dresden Avenue Phase 2	$1,538,687
Freemont	Oak Harbor Road and Moore Street road improvements	$1,524,022
Greenville	Sweitzer Street road diet	$1,000,000
	Total	**$16,891,071**

The Small City Program provides federal funds to small cities with populations of 5,000 to 24,999 that are not located with the boundaries of a Metropolitan Planning Organization (MPO). The program has an award limit of $2.0 million per project, and may be used for any road, safety, or signal project on designated routes within the municipality. Typically, ODOT funds up to 80% of the eligible costs for construction and construction inspection through an allocation of $10.0 million in each fiscal year for these awards. The current biennium allocation of $10.5 million in each fiscal year has allowed ODOT to contribute a larger share of the eligible project costs for this round of awards. There are currently 53 cities eligible under the program's guidelines.

New Federal Rule Expands Eligibility for Some Schools to Provide Free Meals to All Students

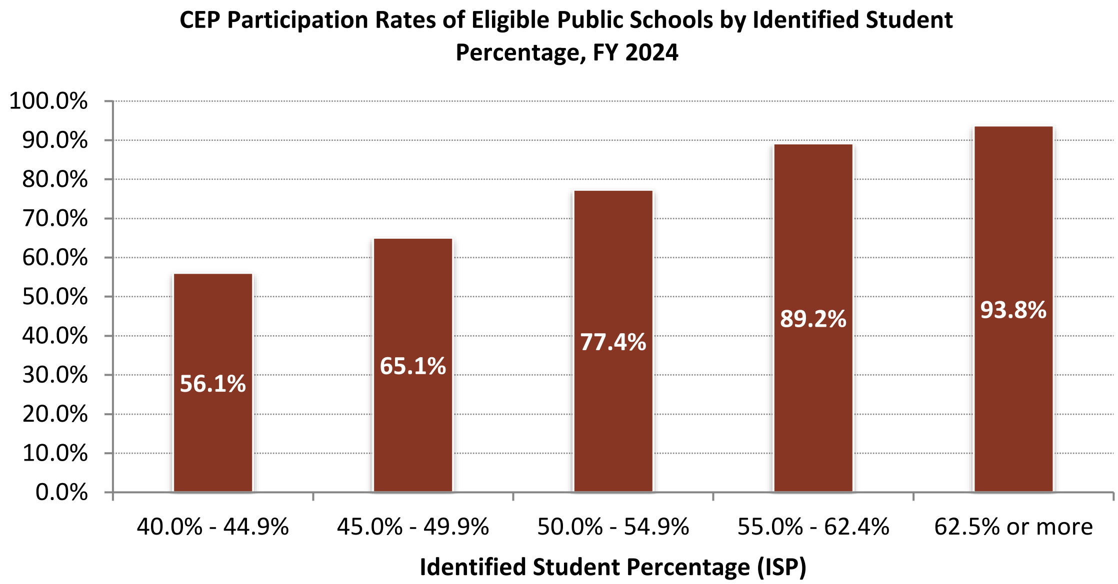
– Brian Hoffmeister, Fiscal Supervisor

As of October 26, 2023, a new U.S. Department of Agriculture (USDA) rule expands the eligibility criteria for schools to participate in the Community Eligibility Provision (CEP), a provision of federal child nutrition programs that allows every student in participating schools or districts that meet certain criteria to receive free school meals. Under the previous federal rule governing CEP, schools or districts with an identified student percentage (ISP) of at least 40% were eligible to participate. The new rule, which will begin affecting CEP eligibility for the upcoming 2024-2025 school year (FY 2025), lowers this threshold to 25%. A school or district's ISP represents the percentage of a school's students identified as low-income through methods other than the traditional household income application (these alternative methods are referred to as "direct certification"). In general, districts and schools identify such students through their participation in certain federal benefit programs, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), and Medicaid.

In FY 2024, 948 traditional or joint vocational, community, and STEM school buildings across the state participate in CEP, representing 64% of the 1,478 eligible school buildings under the outgoing rule. Under the new rule, 583 additional school buildings will be eligible to participate based on FY 2024 ISPs. Actual eligibility for FY 2025 will be determined using updated ISPs following the next submission of CEP data in April 2024. If additional schools choose to participate in CEP, state foundation funding for economically disadvantaged students could be impacted because (1) DEW uses free and reduced-price lunch eligibility as a measure of economic disadvantage for school funding purposes and (2) districts and schools participating in CEP may count all students as economically disadvantaged.

However, DEW suggests that many of the newly eligible buildings may choose not to participate because of other factors in the CEP program that limit their ability to be reimbursed by the federal government for the cost of free meals for all students. Specifically, the CEP formula multiplies a school's ISP by 1.6 to determine the percentage of meals reimbursed at the federal free rate and reimburses the remainder at the federal "paid" rate (the paid rate provides a relatively small amount of federal reimbursement for meals that students ineligible for free or reduced-price meals pay for).[9] For example, a school with a 62.5% ISP or above will receive the free rate for 100% of meals, a school with a 40% ISP will receive the free rate for 64% of meals (40% x 1.6), and a school with a 25% ISP will receive the free rate for 40% of meals (25% x 1.6). Consequently, while CEP reduces administrative costs by allowing schools to avoid collecting the traditional household income application, CEP may not benefit some schools with lower ISPs when considering the costs of providing free meals to all students. Indeed, among eligible public schools, those with higher ISPs participate in the program at higher rates than those with lower ISPs. As the chart below shows, about 56% of schools with ISPs between 40% and 45% participate in CEP while nearly all (94%) of the schools with ISPs at or above 62.5% participate.

[9] According to DEW, a school's ISP is multiplied by 1.6 to account for underestimation of eligible students from direct certification.



Controlling Board Approves $147,000 to Evaluate Alignment of Teacher Preparation Programs with the Science of Reading

– Jason Glover, Senior Budget Analyst

On October 2, 2023, the Controlling Board approved an Ohio Department of Higher Education (ODHE) request to contract with MGT of America Consulting, LLC for a total of more than $147,000 over FY 2024 and FY 2025 to assist ODHE in evaluating and auditing Ohio's 52 teacher preparation programs. The reviews will determine the degree to which each program contains coursework in evidence-based strategies for effective literacy instruction aligned to the science of reading, as required by H.B. 33. Under the contract, MGT must first do the following by December 31, 2023: (1) create, disseminate, collect, and analyze surveys of all 52 teacher preparation programs, (2) submit an initial report of the programs' alignment with the science of reading based on survey responses, and (3) develop and submit metrics to audit program alignment with the science of reading. Following a one-year grace period to allow higher education institutions to meet the new standards and requirements, MGT will then complete audits of up to three teacher preparation programs between January 1, 2025, and June 13, 2025, at which time MGT must report to ODHE the findings of the completed audits. ODHE's contract with MGT is supported by H.B. 33 earmarks of $75,000 in each of FY 2024 and FY 2025 from GRF ALI 235585, Educator Preparation Programs, under ODHE's budget.

Upon completion of an audit, H.B. 33 requires ODHE to revoke approval for teacher preparation programs that are not in alignment and do not address the findings of the audit within one year. All programs must be reviewed every four years thereafter to ensure continued alignment. ODHE must also annually create a summary of literacy instruction strategies and practices in place for all programs based on the audits, including institution level summaries, until all programs reach the required alignment.

Ohio Entities Receive $1.0 million in Federal Minority AIDS Initiative Funds for High Risk Populations

– Wendy Risner, Division Chief

On October 4, 2023, the U.S. Department of Health and Human Services (HHS) announced that two Ohio entities received a total of $1.0 million in Minority AIDS Initiative: High Risk Population grants. The Ohio State University and the Jordan Community Residential Center in Cleveland Heights each received $500,000. The purpose of the grant is to increase access to care for racial/ethnic individuals with substance use disorders (SUD), or SUD with co-occurring mental health conditions (COD), who are at risk for HIV. The awardees must use funds primarily to support direct services including: providing evidence-based SUD/COD treatment and recovery services to individuals with HIV, or at risk for HIV, such as screening/assessment, intensive outpatient services, and medications; providing on-site preliminary HIV testing and linking individuals who test positive to confirmatory HIV testing sites; delivering appropriate education, case management, and referral services; testing at-risk individuals for viral Hepatitis; and hiring staff that represent the community served. Of the total award, no more than 5% can be used for each of the following categories of services: delivering FDA-approved medications for SUD treatment, providing harm reduction services or supplies (e.g., Naloxone kits and drug test strips), and screening and testing for sexually transmitted infections.

In total, HHS awarded $21.9 million in Minority AIDS Initiative: High Risk Population grants to 44 entities. The highest grant award was $500,000 per year. The grant award is available for up to five years depending on funding availability. Eligible applicants included states and territories, political subdivisions, health facilities, and nonprofit entities.

$1.6 million in Training and Tool Reimbursements Provided for Employers with Registered Apprentices

– Suveksha Bhujel, Economist

On September 25, 2023, the Ohio Department of Job and Family Services (ODJFS) announced that it provided a total of $1.6 million to 75 employers and sponsors to expand the number of Ohio apprentices. Employers and sponsors were eligible to receive reimbursements of up to $2,500 for each new apprentice registered from July 1, 2020, to October 31, 2022.[10] The reimbursements were for expenses associated with providing training and tools to approximately 700 apprentices in in-demand occupations. Each employee or sponsor could receive reimbursements for up to 50 apprentices. In order to be eligible, an employer/sponsor must have been registered to participate in the ApprenticeOhio program. In previous rounds of grant awards, employers and sponsors could only receive reimbursements for up to ten apprentices.

ODJFS administers the ApprenticeOhio program, which helps companies connect employers with individuals interested in learning a marketable skill. Apprentices enrolled in the program receive at least 2,000 hours of on-the-job training and 144 hours of classroom training. Ohio currently has more than 21,000 apprentices enrolled in about 320 occupations. These occupations are in a variety of fields including construction, carpentry, aerospace, health care,

[10] Reimbursement applications were accepted between September 9, 2022, and July 31, 2023.

and plumbing and pipe fitting. Apprentices completing the program can make an average of $72,000 annually.

These reimbursements were made possible by the Building State Capacity to Expand Apprenticeship through Innovation grant, which was awarded to ODJFS by the U.S. Department of Labor in 2020. A total of $80 million was provided to 42 states and territories to strengthen and expand registered apprenticeship programs. Ohio received approximately $9.4 million.

Criminal Justice Services Awards $3.3 million in Federal Grants to Support Domestic Violence Victims and Dependents

– Maggie West, Senior Budget Analyst

On September 6, 2023, the Office of Criminal Justice Services (OCJS) announced the award of $3.3 million in federal funding to support domestic violence victims and their dependents. The funds are sourced from the "FY 2021 Family Violence Prevention and Services Act American Rescue Plan (ARP) Supplemental COVID-19 Testing, Vaccine Access, Mobile Health Units Access Funds."[11] OCJS received the federal award in October 2021, but subrecipient awards were delayed due to the need to complete certain grant-related administrative tasks prior to announcing the funding opportunity.

OCJS subsequently awarded funding for 32 community-based projects in 24 counties. Recipients included nonprofit and private organizations that either: (1) operate shelters for victims of family, domestic, and dating violence, and their dependents as their primary purpose, or (2) provide counseling, advocacy, and self-help services to victims of family, domestic, and dating violence, and their dependents.

The subrecipients' grant period runs from July 1, 2023, through September 30, 2024, and allowable uses (to be reimbursed) include COVID-19 testing and vaccine access, mobile mental health units, workforce expansions, capacity building, and supportive services for domestic violence survivors and their dependents.

The table below lists the counties that received awards, the number of projects funded, and the total amount received. Individual project awards ranged from $18,610 (Scioto County) to $500,046 (Franklin County), with an average of $103,181.

Federal FVPSA ARP Supplemental Funding Grants Awarded by County ($3.3 million awarded for 32 projects)					
County	Amount	County	Amount	County	Amount
Franklin (3)	$681,955	Marion	$150,000	Allen	$66,514
Hamilton (2)	$279,511	Montgomery	$150,000	Shelby	$63,189

[11] The purpose of the supplemental funding is to prevent, prepare for, and respond to the COVID-19 virus with an intentional focus of increasing access to COVID-19 testing, vaccines, and mobile health units to mitigate the spread of this virus and increase supports for domestic violence survivors and their dependents.

Federal FVPSA ARP Supplemental Funding Grants Awarded by County ($3.3 million awarded for 32 projects)					
County	Amount	County	Amount	County	Amount
Stark (2)	$246,720	Cuyahoga (2)	$149,372	Ashland	$60,732
Athens (2)	$209,700	Auglaize	$100,618	Ashtabula	$53,542
Summit (2)	$204,890	Portage (2)	$99,895	Geauga	$38,427
Greene	$150,000	Lucas	$78,846	Van Wert	$30,084
Guernsey	$150,000	Richland	$70,348	Washington	$28,565
Knox	$150,000	Miami	$70,277	Scioto	$18,601

Note: Counties are assumed to have received funding for one project unless otherwise noted next to the county name.

Controlling Board Approves $1.6 million in Funding to Administer the Law Enforcement Training Program

– Jessica Murphy, Senior Budget Analyst

On October 2, 2023, the Controlling Board approved a $1.6 million request to increase a FY 2024 appropriation under the Attorney General's budget to provide additional funding for the law enforcement training program. The increased appropriation is supported by the Peace Officer Training Fund (Fund 5LR0) which receives virtually all of its revenue from quarterly cash transfers from the Ohio Law Enforcement Training Fund (Fund 5JNO) that are derived from 2% of casino gross tax revenues. With the increase, the total FY 2024 appropriation for Fund 5LR0 ALI 055655, Peace Officer Training – Casino, is about $6.4 million.

The law enforcement training program provides reimbursements to law enforcement agencies for up to 40 hours of continuing professional training of their peace officers or troopers. H.B. 33 appropriates $40.0 million in both FY 2024 and FY 2025 to GRF ALI 055509, Law Enforcement Training, and earmarks up to $100,000 for program administration costs. The increased appropriation for Fund 5LR0 ALI 055655, Peace Officer Training – Casino, is to bolster funding for the program's administrative costs. Of the additional $1.6 million, $1.0 million (64%) is for payroll costs of the program's current staff and three additional staff to assist with certifying training and developing curriculum. The remaining $0.6 million is for training materials and costs associated with a new virtual reality training program.

Based on revenue trends, existing revenues to Fund 5LR0 are likely to be sufficient to support the staffing increase in future fiscal years. Over the past five years, the fund averaged around $5.0 million in revenue annually. At the close of FY 2023, the cash balance of Fund 5LR0 was approximately $6.2 million.

Tracking the Economy

– Lin Kong, Budget Analyst

Overview

The U.S. economy grew in the third quarter of 2023, employment continued to grow through October, and inflation broadly continued to moderate. Industrial output rose 0.3% in September, and manufacturing output increased 0.4% for the month. U.S. payroll employment grew by 150,000 in October while unemployment remained little changed at 3.9%.

Inflation, as measured by the all-item consumer price index (CPI) was 3.7% over the year ending in September. Though that remains unchanged for the 12-month period ending in August, it was still substantially lower than the peak of 8.9% for the year ending in June 2022. The rise in inflation for September is largely attributed to a rise in the price of shelter and gasoline.

Federal Reserve Chair Jerome Powell has suggested that he is pleased with the decline in inflation this summer and signaled that the Federal Reserve (Fed), the nation's central bank, is unlikely to raise interest rates again absent a change in the economy. If true, this would mark a pause in a historic run of interest rate increases, an indication that the Federal Reserve is pleased with the tightened financial conditions as a result of their monetary policies. In prepared remarks for an October 19 lunchtime address in New York, Powell stated there has been ongoing progress towards the Fed's goals to maintain stable inflation and strong employment. However, Powell later declared on November 9 that "[the FED] is committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2% over time; we are not confident that we have achieved such a stance."

Ohio's unemployment rate in September remained constant at 3.4%, just above its lowest recorded level (3.3%) in July based on the U.S. Bureau of Labor Statistics' (BLS) data since 1976. Ohio's total nonfarm payroll employment rose by 8,400 in September, growth of 0.1% for the month and of 1.7% from the preceding September. Employment growth for the year was largely driven by educational and health services (42,100), health care and social assistance (37,900), and leisure and hospitality (36,000). Statewide housing prices have increased 5.9% from September of last year, as the number of existing homes sold continues to decrease.

The federal government ended its student loan repayment pause, which means payments were due starting in October for the first time in over three years. According to U.S. Department of Education data, Ohio has 1.8 million borrowers with outstanding balances totaling $63.0 billion. Therefore, resuming payments is expected to impact the Ohio economy as the Ohioans with student loans will have less unobligated disposable income. The extent of that impact is still unclear. Prior to the COVID-19 pandemic, the Fed estimated that the typical payment among those repaying their student loans ranged between $200 and $299 per month.

The National Economy

In October, the U.S. economy added 150,000 jobs and the national unemployment rate changed little at 3.9%. U.S. and Ohio employment growth are presented in Chart 5 while U.S. and Ohio unemployment are shown in Chart 6. Growth of U.S. nonfarm payroll employment for the prior 12 months averaged 258,000 per month. The BLS revised downward their nonfarm employment estimates in August and September by a total of 101,000; these revised figures were included in the YTD average cited above. For the month, there were job gains in health care, government, and social assistance. Employment changed little in most other major industries, with the exception of manufacturing, which saw a decline of 35,000 largely due to strike activity.

The number of people counted as unemployed nationally was 6.5 million in October, a small increase from the 6.4 million unemployed in September. While the monthly change was relatively modest, October's level represents an 849,000 increase in the number of unemployed since recent lows in April of this year. Of the 6.5 million unemployed, 1.3 million had been without jobs and actively looking for work for six months or more, a number that has little changed since last month. The number of people working part-time for economic reasons was 4.3 million in October, which is 218,000 more than in September. The labor force participation rate, the share of the population that is either employed or actively seeking work, also remained relatively steady at 62.7%.

Job openings remained constant at 9.6 million in September. Although job openings remained constant for the month, the number is still below the prior-year level, in which there were 10.9 million job openings. Increases in job openings were primarily reported in accommodation and food services as well as in arts, entertainment, and recreation. Decreased job openings were reported in federal government, information, and other services. For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were described by BLS as changing little compared to the previous month. The number of people choosing to quit remained constant, a relatively low rate of 2.3%, a trend that has persisted for the third consecutive month. 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 advance estimate published by the U.S. Bureau of Economic Analysis (BEA). The advance estimate is based on source data that are incomplete or subject to further revision. Growth in the third quarter was driven by increases in consumer spending, private inventory investment, exports, government spending, and residential fixed investment. Growth was restrained by a decrease in nonresidential fixed investment.

Industrial output nationwide increased 0.3% in September, following no change in the month of August. Total industrial output in September was 0.1% higher than a year earlier. Manufacturing output rose 0.4% for the month. Mining production also increased 0.4% and utility output decreased 0.3%.

The CPI increased 0.4% in September, seasonally adjusted, following a 0.6% increase in August. Compared to a year ago, the CPI increased 3.7% before seasonal adjustment. The increase in September was in large part due to an increase in the index for shelter, which accounted for over half of the monthly CPI increase, along with an increase in the index for gasoline. The food index rose 0.2% and the energy index increased 1.5% in September. The CPI core index (all items excluding food and energy) increased 0.3% in September, after increasing the same amount in the previous month. Compared to September 2022, the core index was up 4.1%. Meanwhile, the food index was up 3.7%, and the energy index declined 0.5%. Chart 7 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.

The producer price index for final demand (PPI) increased 0.5% in September, seasonally adjusted, after a 0.7% increase in August. Since September of last year, the index for final demand rose 2.2% before seasonal adjustment. The monthly increase in September was driven by a 0.9% increase in prices for final demand goods, which was spurred by higher gasoline costs. Elsewhere, the index for final demand services rose slightly by 0.3% for the month, following a 0.2% increase in August. The index for final demand less food, energy, and trade services increased 0.1% from August to September, and by 2.8% over the previous 12 months.

Personal income, not adjusted for inflation, increased 0.3% in September largely driven by increases in compensation, personal income receipts on assets, nonfarm proprietors' income, and rental income of persons. A related measure of inflation, an indicator used by the Fed, the personal consumption expenditures (PCE) price index rose 0.4% in September and was 3.4% higher than a year earlier. Excluding food and energy, the PCE price index increased 0.3% in September and was up 3.7% over the year. Real personal consumption expenditures increased by 0.4% for the month.

Approximately 1.2 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of October. Unit sales for this month were 10.0% lower than the number of units sold in September. YTD vehicle sales totaled 12.8 million, which is 12.8% higher than the quantity sold during the same months in calendar year 2022.

Housing starts in the U.S. rose 7.0% in September compared to the revised August estimate, seasonally adjusted, a decrease of 7.2% compared to September 2022. Building permits for new housing units in the U.S. fell 4.4% from August to September, and declined by 7.2% from the preceding year. Midwest housing starts increased 35.3% for the month. However, building permits in the Midwest fell more sharply than nationwide, by 9.1% from August to September. New home sales rose 12.3% nationally in September, seasonally adjusted, and increased 33.9% from a year earlier. In the Midwest, the number of new houses sold increased by 4.7% for the month. National median sales price and average sales price for new homes both decreased from August to September, continuing a general trend of falling home prices for the last year.

The Ohio Economy

In September, Ohio's total nonfarm payroll employment increased slightly while the unemployment rate remained constant at 3.4%. Ohio's unemployment rate was 4.1% in September of last year. The number of unemployed Ohio workers was 199,300 in September, 3,700 more than in August, and 36,700 less than in September of last year. The state's unemployment rate in September was lower than the U.S. unemployment rate, a trend that started in May; the U.S. unemployment rate was 3.8% in both August and September.

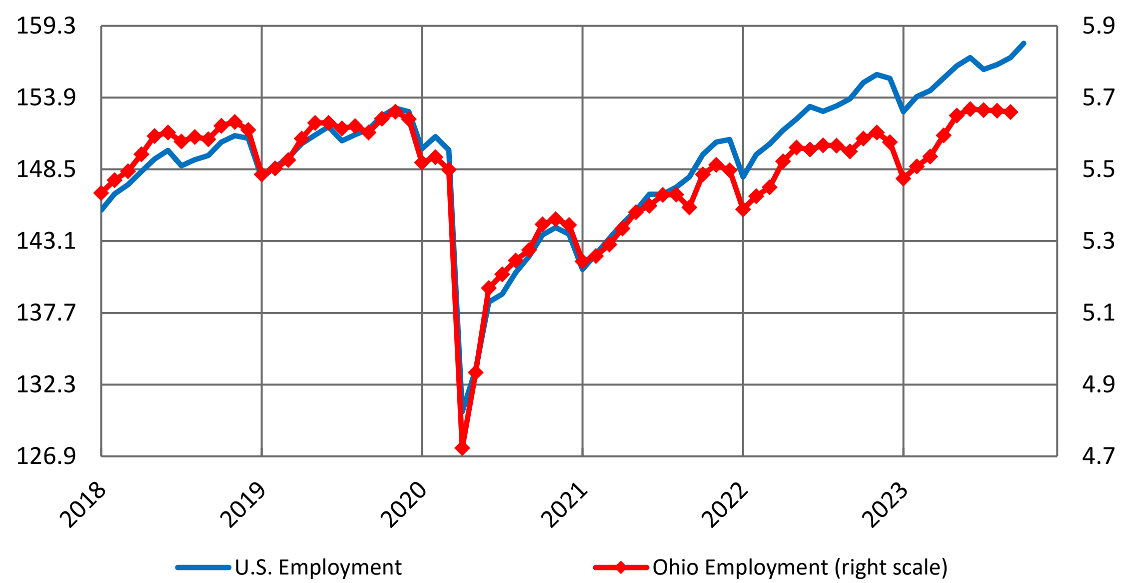
Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 8,400 or 0.1% in September from the revised total in August. In September, employment in private service-producing industries increased by 7,300 and employment in goods-producing industries increased by 3,700, but government employment decreased by 2,600. Job gains were particularly large in trade, transportation, and utilities (5,600) and education and health services (5,400). Job gains in those sectors and lesser gains in others were partially offset by losses in professional and business services (3,800) and other services (2,100).

Compared to September of last year, the state's nonfarm payroll employment increased 92,500, or 1.7%. Employment in private service-producing industries, goods-producing industries, and government employment increased by 67,800, 17,000, and 7,700, respectively. Year-over-year employment gains were experienced in most industries, largely in educational and health services (42,100), leisure and hospitality (36,000), as well as mining, logging, and construction (13,500). Job losses occurred in professional and business services (16,300), retail trade (6,200), and nondurable goods manufacturing (4,900).

The number of existing homes sold in Ohio decreased by 17.0% compared to September of last year, according to the Ohio Realtors. The statewide average home sale price in September reached $275,461, a 5.9% increase from the same month a year ago. For the first nine months of 2023, home sales were 16.8% below the same period in 2022, but the average sale price was up 4.4% over that timeframe.

Business activity in the Cleveland Federal Reserve District[12] was relatively unchanged overall in the weeks leading up to October 6, according to the Fed's Beige Book.[13] Consumer spending was reported to be flat or down, especially on discretionary goods. High interest rates spurred lower loan volumes for commercial and consumer loans. Capital spending and hiring were flat in recent weeks, and contacts more frequently reported holding wages steady following sizable increases in recent years. Price pressures continued to ease, as contacts cited increased competition and greater resistance from customers to price increases.

Chart 5: U.S. and Ohio Nonfarm Payroll Employment
(in millions, not seasonally adjusted)



[12] The Cleveland Federal Reserve District includes all of Ohio, plus parts of Pennsylvania, West Virginia, and Kentucky.

[13] The Beige Book is the Fed's compilation of reports from contacts outside the Fed system itself, primarily in business.

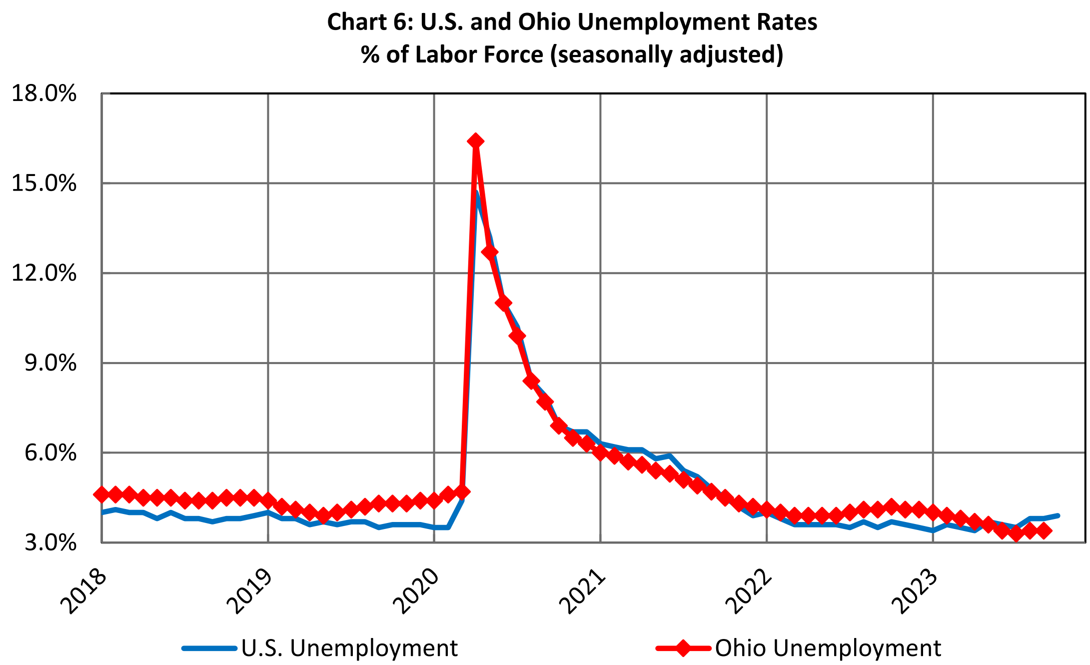


Chart 6: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
U.S. Unemployment
Ohio Unemployment

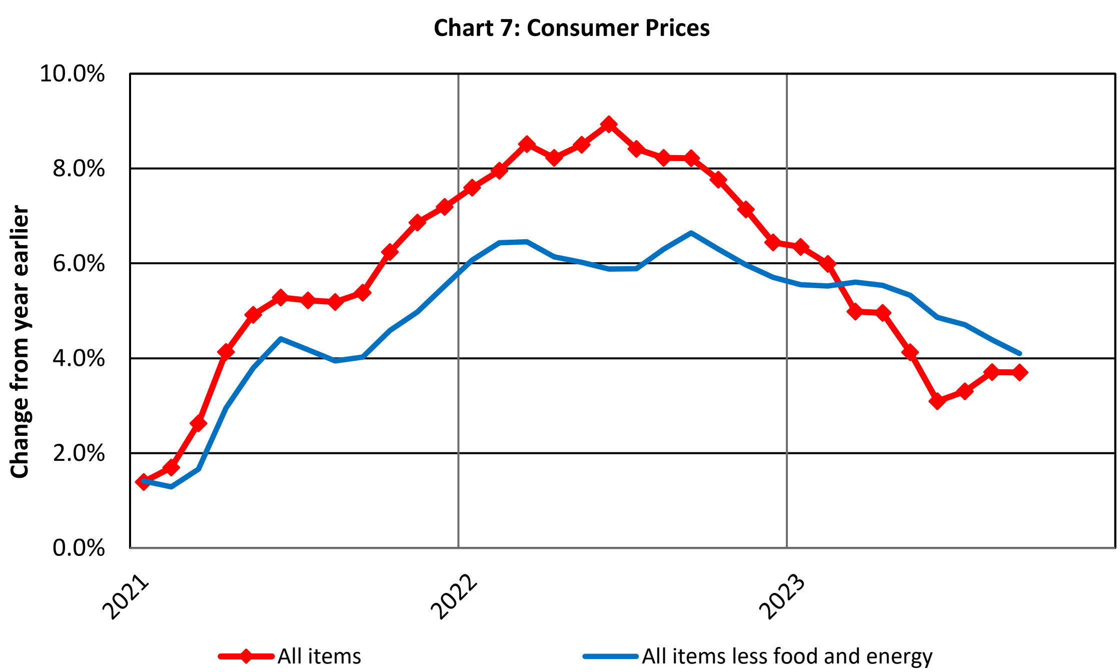


Chart 7: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy