LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 Issue: September 2023

Highlights

– Russ Keller, Chief Economist

GRF sources ended August with a positive variance of $15.4 million compared to the FY 2024 estimate published by the Office of Budget and Management (OBM) in August 2023. GRF uses were $70.4 million below estimate through the first two months of the year. The OBM estimates for FY 2024 are summarized in this issue at the conclusion of the Revenues and Expenditures sections, respectively.

Ohio's unemployment rate was 3.3% in July, which is the lowest mark on record since available data began in 1976. Statewide home sales were 16.6% lower in the first seven months of this year compared to the same period a year earlier but the average sales price through July was up 3.5%. Nationally, inflation continued to moderate.

Through August 2023, GRF sources totaled $7.94 billion:

- ❖ Commercial activity tax (CAT) receipts were $52.6 million above estimate and sales and use tax receipts were $39.0 million above estimate;
- ❖ Revenue from the personal income tax (PIT) was $24.4 million below estimate.

Through August 2023, GRF uses totaled $13.88 billion:

- ❖ Program expenditures were $290.4 million below estimate;
- ❖ Medicaid ($117.4 million) and Property Tax Reimbursements ($107.7 million) expenditures were below estimate due to timing issues;
- ❖ GRF transfers out totaled $5.82 billion, which were primarily funded by the FY 2023 GRF ending balance according to the main operating budget.

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$189,144	$192,300	-$3,156	-1.6%
Nonauto Sales and Use	$976,231	$934,100	$42,131	4.5%
Total Sales and Use	*$1,165,375*	*$1,126,400*	*$38,975*	*3.5%*
Personal Income	$861,886	$897,900	-$36,014	-4.0%
Commercial Activity Tax	$462,873	$425,600	$37,273	8.8%
Cigarette	$70,113	$73,900	-$3,787	-5.1%
Kilowatt-Hour Excise	$28,992	$28,900	$92	0.3%
Foreign Insurance	-$458	$0	-$458	---
Domestic Insurance	$191	$100	$91	91.5%
Financial Institution	$691	$500	$191	38.2%
Public Utility	$40,809	$39,700	$1,109	2.8%
Natural Gas Consumption	$13,208	$13,400	-$192	-1.4%
Alcoholic Beverage	$6,008	$5,200	$808	15.5%
Liquor Gallonage	$4,832	$5,300	-$468	-8.8%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$40	$0	$40	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,654,561**	**$2,616,900**	**$37,661**	**1.4%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$7,783	$4,842	$2,941	60.7%
Other Revenue	$105,248	$66,250	$38,998	58.9%
Total Nontax Revenue	**$113,031**	**$71,092**	**$41,939**	**59.0%**
Transfers In	**$398**	**$0**	**$398**	**---**
Total State Sources	**$2,767,990**	**$2,687,992**	**$79,998**	**3.0%**
Federal Grants	**$1,335,258**	**$1,412,097**	**-$76,839**	**-5.4%**
Total GRF Sources	**$4,103,247**	**$4,100,089**	**$3,158**	**0.1%**

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

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$334,517	$363,800	-$29,283	-8.0%	$356,941	-6.3%
Nonauto Sales and Use	$1,996,235	$1,928,000	$68,235	3.5%	$1,870,275	6.7%
Total Sales and Use	*$2,330,752*	*$2,291,800*	*$38,952*	*1.7%*	*$2,227,216*	*4.6%*
Personal Income	$1,603,633	$1,628,000	-$24,367	-1.5%	$1,571,926	2.0%
Commercial Activity Tax	$578,759	$526,200	$52,559	10.0%	$469,779	23.2%
Cigarette	$91,509	$100,300	-$8,791	-8.8%	$104,812	-12.7%
Kilowatt-Hour Excise	$47,442	$50,000	-$2,558	-5.1%	$52,642	-9.9%
Foreign Insurance	$1,243	$200	$1,043	521.3%	$427	191.0%
Domestic Insurance	$820	$6,200	-$5,380	-86.8%	$17,530	-95.3%
Financial Institution	-$745	$1,200	-$1,945	-162.1%	$630	-218.3%
Public Utility	$41,676	$39,900	$1,776	4.5%	$41,397	0.7%
Natural Gas Consumption	$13,497	$13,400	$97	0.7%	$13,899	-2.9%
Alcoholic Beverage	$11,614	$11,700	-$86	-0.7%	$12,557	-7.5%
Liquor Gallonage	$9,744	$10,300	-$556	-5.4%	$9,865	-1.2%
Petroleum Activity Tax	$0	$0	$0	---	$0	---
Corporate Franchise	$84	$0	$84	---	-$54	---
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$5	-98.9%
Total Tax Revenue	**$4,730,029**	**$4,679,200**	**$50,829**	**1.1%**	**$4,522,633**	**4.6%**
Nontax Revenue						
Earnings on Investments	$0	$0	$0	---	$1	-99.8%
Licenses and Fees	$8,183	$6,611	$1,571	23.8%	$8,358	-2.1%
Other Revenue	$116,578	$77,100	$39,478	51.2%	$120,773	-3.5%
Total Nontax Revenue	**$124,761**	**$83,711**	**$41,049**	**49.0%**	**$129,132**	**-3.4%**
Transfers In	**$399**	**$0**	**$399**	**---**	**$5,635**	**-92.9%**
Total State Sources	**$4,855,189**	**$4,762,911**	**$92,277**	**1.9%**	**$4,657,399**	**4.2%**
Federal Grants	**$3,088,726**	**$3,165,565**	**-$76,839**	**-2.4%**	**$2,982,943**	**3.5%**
Total GRF SOURCES	**$7,943,914**	**$7,928,477**	**$15,438**	**0.2%**	**$7,640,343**	**4.0%**

*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

– Phil Cummins, Senior Economist

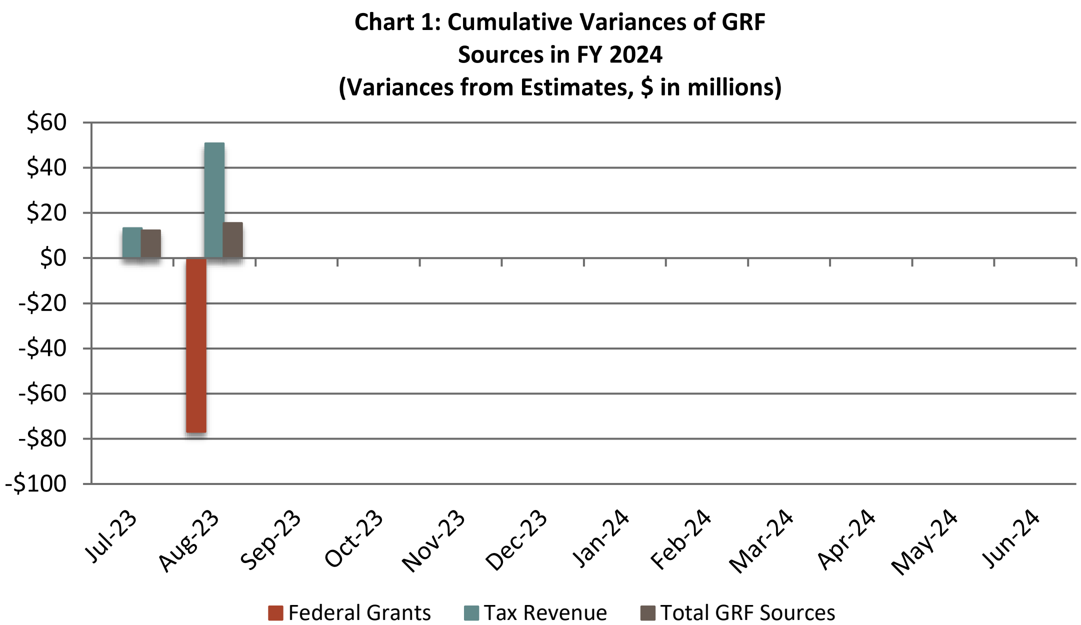
Overview

This section compares FY 2024 actual GRF sources received each month against OBM's estimates. GRF sources consist of state-source receipts (tax revenue, nontax revenue, and transfers in) and federal grants, which are typically federal reimbursements for Medicaid and other human services programs. Estimated revenue by GRF source for the full fiscal year is provided at the end of the section.

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

For example, Table 1 shows GRF tax revenue for August of $2.65 billion and OBM's estimate was $2.62 billion. Thus August tax revenue had a positive variance of $37.7 million (1.4%). Nontax revenue for the month also had a positive variance, of $41.9 million (59.0%). On the other hand, federal grants in August of $1.34 billion were below the estimate of $1.41 billion for a negative variance of $76.8 million (5.4%). Total GRF sources of $4.10 billion were only a little above OBM's estimate, for a positive variance in August of $3.2 million (0.1%), including transfers into the GRF by OBM of $0.4 million when no transfers in were anticipated. Among the largest tax sources, positive variances for the sales and use tax ($39.0 million) and the CAT ($37.3 million) were partially offset by negative variances for the PIT ($36.0 million) and the cigarette tax ($3.8 million). Other tax sources had a mix of variances, with a net combined positive variance of $1.2 million.

In addition to YTD sources, Table 2 also presents the sum of the sources, respectively, for the corresponding months in the previous fiscal year and the percent change from the previous fiscal year to the current fiscal year. Table 2 shows that, through August, YTD GRF sources totaled $7.94 billion compared to an estimate of $7.93 billion, for a YTD positive variance of $15.4 million (0.2%). The sum of sources in July and August 2022 (FY 2023) was $7.64 billion. Thus, FY 2024 GRF revenue was $303.6 million (4.0%) above such sources through August in FY 2023. Chart 1 below shows cumulative YTD variances of GRF sources through August in FY 2024.



Compared to revenue in the first two months of FY 2023, GRF tax sources were $207.4 million (4.6%) above revenue in the July-August period last year. In addition, YTD federal grants were higher by $105.8 million (3.5%). Revenue grew for the nonauto sales and use tax, by $126.0 million (6.7%), the CAT, by $109.0 million (23.2%), and the PIT, by $31.7 million (2.0%). Most other tax sources were lower in the first two months of FY 2024 than in the year-earlier period, by a combined net $59.3 million. For the remaining GRF categories, nontax revenue decreased $4.4 million (3.4%), and transfers in fell $5.2 million (92.9%).

Sales and Use Tax

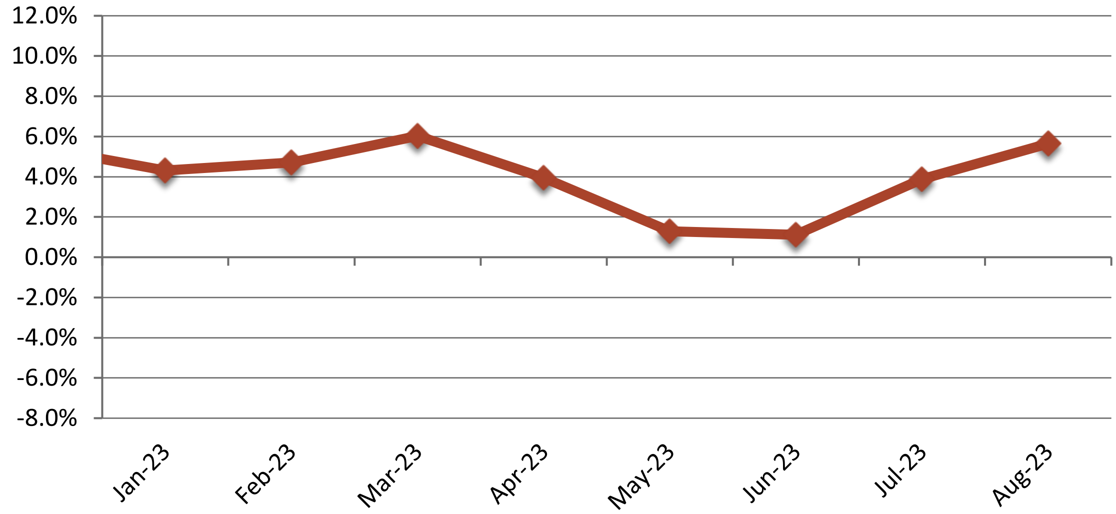
Growth of the sales and use tax slowed in FY 2023. Total GRF revenue was 3.5% higher than in FY 2022, down from an increase of 6.9% that year compared with FY 2021. The exceptional circumstances that supported consumer spending on taxable goods are fading. Specifically, most federal income support in the wake of the COVID-19 pandemic has ended, and consumer interest rates are sharply higher. The economy nevertheless continues to grow, along with employment. Slowing though still elevated inflation may lead to slowing of interest rate increases, possibly to a pause in increases. For all of FY 2024, OBM estimates GRF sales and use tax revenue will be $13.79 billion, up 2.3% from FY 2023.

In the first two months of FY 2024, sales and use tax receipts to the GRF totaled $2.33 billion, $39.0 million (1.7%) above estimate and $103.5 million (4.6%) above revenue in the corresponding period in FY 2023. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

Nonauto Sales and Use Tax

August 2023 GRF receipts of $976.2 million from the nonauto sales and use tax were $42.1 million (4.5%) above the OBM estimate and $59.2 million (6.5%) above revenue in August 2022. Through August, FY 2024 GRF receipts totaled $2.00 billion, an amount 3.5% above estimate and $126.0 million (6.7%) above FY 2023 revenue through August. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month. Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in calendar year (CY) 2023. Growth slowed in the second calendar quarter and has increased since then. For FY 2024 as a whole, OBM anticipates GRF revenue from the nonauto sales and use tax to total $11.79 billion, up 2.6% from FY 2023.

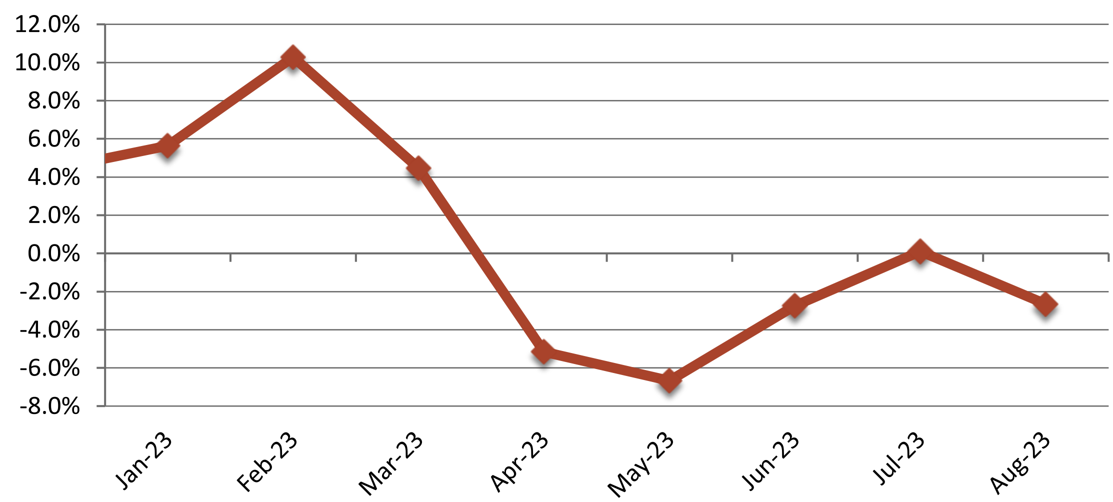
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

Growth of this portion of the sales and use tax also slowed in FY 2023. Receipts from the auto sales and use tax were 2.0% above OBM estimate last fiscal year and 2.3% above revenue in FY 2022.

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



For the month of August, GRF revenue from this tax source was $189.1 million, $3.2 million (1.6%) below estimate and $9.4 million (4.8%) below such receipts in August 2022. YTD FY 2024 revenue from the auto sales and use tax was $29.3 million (8.0%) below estimate and $22.4 million (6.3%) lower than receipts in the first two months of FY 2023. Chart 3 above shows year-over-year changes in auto sales and use tax collections in 2023. It reflects strong growth at the outset of the calendar year, followed by year-over-year declines in most of the latest six months. For FY 2024 as a whole, OBM anticipates auto sales tax revenue of $2.00 billion, only slightly (0.4%) above FY 2023 revenue.

On a seasonally adjusted annualized rate basis, U.S. new light vehicle (autos and light trucks) unit sales were 15.7 million and 15.0 million, respectively, in July and August 2023. New vehicle inventory availability has eased somewhat but remains tight. In 2022, new light vehicle sales sagged to about 13.8 million units nationwide. So far in CY 2023, unit sales averaged 15.4 million units nationwide at an annual rate and were 13.7% ahead of sales in the year-earlier period.

Personal Income Tax

As was the case for the sales and use tax, growth of PIT revenue slowed in FY 2023, when GRF revenue from this tax was 6.4% above the estimate and 0.4% above FY 2022 revenue. August 2023 GRF revenue was $36.0 million (4.0%) below estimate and $14.2 million (1.7%) above August 2022 revenue. Through August, PIT receipts to the GRF of $1.60 billion were below the estimate by 1.5% and were $31.7 million (2.0%) above revenue in the corresponding period in FY 2023.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[1] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections (about 79% of gross collections in FY 2023). Larger or smaller than expected refunds (which reduce net collections) could also greatly affect the monthly performance of the tax.

For the month of August, gross collections were $19.9 million (2.1%) above estimate, driven by a positive variance of $28.2 million for annual return payments. The other components of gross collections were below their anticipated revenue, including withholding ($7.2 million). Refunds were above estimate by $55.7 million, and distributions to the LGF were above estimate by $0.3 million. Overall, GRF revenue was $36.0 million below estimate for the month.

The table below provides details on revenue from each component of the PIT relative to estimates for FY 2024 through August and to revenue received in the year-earlier period. Compared to the corresponding period in FY 2023, gross collections grew $151.2 million in the first two months of FY 2024, mostly due to an increase of $70.2 million in employer withholding. Except for trust and miscellaneous payments, which recorded small decreases, other components of gross collections were above corresponding receipts in FY 2023. YTD FY 2024 refunds were

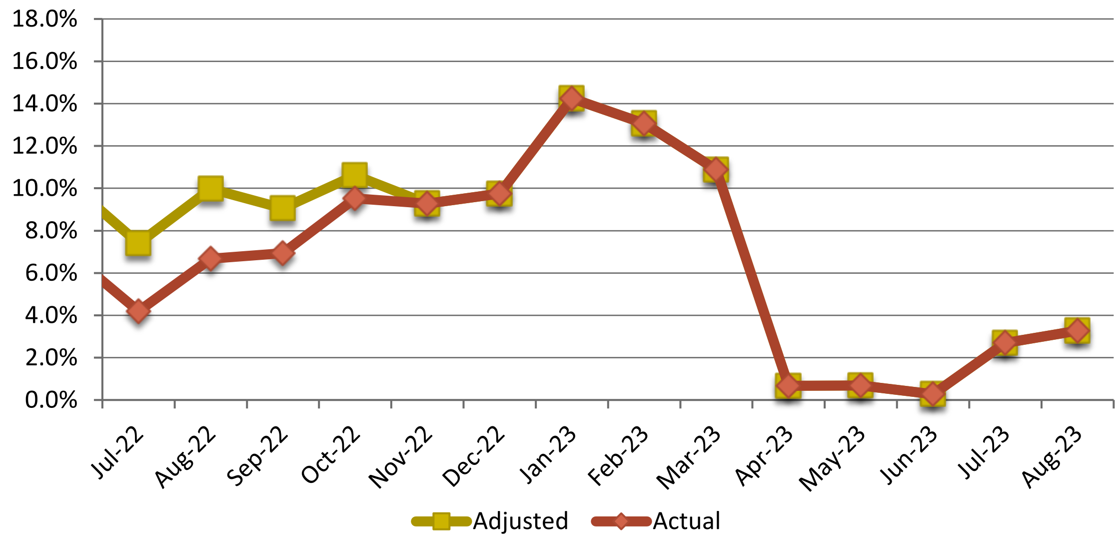
[1] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. When tax filings are not delayed, quarterly estimated payments are generally due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

$115.7 million higher than in the first two months of last fiscal year. LGF distributions were higher by $3.8 million. Therefore, growth in PIT GRF revenue was $31.7 million over receipts in FY 2023.

YTD Through August, FY 2024 PIT Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Changes from FY 2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	($16.9)	-1.0%	$70.2	4.3%
Quarterly Estimated Payments	$45.9	139.2%	$42.1	114.4%
Trust Payments	($2.0)	-60.8%	($6.0)	-82.3%
Annual Return Payments	$52.4	207.8%	$46.0	145.9%
Miscellaneous Payments	($0.4)	-3.5%	($1.1)	-8.7%
Gross Collections	$79.0	4.4%	$151.2	8.8%
Less Refunds	$103.1	124.5%	$115.7	164.8%
Less LGF Distribution	$0.3	0.3%	$3.8	4.6%
GRF PIT Revenue	($24.4)	-1.5%	$31.7	2.0%

The chart below shows growth of monthly employer withholding on a three-month moving average basis relative to one year ago since July 2022 and growth of estimated withholding receipts adjusted for the September 2021 withholding tax rate cut, which on a three-month moving average basis was no longer affecting the chart after October 2022. Payrolls are estimated to have increased about 3.3%, on average, in the last three months. Another reduction is likely imminent because H.B. 33 of the 135th General Assembly, the main operating budget act, cut tax rates for nonbusiness income effective for taxable years beginning in 2023. The current withholding rate schedule is shown on the Department of Taxation's website as in effect through December 31, 2023.

Chart 4: Monthly Witholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Commercial Activity Tax

The first CAT payment for quarterly return taxpayers was due in August. It provided $462.9 million to the GRF, an amount $37.3 million (8.8%) above estimate. For the YTD, CAT GRF receipts totaling $578.8 million were $52.6 million (10.0%) above estimate. Compared to last year, July-August 2023 CAT revenues were $109.0 million (23.2%) higher, but the recently enacted budget increased the GRF share of CAT receipts beginning in FY 2024. YTD gross CAT collections totaling $597.6 million were $17.6 million (3.0%) above gross collections in last year's first two months; net of refunds, CAT revenue was $582.6 million, $26.2 million (4.7%) higher than a year earlier.

Beginning in CY 2024, H.B. 33 excludes from the CAT those businesses with taxable gross receipts of $3 million or less, and beginning in 2025 and thereafter, businesses with taxable gross receipts of $6 million or less. It designates the $3 million and $6 million thresholds, respectively, as "exclusion amounts" and excludes the exclusion amount from gross receipts subject to the 0.26% tax rate for taxpayers that remain subject to the tax. The budget act eliminates the annual minimum tax, for tax periods in CY 2024 and thereafter. LBO estimates that these changes will reduce all funds CAT receipts by $238 million in FY 2024 and $460 million in FY 2025.

As noted above, another provision of H.B. 33 requires all CAT receipts to be deposited into the GRF beginning in FY 2024. Previously designated percentages of gross CAT revenues were deposited into the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081), from which disbursements reimburse school districts and local governments, respectively, for the phase out of property taxes on general business tangible personal property. Cash balances in these funds built up in past years, allowing the required payments to be supported solely by those cash balances for the current biennium and a number of years beyond that.

Cigarette and Other Tobacco Products Tax

Through August, FY 2024 revenue from the cigarette and other tobacco products (OTP) tax totaling $91.5 million was below estimate by $8.8 million (8.8%). Total revenue included $71.8 million from the sale of cigarettes and $19.7 million from the sale of OTP. YTD FY 2024 revenue was also $13.3 million (12.7%) below FY 2023 revenue through August. Receipts from cigarette sales decreased $13.2 million (15.5%) while OTP sales decreased by $0.1 million (0.6%).[2] For the month of August, receipts from this tax source of $70.1 million were $3.8 million (5.1%) below estimate and $7.0 million (9.1%) below revenue in August 2022.

On a yearly basis, revenue from sales of cigarettes usually trends downward. The tax on cigarettes is based on unit sales rather than value, and revenue from this portion of the tax base has steadily decreased over time. Cigarette tax revenue fell 7.8% in FY 2023 after falling 6.5% in FY 2022. OBM estimates the cigarette and OTP tax would yield $791.4 million this fiscal year, down 4.4% from FY 2023 revenue.

Summary of OBM Estimates for GRF Sources for FY 2024

Estimated revenue by GRF source for the full fiscal year is provided below. As the table shows, GRF sources are estimated to total $42.26 billion in FY 2024. Based on this estimate, the sales and use tax, the PIT, the CAT, and the cigarette tax will provide nearly two-thirds of total GRF sources in FY 2024.

OBM Estimate for GRF Sources for FY 2024 ($ in millions)		
Revenue Source	**Estimate**	**As a % of Total Source**
Sales and Use Tax	$13,791.1	32.6%
Individual Income Tax	$9,977.1	23.6%
Commercial Activity Tax	$2,273.0	5.4%
Cigarette & Other Tobacco Products Tax	$791.4	1.9%
Domestic and Foreign Insurance Taxes	$709.0	1.7%
Utility Taxes	$530.0	1.3%
Other Taxes	$357.6	0.8%
Subtotal – GRF Taxes	**$28,429.2**	**67.3%**
Nontax Revenue	$378.1	0.9%
Federal Grants	$13,453.8	31.8%
Total GRF Sources	**$42,261.1**	**100.0%**

[2] The OTP tax is an ad valorem tax, generally 17% of the price paid by wholesalers for the product; thus, revenue from that portion of the tax base tends to grow with price increases. In July, however, nationwide wholesale prices for OTP continued a long-term uptrend.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of August 2023
($ in thousands)
(Actual based on OAKS reports run September 5, 2023)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$863,649	$867,088	-$3,439	-0.4%
Higher Education	$201,671	$201,618	$52	0.0%
Other Education	$17,018	$13,825	$3,192	23.1%
Total Education	**$1,082,337**	**$1,082,531**	**-$194**	**0.0%**
Medicaid	$1,895,057	$2,012,474	-$117,417	-5.8%
Health and Human Services	$150,653	$158,202	-$7,549	-4.8%
Total Health and Human Services	**$2,045,710**	**$2,170,676**	**-$124,966**	**-5.8%**
Justice and Public Protection	$224,466	$264,323	-$39,857	-15.1%
General Government	$43,470	$61,126	-$17,657	-28.9%
Total Government Operations	**$267,936**	**$325,449**	**-$57,514**	**-17.7%**
Property Tax Reimbursements	$121,295	$228,957	-$107,662	-47.0%
Debt Service	$180,564	$180,595	-$31	0.0%
Total Other Expenditures	**$301,860**	**$409,552**	**-$107,693**	**-26.3%**
Total Program Expenditures	**$3,697,842**	**$3,988,209**	**-$290,367**	**-7.3%**
Transfers Out	**$110,082**	**$110,235**	**-$153**	**-0.1%**
Total GRF Uses	**$3,807,924**	**$4,098,444**	**-$290,519**	**-7.1%**

*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 August 31, 2023
($ in thousands)
(Actual based on OAKS reports run September 5, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$1,702,680	$1,706,118	-$3,439	-0.2%	$1,630,297	4.4%
Higher Education	$380,806	$380,754	$52	0.0%	$399,791	-4.7%
Other Education	$29,697	$26,505	$3,192	12.0%	$18,615	59.5%
Total Education	**$2,113,183**	**$2,113,377**	**-$194**	**0.0%**	**$2,048,702**	**3.1%**
Medicaid	$4,591,390	$4,708,808	-$117,417	-2.5%	$4,218,266	8.8%
Health and Human Services	$273,339	$280,888	-$7,549	-2.7%	$280,913	-2.7%
Total Health and Human Services	**$4,864,730**	**$4,989,696**	**-$124,966**	**-2.5%**	**$4,499,179**	**8.1%**
Justice and Public Protection	$533,229	$573,086	-$39,857	-7.0%	$489,968	8.8%
General Government	$89,048	$106,704	-$17,657	-16.5%	$86,906	2.5%
Total Government Operations	**$622,277**	**$679,791**	**-$57,514**	**-8.5%**	**$576,874**	**7.9%**
Property Tax Reimbursements	$121,181	$228,842	-$107,662	-47.0%	$233,606	-48.1%
Debt Service	$336,646	$336,677	-$31	0.0%	$462,583	-27.2%
Total Other Expenditures	**$457,827**	**$565,519**	**-$107,693**	**-19.0%**	**$696,189**	**-34.2%**
Total Program Expenditures	**$8,058,017**	**$8,348,383**	**-$290,367**	**-3.5%**	**$7,820,944**	**3.0%**
Transfers Out	**$5,817,218**	**$5,597,298**	**$219,920**	**3.9%**	**$671,759**	**766.0%**
Total GRF Uses	**$13,875,235**	**$13,945,681**	**-$70,446**	**-0.5%**	**$8,492,704**	**63.4%**

*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 September 10, 2023)

	Month of August 2023				Year to Date through August 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,810,263	$1,923,353	-$113,091	-5.9%	$4,432,071	$4,545,162	-$113,091	-2.5%
Non-GRF	$756,990	$761,678	-$4,688	-0.6%	$787,426	$792,114	-$4,688	-0.6%
All Funds	$2,567,252	$2,685,031	-$117,779	-4.4%	$5,219,497	$5,337,276	-$117,779	-2.2%
Developmental Disabilities								
GRF	$72,567	$72,607	-$40	-0.1%	$140,163	$140,203	-$40	0.0%
Non-GRF	$245,767	$262,149	-$16,382	-6.2%	$539,757	$556,138	-$16,382	-2.9%
All Funds	$318,334	$334,756	-$16,422	-4.9%	$679,919	$696,341	-$16,422	-2.4%
Job and Family Services								
GRF	$11,255	$15,472	-$4,217	-27.3%	$17,367	$21,584	-$4,217	-19.5%
Non-GRF	$11,820	$18,414	-$6,593	-35.8%	$22,032	$28,626	-$6,593	-23.0%
All Funds	$23,076	$33,886	-$10,810	-31.9%	$39,400	$50,210	-$10,810	-21.5%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$972	$1,041	-$70	-6.7%	$1,790	$1,859	-$70	-3.7%
Non-GRF	$3,293	$13,151	-$9,859	-75.0%	$4,887	$14,746	-$9,859	-66.9%
All Funds	$4,264	$14,192	-$9,928	-70.0%	$6,676	$16,605	-$9,928	-59.8%
All Departments:								
GRF	**$1,895,057**	**$2,012,474**	**-$117,417**	**-5.8%**	**$4,591,390**	**$4,708,808**	**-$117,417**	**-2.5%**
Non-GRF	**$1,017,870**	**$1,055,392**	**-$37,522**	**-3.6%**	**$1,354,102**	**$1,391,624**	**-$37,522**	**-2.7%**
All Funds	**$2,912,926**	**$3,067,865**	**-$154,939**	**-5.1%**	**$5,945,493**	**$6,100,432**	**-$154,939**	**-2.5%**

*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 September 10, 2023)

	Month of August 2023				Year to Date through August 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,926,930**	**$2,016,649**	**-$89,720**	**-4.4%**	**$3,976,978**	**$4,067,599**	**-$90,621**	**-2.2%**
CFC†	$500,159	$545,047	-$44,889	-8.2%	$1,011,990	$1,057,858	-$45,868	-4.3%
Group VIII	$477,567	$502,331	-$24,763	-4.9%	$969,022	$993,714	-$24,692	-2.5%
ABD†	$169,854	$175,518	-$5,664	-3.2%	$340,329	$345,993	-$5,664	-1.6%
ABD Kids	$55,796	$57,315	-$1,519	-2.6%	$111,874	$113,392	-$1,519	-1.3%
My Care	$237,114	$244,983	-$7,869	-3.2%	$475,346	$483,215	-$7,869	-1.6%
OhioRise	$31,605	$35,215	-$3,610	-10.3%	$62,149	$65,759	-$3,610	-5.5%
SPBM	$454,834	$456,240	-$1,406	-0.3%	$1,006,268	$1,007,668	-$1,400	-0.1%
Fee-For-Service	**$673,874**	**$699,849**	**-$25,975**	**-3.7%**	**$1,391,344**	**$1,416,418**	**-$25,073**	**-1.8%**
ODM Services	$360,899	$385,214	-$24,315	-6.3%	$724,222	$747,847	-$23,625	-3.2%
DDD Services	$312,975	$314,635	-$1,660	-0.5%	$667,122	$668,571	-$1,449	-0.2%
Premium Assistance	**$174,108**	**$179,454**	**-$5,346**	**-3.0%**	**$376,263**	**$381,609**	**-$5,346**	**-1.4%**
Medicare Buy-In	$74,708	$78,775	-$4,067	-5.2%	$227,212	$231,279	-$4,067	-1.8%
Medicare Part D	$99,400	$100,679	-$1,279	-1.3%	$149,051	$150,330	-$1,279	-0.9%
Administration	**$138,014**	**$171,913**	**-$33,899**	**-19.7%**	**$200,907**	**$234,806**	**-$33,899**	**-14.4%**
Total	**$2,912,926**	**$3,067,865**	**-$154,939**	**-5.1%**	**$5,945,493**	**$6,100,432**	**-$154,939**	**-2.5%**

*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

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

Overview

This section compares FY 2024 actual GRF uses each month against OBM's estimates. GRF uses consist of program expenditures and transfers out. Estimated uses by program category for the full fiscal year are provided at the end of this section.

Similar to the Revenue section, if actual uses are higher than the estimate, the GRF use is deemed to have a positive variance. Alternatively, a GRF use has a negative variance if actual uses are lower than the estimate. Tables 3 and 4, which precede this section, show GRF uses for the most recent month, in this case August, and year-to-date (YTD) uses (including both July and August) relative to estimates. Except for transfers out, July estimates were equal to actual uses, so the variances are the same in the August and YTD tables.

For the first two months of FY 2024, GRF program expenditures totaled $8.06 billion. These expenditures were $290.4 million (3.5%) below OBM's estimates. Transfers out totaled $5.82 billion and were $219.9 million (3.9%) over estimate for the YTD. Total GRF uses for these two months, therefore, totaled $13.88 billion, which was $70.4 million (0.5%) under estimate.

Most program categories were under their YTD estimates at the end of August. The two largest negative YTD variances were in Medicaid ($117.4 million, 2.5%) and Property Tax Reimbursements ($107.7 million, 47.0%). These variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. July estimates were based on July spending, so the variance in August's monthly forecast is identical to the yearly estimate in many areas. GRF Medicaid expenditures were below their monthly and yearly estimates in August by $117.4 million (5.8% monthly, 2.5% yearly) at the end of August. Non-GRF Medicaid expenditures were below their monthly and yearly estimates by $37.5 million (3.6% monthly, 2.7% yearly). Including both the GRF and non-GRF, all funds Medicaid expenditures were $154.9 million below estimate (5.1% monthly, 2.5% yearly) at the end of August.

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 August of $117.8 million (4.4% monthly, 2.2% yearly). DODD had an August all funds negative variance of $16.4 million (4.9% monthly, 2.4% yearly). 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 August. In percentage terms, the Administration variance of $33.9 million (14.4%) was the largest. In terms of absolute dollars, the largest variance was in Managed Care, which was $90.6 million (2.2%) below the yearly estimate. The other categories with negative variances were Fee-for-Service (FFS) at $25.1 million (1.8%) and Premium Assistance at $5.3 million (1.4%).

From the beginning of the COVID-19 public health emergency (PHE) in March 2020 through the end of April 2023, caseloads increased by approximately 21,400 cases per month, on average. Beginning in April 2023, ODM began redeterminations of eligibility which had been suspended during the PHE as a condition of receiving increased financial assistance from the federal government. Total caseloads began to decline the following month and have continued to decline since then.

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 August, this category had a negative variance of $107.7 million (47.0%).

Transfers Out

Transfers out of the GRF were over the monthly estimate for July by $220.1 million. This variance was slightly offset by a small negative variance in August, resulting in a YTD positive variance in transfers out of $219.9 million (3.9%). The July variance was primarily due to transfers of $200.0 million into the School Building Program Assistance Fund (Fund 7032) and $20.3 million into the Administrative Building Taxable Bond Fund (Fund 7016). These two funds support capital projects. Both transfers were authorized by the capital appropriations bill, H.B. 687 of the 134th General Assembly. OBM's estimates have $850.0 million transferred for this purpose in FY 2024, all in June, so this timing-related variance will not resolve until the end of the fiscal year.

Summary of OBM Estimates for GRF Uses

The table below shows OBM's estimates for GRF uses for FY 2024. The program categories are ordered from largest to smallest annual estimate. Altogether, GRF program expenditures are estimated to total $42.21 billion in FY 2024. Of this amount, $20.50 billion (48.6%) will go to Medicaid and $9.53 billion (22.6%) will go to Primary and Secondary Education. Together, these two program categories are expected to account for 71.2% of total program expenditures in FY 2024.

In addition to program expenditures, OBM estimates that $6.46 billion will be transferred out of the GRF. Most of these estimated transfers out ($5.60 billion) already happened in the first two months of the fiscal year. The largest remaining estimated transfer is $850.0 million to cover capital expenditures in lieu of issuing bonds. The estimates have this transfer occurring at the end of the fiscal year in June, but as mentioned previously, $220.3 million of this estimate was transferred in July, resulting in a positive variance.

OBM also estimates that $853.8 million of FY 2024 appropriations will be encumbered at the end of the fiscal year for expenditure in future fiscal years. Including these encumbrances, estimated total GRF uses for FY 2024 are $49.52 billion.

OBM Estimates for GRF Uses for FY 2024 by Program Category ($ in thousands)		
Program Category	**Expenditures**	**As a % of Total Program Expenditures**
Medicaid	$20,495,547	48.6%
Primary and Secondary Education	$9,528,487	22.6%
Justice and Public Protection	$3,017,942	7.2%
Higher Education	$2,610,203	6.2%
Health and Human Services	$1,968,648	4.7%
Property Tax Reimbursements	$1,856,916	4.4%
Debt Service	$1,313,787	3.1%
General Government	$1,306,960	3.1%
Other Education	$106,823	0.3%
Total Program Expenditures	**$42,205,313**	**100.0%**
Transfers Out	$6,457,785	---
Year-end Encumbrances	$853,783	---
Total GRF Uses	**$49,516,881**	**---**

Issue Updates

Department of Development Awards Almost $135.6 Million in Ohio BUILDS Water Infrastructure Grants

– Jared Cape, Budget Analyst

On July 21, 2023, the Department of Development (DEV) awarded nearly $135.6 million to 90 projects in the fifth round under the Ohio Broadband, Utilities, and Infrastructure for Local Development Success (BUILDS) Water Infrastructure Grant Program. DEV allotted more than $73.7 million for 44 wastewater infrastructure projects, nearly $58.3 million for 44 drinking water infrastructure projects, and almost $3.6 million for two projects addressing both drinking water and wastewater. These projects will benefit an estimated 854,542 people across 65 counties. Grants from the fifth round of awards ranged from $25,000 to $6.0 million. Of the 90 projects, 52 projects (57.8%) received $1.0 million or less in grant funding. For more information on the fifth round of awards, see the list of award recipients and projects (PDF) available on the Governor's website: governor.ohio.gov.

The BUILDS Grant Program was established and initially appropriated $250.0 million in federal American Rescue Plan Act (ARPA) money under H.B. 168 of the 134th General Assembly. H.B. 45 of the 134th General Assembly appropriated an additional $250.0 million in ARPA money to support the fourth and fifth funding rounds. After five rounds of funding, the program has awarded nearly $500.0 million to support 343 local water projects impacting each of Ohio's 88 counties. Under the program, political subdivisions that own and operate public water and sewer systems and nonprofit, noncommunity public water systems were eligible to apply for grants for drinking water and wastewater infrastructure projects. Examples of eligible construction costs include new or replacement sanitary sewer lines, sewer or wastewater treatment plant improvements, drinking water line improvements or extensions, and repair or construction of drinking water storage towers. For more information on the previous rounds of awards, see the Water and Wastewater Infrastructure Grant Program webpage available on DEV's website: development.ohio.gov.

Controlling Board Approves $950,000 for Ohio Youth Centered Permanency Roundtables

– Suveksha Bhujel, Economist

On August 7, 2023, the Controlling Board approved an Ohio Department of Job and Family Services (ODJFS) request for $475,000 in both FY 2024 and FY 2025 in federal funds to contract with Kinnect to administer and expand the Ohio Youth Centered Permanency Roundtable (YCPRT) Program. The YCPRT Program empowers older youth who are in the custody of Ohio's public children services agencies (PCSAs) to be involved in planning for their future and in finding legal permanency. Specifically, Kinnect will work to improve legal permanency outcomes for these youth by coordinating YCPRT Advisory Council meetings, providing program oversight and technical guidance to YCPRT counties, conducting listening sessions to increase youth engagement, creating a website for the YCPRT Program to assist in information sharing, establishing program evaluation metrics, and expanding the YCPRT Program to five additional counties in each fiscal year.

The YCPRT Program was initially introduced as a pilot project with six counties in 2014 through a partnership between ODJFS and the Public Children Services Association of Ohio. YCPRT meetings are professional consultations for youth aged 12 years and older who have been in the custody of a PCSA for 12 months that occur at least once every three months until legal permanency is achieved. The roundtables consist of a group of professionals and typically include the youth, facilitator, caseworker, youth supervisor, scribe, and an external permanency consultant, among others. The main goals of YCPRTs are to expedite legal permanency for the youth, stimulate thinking about ways to accelerate permanency, and identify and address systemic barriers to timely permanency. YCPRTs provide a platform for youths to voice their permanency desires in a safe and structured environment. In 2022, the YCPRT Program was serving youth in 16 counties.

Two Ohio Hospitals Awarded Nearly $980,000 for Emergency Department Alternatives to Opioids Program

– Ryan Sherrock, Economist

On July 19, 2023, the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA) awarded the Ohio State University $500,000 and the University of Cincinnati approximately $479,000 for the Emergency Department Alternatives to Opioids Program. The purpose of the program is to implement alternatives to opioids for pain management in hospitals and emergency department settings to reduce the likelihood of future opioid misuse. Award recipients are to develop person-centered treatment approaches for painful conditions, identify which conditions occur most frequently based on the hospital’s trends, and apply strategies to address those specific conditions. Strategies developed for this program include innovative approaches to pain management as an alternative to opioid therapies, including providing patients with multidisciplinary services such as complete physical examinations, examinations for the presence of co-occurring mental and substance use disorders, laboratory studies to identify current opioid medication and use of other substances, and cognitive-behavioral therapy interventions, among others. These approaches may then be continued in other primary care or specialty pain management settings. Additionally, the program supports identification of, and intervention for, individuals presenting with Opioid Use Disorder (OUD), as well as training on medications for OUD for providers to ensure appropriate treatment is available for those experiencing pain and OUD. SAMHSA will work with award recipients to catalogue evidence-based best practices to implement alternatives to opioids, which will then be shared across the program and with the healthcare field at large.

A total of 15 entities in ten states received funding amounting to approximately $7.4 million for the program. Recipients are expected to begin providing direct services four months after the award announcement. Additional funding of up to $500,000 per year may be available for up to three years depending on a grantee’s progress in meeting program goals and timely submission of required data and reports.

Controlling Board Approves $92.5 Million in COVID-19 Relief Funds for ACE Education Savings Account Program

– Andrew Ephlin, Budget Analyst

On July 10, 2023, the Controlling Board approved an Ohio Department of Education (ODE) request to waive competitive selection of $92.5 million from the Federal Coronavirus Relief line item to continue the Afterschool Child Enrichment (ACE) Educational Savings Account Program. The ACE Program was established in H.B. 110 to address learning loss in the wake of school closures resulting from the COVID-19 pandemic. The program originally used Elementary and Secondary School Education Relief (ESSER) state activity funds from the Consolidated Appropriations Act, 2021 (ESSER II), the availability of which expires September 30, 2023. H.B. 33 requires that ODE use ESSER state activity funds awarded through ARPA (ARP ESSER), extending the federal funding for the ACE Program by an additional year, to September 30, 2024, the expiration date for ARP ESSER funds.

ODE reports that a total of 101,320 ACE accounts have been approved as of August 24, 2023. The ACE program was relaunched on April 7, 2023 following changes meant to increase participation enacted in H.B. 45 of the 134th General Assembly. According to ODE, of the approximately 101,000 total accounts approved since the creation of the program, 76,292 have been created since the relaunch. As of July, ODE has made a total of $15.8 million in payments with an additional $101.9 million obligated for further payments through the ACE program. However, ODE expects the number of disbursements to increase in the coming months with the school year now underway and as Ohio Shared Services clears a payment backlog. ODE has also stated that they intend to conduct more outreach with families currently participating in the program to ensure they are aware of the options for spending these funds.

ODE Pays $3.7 Million to 11 School Districts to Meet Federal ARPA Maintenance of Equity Requirements

– Brian Hoffmeister, Fiscal Supervisor

In August 2023, ODE paid $3.7 million to 11 school districts to comply with federal maintenance of equity (MOEquity) requirements that accompany ESSER funds provided under ARPA (see the table below for a list of the districts receiving the payment). ESSER funds are the largest source of ARPA funds for K-12 education. In general, the MOEquity requirements ensured that states maintained per-pupil funding for FY 2022 and FY 2023 for local education agencies (LEAs, essentially a federal term representing traditional school districts and community schools) that serve high percentages of economically disadvantaged students. The payment makes up for decreases in per-pupil funding for FY 2022 under the circumstances described below. H.B. 33 supports the payment with FY 2023 encumbered funds from GRF line item 200550, Foundation Funding – All Students.

Maintenance of Equity Payments to School Districts for FY 2022		
County	**District**	**Amount**
Cuyahoga	Cleveland Heights-University Heights City	$976,658
Franklin	Groveport Madison Local	$758,092
Cuyahoga	Cleveland Municipal	$557,591
Highland	Hillsboro City	$394,254
Crawford	Galion City	$322,294
Lawrence	Dawson-Bryant Local	$288,300
Perry	New Lexington City	$197,887
Gallia	Gallia County Local	$101,202
Ross	Zane Trace Local	$83,021
Montgomery	New Lebanon Local	$21,977
Belmont	Bellaire Local	$19,299
	Total	**$3,720,576**

The MOEquity requirements prohibit per-pupil funding reductions under different conditions for two types of LEAs: "high-need" and "highest-poverty." ARPA identifies "high-need" LEAs as the group of LEAs in a state with the highest percentages of economically disadvantaged students that collectively serve 50% of a state's total student enrollment. Under MOEquity requirements, a state may not reduce a high-need LEA's per-pupil state funding for FY 2022 or FY 2023 by more than the statewide per-pupil reduction in funding, if any, compared to the prior fiscal year. Ohio's statewide per-pupil funding increased from FY 2021 to FY 2022, meaning that the MOEquity provision generally applies to high-need LEAs whose funding decreased by any amount. However, the federal government approved Ohio's request for an exception that tolerates a per-pupil funding reduction of up to 8% for high-need LEAs with less than 1,000 students. Due to their small size, these LEAs are more susceptible to year-over-year per-pupil funding reductions caused by small changes in student enrollment. Ten of the 11 districts receiving a payment are high-need LEAs. Each of these districts received additional aggregate state funding from FY 2021 to FY 2022, but their per-pupil funding decreased due to increased enrollment.[3]

[3] Ohio's FY 2022 and FY 2023 school funding formula guaranteed that a traditional district's formula funding did not fall below FY 2021 levels only on an aggregate, rather than per-pupil, basis.

"Highest-poverty" LEAs represent a similar but smaller group of LEAs with the highest concentrations of poverty. Specifically, ARPA identifies highest-poverty LEAs as the group of LEAs with the highest percentages of economically disadvantaged students that collectively serve 20% of a state's total student enrollment. Under the MOEquity requirements, a state may not reduce a highest-poverty LEA's per-pupil state funding for FY 2022 or FY 2023 below the amount the LEA received in FY 2019. The lone highest-poverty LEA to receive a payment is Cleveland Heights-University Heights City Schools in Cuyahoga County.

Additional Grant Funding Approved for Latino Mental Health Navigator Programs

– Shaina Morris, Budget Analyst

On August 7, 2023, the Controlling Board approved an Ohio Commission on Hispanic/Latino Affairs (OCHLA) request to increase the amount appropriated to ALI 148602, Special Initiatives (Fund 6010) in FY 2024 from $125,000 to $450,000. The increase is tied to a $325,000 grant received from the Ohio Department of Mental Health and Addiction Services (OhioMHAS) and reflects ongoing project funding needed to continue the work of seven Latino Mental Health Navigator Programs. At the start of the new fiscal year, OCHLA and OhioMHAS entered into an amended agreement for FY 2024 to provide additional grant funding for expansion of the program. The moneys are passed through to OCHLA via OhioMHAS, but originate from the federal Community Mental Health Block Grant (CMHBG) received from the U.S. Department of Health and Human Services, SAMHSA.

The Community Mental Health Navigator Project first began in FY 2020 via an interagency agreement with OhioMHAS and was intended to reduce disparities in availability, accessibility, and quality of behavioral healthcare services for the Hispanic-Latino community within one or more systems of behavioral health service delivery in additional areas of the state. In OCHLA's budget request for FY 2024-FY 2025, the Commission stated that the program has served over 5,041 clients on a quarterly basis and over 250 entities have provided mental and behavioral health services. All funds for this current project period must be obligated or spent by June 30, 2024.

Controlling Board Approves $6.2 Million to Clean Contaminated Ponds in Licking County

– Robert Meeker, Budget Analyst

On August 7, 2023, the Controlling Board approved the Ohio Environmental Protection Agency's (EPA's) request to increase Fund 5410 appropriation line item (ALI) 715670, Site Specific Cleanup, by $6.2 million for the cleanup of land contaminated by infiltration ponds at the former Matlack, Inc., facility in Pataskala (Licking County). The project funding is supported by a portion of an $80 million settlement between the state and the Monsanto Company.

In March 2022, the state reached a settlement with the Monsanto Company and certain affiliates to resolve claims alleging impairments to the environment, waterbodies, and other natural resources from their use of polychlorinated biphenyls (PCBs), the production and use of which, with limited exceptions, were prohibited nationwide in 1979 when the U.S. Environmental Protection Agency promulgated final regulations banning PCBs under the federal Toxic

Substances Control Act.[4] Under a memorandum of understanding between the Governor and the Attorney General for the use of those settlement funds, the PCB Advisory Board was established to advise the Ohio EPA and make recommendations for projects that meet approved purposes defined by the terms of the settlement. The Board includes the Ohio Attorney General and the directors of the Ohio EPA, Department of Health, Department of Agriculture, and Department of Natural Resources, or their respective designees.

As approved by the PCB Advisory Board, the Ohio EPA will use $6.2 million to remove and dispose of contaminated soil from the Matlack, Inc., site in Licking County and then to grade the area and plant grass to match the surrounding area. From 1954 to 1989, Matlack, Inc., owned and operated a truck washing and repair facility in Pataskala and used caustic solutions, solvents, detergent, soap, and water to rinse out the interior of tanker trucks that contained hazardous substances and petroleum products. The company discharged wastewater from the truck washing operation into three infiltration ponds which resulted in contamination of the soil with PCBs and hazardous waste.

ODOT Announces $3.5 Million in TID Awards

– Terry Steele, Senior Budget Analyst

In August, the Ohio Department of Transportation (ODOT) released the list of projects selected to receive approximately $3.5 million in grant funding made available to transportation improvement districts (TIDs). In total, ten projects were selected with $2.5 million in funding allocated for construction and $1.0 million slated for development of projects. The table below summarizes these awards.[5] H.B. 23, the transportation budget act, earmarked $4.5 million in each fiscal year for these grants under Highway Operating Fund (Fund 7002) ALI 772421, Highway Construction – State.

TID Project Awards, FY 2024			
County	Project Description	Project Type	Grant Award
Columbiana	CR 430 Reconstruction Project	Construction	$500,000
Coshocton	CR 126 Reconstruction Project	Construction	$500,000
Hamilton	Dry Fork Road/I-74 Interchange Corridor Project	Development	$500,000
Lucas	Riverfront Drive Extension Project	Construction	$400,000
Stark	Applegrove/Strip/Frank Road Widening Project	Construction	$350,000
Summit	Newell Street Industrial Park Project	Construction	$350,000

[4] *Dave Yost v. Monsanto Co.*, et. al., Case No. A 1801237, March 21, 2022.

[5] Governor of Ohio, News Release, Governor DeWine Announces $3.5 Million for Transportation Improvement Districts to Boost Ohio's Economy.

TID Project Awards, FY 2024			
County	**Project Description**	**Project Type**	**Grant Award**
Mahoning	Mahoning Ave. Industrial Corridor Upgrade Project	Development	$261,386
Clermont	Bach-Burton Roundabout Project	Development	$250,000
Belmont	SR 147/CR 26 Realignment Project	Construction	$225,000
Medina	Montville Township South Town Center Project	Construction	$164,424
		Total	**$3,500,810**

TIDs are a form of local government entity that consists of intergovernmental or public-private entities that designate a transportation project or program of projects to be facilitated within a defined region and with local approval. There are currently 44 designated TIDs around the state. Grant funding provided to these entities under this earmark is limited to $500,000 for a project in a fiscal year. The grant funding can be used for construction costs or for development costs such as preliminary engineering, detailed design, and right-of-way acquisition.

Tracking the Economy

– Lin Kong, LSC Fellow

– Ross Miller, Principal Economist

Overview

The U.S. economy grew in the first half of 2023, employment continued to grow through August, and inflation broadly continued to moderate. Inflation adjusted gross domestic product (real GDP) grew at a 2.1% annual rate in this year's second quarter after increasing at a 2.0% annual rate in the first quarter. Industrial output rose 1.0% in July, largely due to increased production by utilities, but manufacturing output increased 0.5% for the month. U.S. payroll employment grew by 187,000 in August, and though unemployment ticked up to 3.8% for the month, it remained very low by historical standards.

Inflation, as measured by the all-item consumer price index (CPI) was 3.2% over the year ending in July. Though that was up from 3.0% for the year ending in June, it was substantially lower than the peak of 9.1% for the year ending in June 2022. Prices of food generally rose faster than prices overall for the year ending in July, but the energy component of CPI fell by over 12%.

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed), the nation's central bank, met on July 25-26. The FOMC opted to increase its federal funds rate[6] target by 0.25 percentage point, to 5.25%-5.5%. The next FOMC meeting will be held on September 19 and 20. In its post-meeting announcement in July, FOMC officials reported that the U.S. banking system is "sound and resilient." Fed Chairman Jerome Powell, in his August 25 opening remarks for the Jackson Hole Symposium hosted by the Kansas City Fed, reiterated and emphasized the Fed's commitment to reducing inflation to its target level of 2%. But in reference to the possibility of future increases in the federal funds target rate, he stated that in light of progress to date in reducing inflation, "we are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks."

Ohio's unemployment rate in July declined to 3.3%, its lowest level based on the U.S. Bureau of Labor Statistics' recorded data since 1976. Ohio's total nonfarm payroll employment rose by 12,100 in July, growth of 0.2% for the month and of 1.6% from the preceding July. Employment growth for the year was driven by private educational and health services (41,900) and leisure and hospitality (33,100), as well as growth in other sectors, but was partially offset by job losses in professional and business services (12,800) and retail trade (8,500). The statewide housing market was down in the first seven months of this year compared to the same period a year earlier but the average sales price through July was up compared to a year earlier.

The National Economy

In August, the U.S. economy added 187,000 jobs and the national unemployment rate rose to 3.8%. Unemployment rates fluctuated in a narrow range between 3.4% and 3.7% nationally from March 2022 through July this year so the August result, while still low, broke out

[6] The federal funds rate is a short-term (generally overnight) interest rate at which banks lend reserves to each other. Though it is a market-determined rate, the Federal Reserve has substantial influence over it by way of its ability to increase or decrease available bank reserves.

from that range. 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 271,000 per month. The U.S. Bureau of Labor Statistics (BLS) revised downward its estimates of total employment in June and July, and the revised figures were included in the YTD 271,000 average cited above. For the month, there were job gains in health care, including both ambulatory health care services and nursing and residential care facilities; in leisure and hospitality; in social assistance, mostly in individual and family services; and in construction. Over the past year, employment increases were widespread among goods-producing and service-providing industries, and government, but there were declines in employment in nondurable goods manufacturing, transportation and warehousing, and information.

The number of people counted as unemployed nationally was 6.4 million in August, a 514,000 increase from July. Of these, 1.3 million had been without jobs and actively looking for work for six months or more, a number higher than in both the previous month and a year earlier. The increase in the number of unemployed can be reconciled with the increase in payroll employment largely due to a 525,000 reduction in the number of individuals who were out of the labor force in August. Thus the sizable increase in the number of unemployed individuals was virtually matched by the sizable number who were not employed or looking for work prior to August that began looking for a job but had not yet been hired. The number of people working part time for economic reasons was 4.2 million in August, an increase of 221,000 from the month prior. The labor force participation rate, the share of the population that is either employed or actively seeking work, rose 0.2 percentage point to 62.8% (after remaining unchanged since March). The labor force participation rate has been gradually rising since the beginning of the COVID-19 pandemic, before which it was 63.3%.

Job openings declined to 8.8 million in July, from 9.2 million in June. Job openings have been trending down from over 11 million as recently as December. Decreases in job openings were primarily reported in professional and business services, health care and social assistance, and state and local and federal government. Increased job openings were reported in information, transportation, warehousing, and utilities. 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 decreased to 3.5 million, a rate of 2.3%, mostly in accommodation and food services, and in wholesale trade. 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 2.1% annual rate in the second quarter of 2023 according to the second estimate published by the U.S. Bureau of Economic Analysis (BEA). The second estimate was revised downward from the BEA's first estimate of a 2.4% annual rate. Growth in the second quarter was driven by consumer spending, nonresidential fixed investment in structures, and government spending at both the federal level and the state and local level. Growth was restrained by exports, residential fixed investment, and private inventory investment.

Industrial output nationwide increased 1.0% in July, following decreases in May and June. Total industrial output in July was 0.2% lower than a year earlier. Manufacturing output rose 0.5% for the month. Mining production also increased 0.5% and utility output rose 5.4% as high temperatures in July raised demand for cooling.

The CPI increased 0.2% in July, seasonally adjusted, following the same increase in June. Compared to a year ago, the CPI increased 3.2% before seasonal adjustment. The increase in July was in large part due to increases in prices for shelter, which accounted for over 90% of the monthly CPI increase. The food index rose 0.2% and the energy index increased 0.1% in July. The CPI core index (all items excluding food and energy) increased 0.2% in July, after increasing at the same pace in the previous month. Compared to July 2022, the food index was up 4.9%, the core index was up 4.7%, and the energy index declined 12.5%. 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 and has trended downward since.

The producer price index for final demand (PPI) increased 0.3% in July, seasonally adjusted, after a 0.0% increase in June and a decrease of 0.3% in May. Since July of last year, the index for final demand rose 0.8% before seasonal adjustment. The increase in July was driven by a 0.5% increase in prices for final demand services. The index for final demand goods rose slightly by 0.1% in July, following no change in June. The index for final demand less food, energy, and trade services increased 0.2% from June to July and by 2.7% over the last year.

Personal income, not adjusted for inflation, increased 0.2% in July largely driven by increases in compensation which was partially offset by a decrease in personal current transfer receipts.[7] A related measure of inflation, an indicator used by the Fed, the personal consumption expenditures (PCE) price index rose 0.2% in July and was 3.3% higher than a year earlier. Excluding food and energy, the price index increased 0.2% in July and was up 4.2% over the year. Real personal consumption expenditures increased by 0.6% for the month.

Over 2.6 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the two months of July and August, a seasonally adjusted annual rate exceeding 15 million units. Unit sales for the two months were 16.3% higher than the 2.3 million units sold in the corresponding months of 2022.

Housing starts in the U.S. rose 3.9% in July, seasonally adjusted, an increase of 5.9% compared to July 2022. Building permits for new housing units in the U.S. rose 0.1% from June to July but declined by 13.0% from the preceding year. Midwest housing starts grew more strongly than nationwide, increasing 9.9% for the month and 10.6% over the last year. However building permits in the Midwest declined more sharply than nationwide, by 7.7% from June to July and by 15.0% from a year earlier. New home sales rose 4.4% nationally in July, seasonally adjusted, and increased 31.5% from a year earlier. In the Midwest, the number of new houses sold grew even more strongly, by 47.4% for the month and by 58.5% from a year earlier. Long-term borrowing costs for home loans have increased sharply over the last two years, but the median price for new homes sold has fallen in the last year, helping to support new home sales.

The Ohio Economy

In July, Ohio's total nonfarm payroll employment continued to increase while the unemployment rate decreased to 3.3%, down from 3.4% in June. Ohio's unemployment rate in May (3.6%) was the lowest recorded based on available data since 1976, and it has continued to decrease in the months that followed. Ohio's unemployment rate was 4.0% in July of last year.

[7] "Current transfer receipts" are payments from government (e.g., Social Security payments to individuals or Medicare and Medicaid payments to medical service providers) or businesses.

The number of unemployed Ohio workers was 194,000 in July, 6,000 less than in June and 34,000 less than in July of last year. The state's unemployment rate in July was lower than the U.S. unemployment rate, a trend that started in May; the U.S. unemployment rate was 3.5% in July.

Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 12,100 or 0.2% in July from the revised total in June, the ninth consecutive month of increasing employment. In July, employment in private service-producing industries, goods-producing industries, and government increased by 4,100, 2,700, and 5,300, respectively. Job gains were particularly large in educational and health services and construction. Job gains in those business sectors and some others were partially offset by losses in sectors including financial activities, trade, transportation, utilities, and manufacturing.

Compared to July of last year, the state's nonfarm payroll employment increased 89,200, or 1.6%. Employment in private service-producing industries, goods-producing industries, and government employment increased by 62,400, 16,600, and 10,200, respectively. Year-over-year employment gains were experienced in most industries, largely in educational and health services (41,900), leisure and hospitality (33,100), other services (11,500), and durable goods manufacturing (7,400). Job losses were in professional and business services (12,800), information (2,800), retail trade (8,500), and financial activities (2,100).

Among Ohio metropolitan areas, payroll employment growth for the 12-month period ending in July was strongest in Springfield, at 3.9%, Cincinnati (3.2%), and Dayton (2.4%). The areas with the weakest employment change were Lima, where the number of payroll jobs fell 1.0% in the latest 12 months, and Weirton-Steubenville where employment was unchanged. But unemployment rates were generally low by historical standards across the state. The unemployment rate in the Weirton-Steubenville metropolitan area in July was highest in the state at 5.1%, followed by Youngstown-Warren-Boardman (4.1%) and Mansfield (4.0%); all other metropolitan area unemployment rates were less than 4.0%. Metropolitan area employment and unemployment rates are not seasonally adjusted.

The number of existing homes sold in Ohio decreased by 19.9% compared to July of last year, according to the Ohio Realtors. From January through July of this year, existing home sales were 16.6% lower than the corresponding period in 2022. The statewide sales price of homes sold in January through July 2023 averaged $270,251, or 3.5% higher than the corresponding period a year ago.

Business activity in the Cleveland Federal Reserve District[8] was little changed overall in the weeks leading up to August 28, according to the Fed's Beige Book,[9] but economic reports were somewhat mixed. Consumer spending was reported to have softened somewhat, and new orders from manufacturers declined in some cases. Freight activity "appeared to stabilize, but remained weak." But employment and nonresidential construction increased somewhat, and banking contacts reported that loan delinquency rates remained low.

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

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

Chart 5: U.S. and Ohio Nonfarm Payroll Employment (in millions)

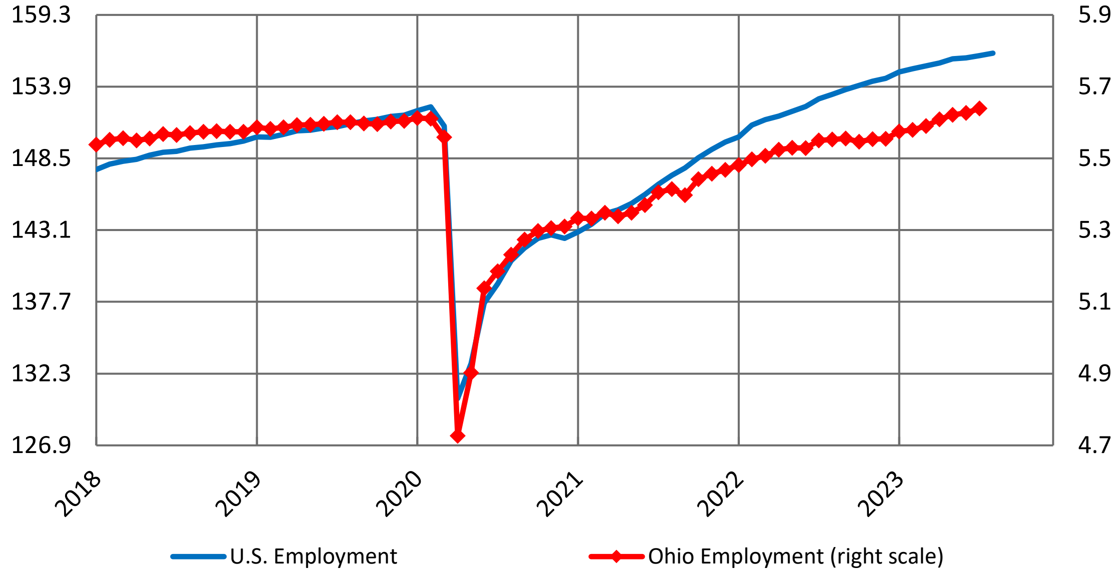
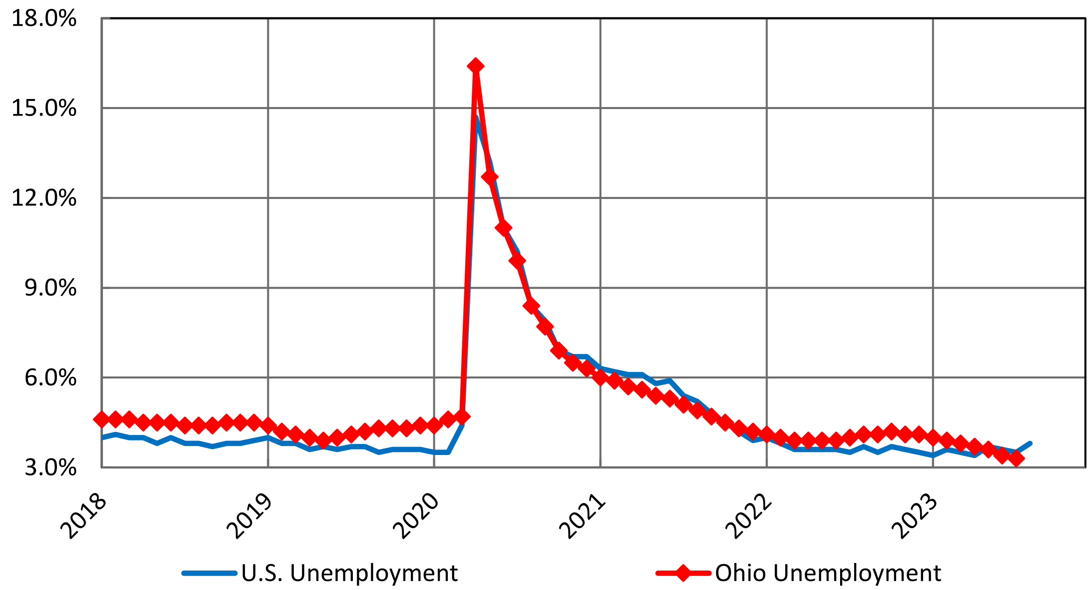


Chart 6: U.S. and Ohio Unemployment Rates % of Labor Force



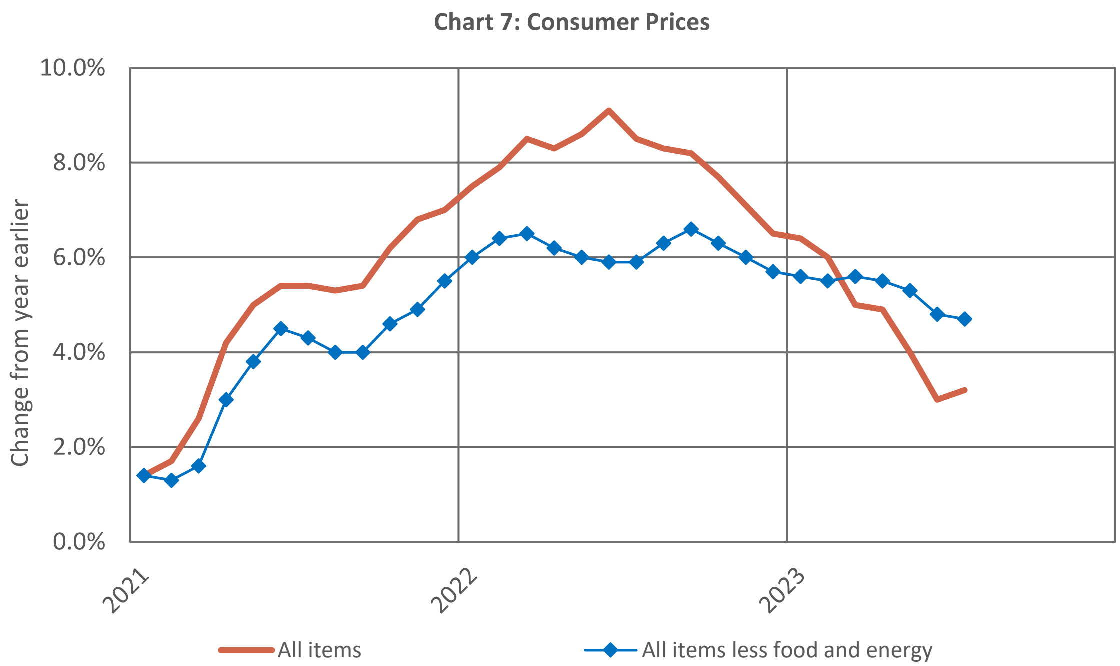


Chart 7: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy