LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 Issue: May 2024

Highlights

– Russ Keller, Chief Economist

GRF tax revenue in the month of April missed the Office of Budget and Management (OBM) estimate by $224.4 million, marking the fourth shortfall in the past five months. Personal income tax (PIT) returns for tax year 2023 were due in April, and PIT receipts for the month missed estimate by $154.8 million, further pushing the PIT $453.9 million below its year-to-date (YTD) estimate. On the other side of the ledger, GRF expenditures continue to run well below expectations.

Employment levels in Ohio continue to increase, with payroll gains in March outpacing the recent growth trend. However, growth in average hourly earnings among Ohio's private sector employees decelerated through much of FY 2024.

Through April 2024, GRF sources totaled $33.67 billion:

- Revenue from the two largest tax sources, the PIT and the sales and use tax, were both below their respective estimates by $453.9 million and $14.4 million;
- Federal grants were $964.6 million below estimate.

Through April 2024, GRF uses totaled $41.25 billion:

- Program expenditures were $1.83 billion (5.0%) below estimate, as every program category was below estimate;
- The largest shortfall was Medicaid, $1.33 billion, which reflects a decline in caseloads, lower spending per member, and timing;
- GRF transfers out were $1.20 billion above estimate due to timing issues.

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$192,884	$181,600	$11,284	6.2%
Nonauto Sales and Use	$1,026,027	$1,068,300	-$42,273	-4.0%
Total Sales and Use	*$1,218,911*	*$1,249,900*	*-$30,989*	*-2.5%*
Personal Income	$1,062,892	$1,217,700	-$154,808	-12.7%
Commercial Activity Tax	$37,638	$77,500	-$39,862	-51.4%
Cigarette	$58,932	$60,400	-$1,468	-2.4%
Kilowatt-Hour Excise	$29,282	$26,700	$2,582	9.7%
Foreign Insurance	$362	$900	-$538	-59.7%
Domestic Insurance	$3	$200	-$197	-98.7%
Financial Institution	$30,876	$29,200	$1,676	5.7%
Public Utility	$339	$300	$39	13.0%
Natural Gas Consumption	$145	$0	$145	---
Alcoholic Beverage	$3,979	$4,700	-$721	-15.3%
Liquor Gallonage	$4,677	$4,900	-$223	-4.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$13	$0	$13	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,448,048**	**$2,672,400**	**-$224,352**	**-8.4%**
Nontax Revenue				
Earnings on Investments	$112,355	$37,377	$74,978	200.6%
Licenses and Fees	$34,652	$19,729	$14,922	75.6%
Other Revenue	$501	$1,250	-$749	-59.9%
Total Nontax Revenue	**$147,508**	**$58,357**	**$89,151**	**152.8%**
Transfers In	**$2,598**	**$0**	**$2,598**	**---**
Total State Sources	**$2,598,153**	**$2,730,757**	**-$132,603**	**-4.9%**
Federal Grants	**$545,694**	**$655,784**	**-$110,090**	**-16.8%**
Total GRF Sources	**$3,143,847**	**$3,386,540**	**-$242,693**	**-7.2%**

*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 April 30, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 1, 2024)

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2023****	**Percent**
Tax Revenue						
Auto Sales	$1,594,157	$1,632,200	-$38,043	-2.3%	$1,622,636	-1.8%
Nonauto Sales and Use	$9,739,692	$9,716,000	$23,692	0.2%	$9,481,215	2.7%
Total Sales and Use	*$11,333,849*	*$11,348,200*	*-$14,351*	*-0.1%*	*$11,103,851*	*2.1%*
Personal Income	$7,792,682	$8,246,600	-$453,918	-5.5%	$8,832,078	-11.8%
Commercial Activity Tax	$1,940,533	$1,919,100	$21,433	1.1%	$1,709,346	13.5%
Cigarette	$582,004	$611,600	-$29,596	-4.8%	$638,517	-8.9%
Kilowatt-Hour Excise	$246,351	$247,400	-$1,049	-0.4%	$246,970	-0.3%
Foreign Insurance	$368,625	$386,200	-$17,575	-4.6%	$400,231	-7.9%
Domestic Insurance	$75,861	$7,100	$68,761	968.5%	$19,316	292.7%
Financial Institution	$151,062	$172,300	-$21,238	-12.3%	$184,548	-18.1%
Public Utility	$122,639	$120,200	$2,439	2.0%	$131,238	-6.6%
Natural Gas Consumption	$36,231	$35,200	$1,031	2.9%	$37,273	-2.8%
Alcoholic Beverage	$48,955	$51,200	-$2,245	-4.4%	$52,205	-6.2%
Liquor Gallonage	$47,190	$49,200	-$2,010	-4.1%	$47,837	-1.4%
Petroleum Activity Tax	$9,618	$8,200	$1,418	17.3%	$11,367	-15.4%
Corporate Franchise	$193	$0	$193	---	$99	95.0%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$34	-99.8%
Total Tax Revenue	**$22,755,793**	**$23,202,500**	**-$446,707**	**-1.9%**	**$23,414,910**	**-2.8%**
Nontax Revenue						
Earnings on Investments	$343,291	$128,641	$214,650	166.9%	$197,894	73.5%
Licenses and Fees	$121,199	$93,457	$27,742	29.7%	$110,289	9.9%
Other Revenue	$144,279	$96,700	$47,579	49.2%	$152,496	-5.4%
Total Nontax Revenue	**$608,769**	**$318,798**	**$289,971**	**91.0%**	**$460,679**	**32.1%**
Transfers In	**$13,547**	**$0**	**$13,547**	**---**	**$19,213**	**-29.5%**
Total State Sources	**$23,378,109**	**$23,521,298**	**-$143,189**	**-0.6%**	**$23,894,803**	**-2.2%**
Federal Grants	**$10,295,757**	**$11,260,311**	**-$964,555**	**-8.6%**	**$10,749,105**	**-4.2%**
Total GRF SOURCES	**$33,673,865**	**$34,781,609**	**-$1,107,744**	**-3.2%**	**$34,643,907**	**-2.8%**

*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

April GRF total tax revenue was below OBM's estimate by $224.4 million (8.4%). Revenues were below estimate from the PIT by $154.8 million, the commercial activity tax (CAT) by $39.9 million, and several other tax sources. Earnings on investment were above estimate by $75.0 million, but federal grants were below estimate by $110.1 million. Total GRF sources for April were $242.7 million lower than estimate.

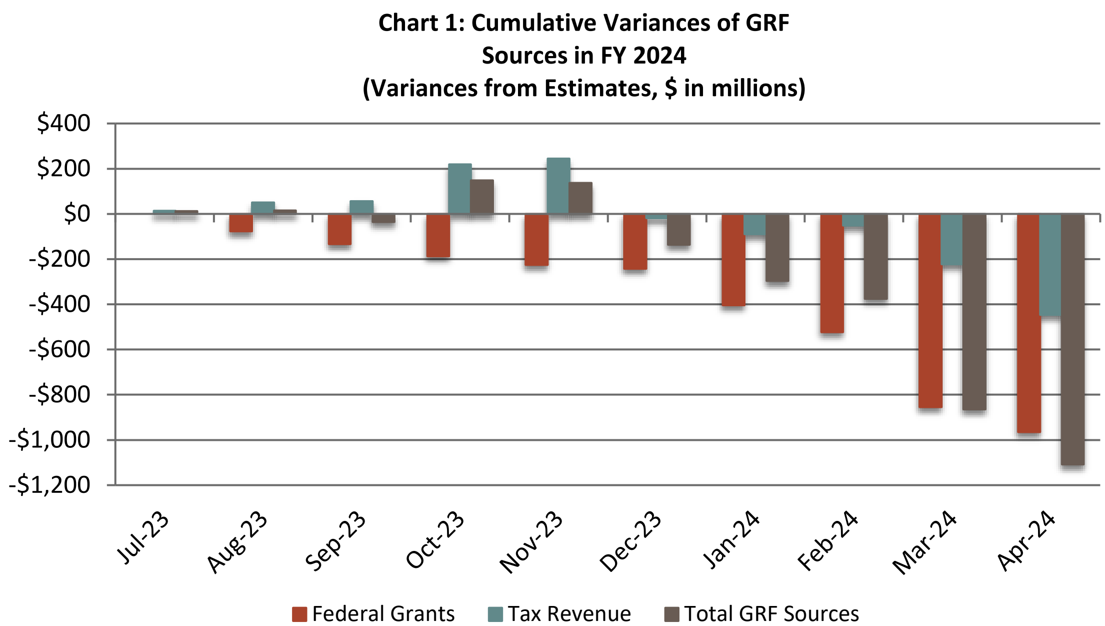
Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Table 1 above shows GRF sources for the month of April compared to estimates, while Table 2 shows YTD GRF sources compared to both estimates and FY 2023 YTD revenue.

GRF tax receipts in the first ten months of FY 2024 amounted to $22.76 billion, $446.7 million (1.9%) below estimate. The most negative YTD variance continued to be for the PIT, $453.9 million. Also below estimate for the first ten months of the fiscal year were the auto sales and use tax, by $38.0 million; the cigarette and other tobacco products tax, by $29.6 million; the financial institution tax, by $21.2 million; and the foreign insurance tax, by $17.6 million. The largest positive variances were for the domestic insurance tax, by $68.8 million; the nonauto sales and use tax, by $23.7 million; and the CAT, by $21.4 million. More details about revenue from the four largest tax sources (the sales tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

Nontax revenue for the fiscal year's first ten months exceeded the estimate by $290.0 million, of which earnings on investment was in excess of the estimate by $214.7 million, and "Other revenue" exceeded estimate by $47.6 million. Transfers in were above estimate by $13.5 million. YTD federal grants were $964.6 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also well below their estimate.

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

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



YTD GRF tax revenue was lower than in the first ten months of FY 2023 by $659.1 million (2.8%). By far the weakest component of GRF revenue on this basis was the PIT, lower by $1.04 billion (11.8%). Other taxes with revenues lower than in the year-earlier period include the cigarette and other tobacco products tax, by $56.5 million (8.9%); the financial institution tax, by $33.5 million (18.1%); the foreign insurance tax, by $31.6 million (7.9%); and the auto sales and use tax, by $28.5 million (1.8%). On the positive side, taxes with YTD GRF receipts higher than a year earlier include the nonauto sales and use tax, by $258.5 million (2.7%); the CAT, by $231.2 million (13.5%); and the domestic insurance tax, by $56.5 million (292.7%). Year-to-year growth in CAT revenue to the GRF resulted from a provision in H.B. 33 of the 135th General Assembly, the main operating budget act, which increased the portion of CAT revenue allocated to the GRF.

Nontax revenue to the GRF in the first ten months of FY 2024 was higher than a year earlier by $148.1 million, reflecting a $145.4 million (73.5%) increase in earnings on investment. Total state-source revenue was lower than a year earlier by $516.7 million (2.2%). GRF revenue from federal grants was lower than in the year-earlier period by $453.3 million (4.2%).

Sales and Use Tax

April GRF receipts from the sales and use tax were $1.22 billion, $31.0 million (2.5%) below estimate. For the first ten months of FY 2024, revenue from the tax was $11.33 billion, $14.4 million (0.1%) below estimate. Revenue in the fiscal year's first ten months was $230.0 million (2.1%) higher than in the year-earlier period. The sales and use tax is the state's largest tax revenue source.

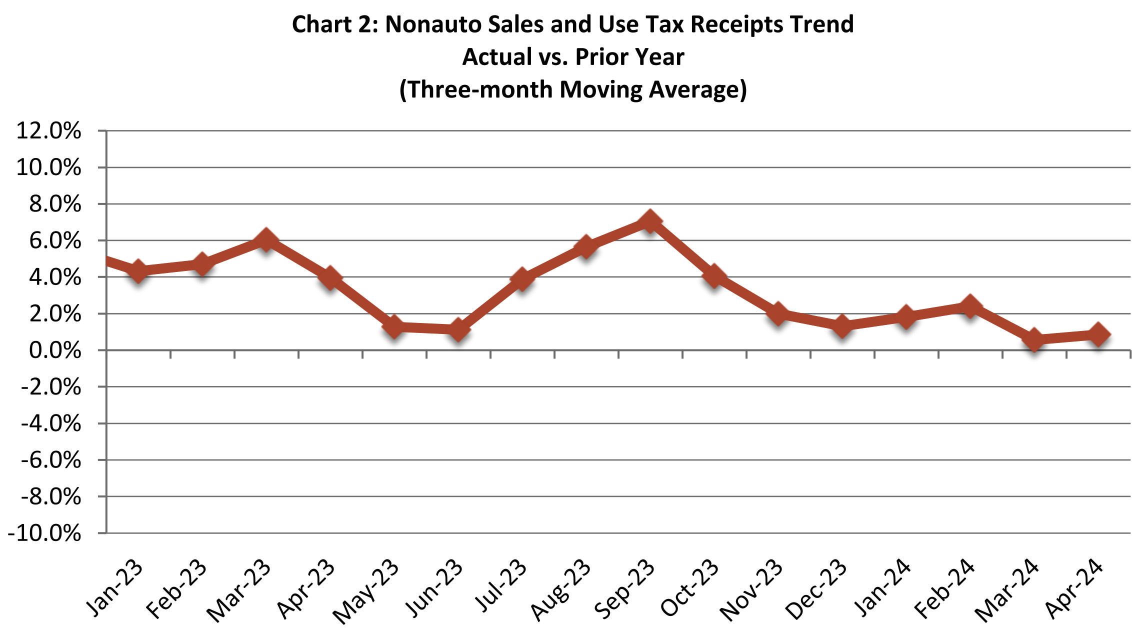
For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally are from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. In the first ten months of FY 2024, variances for the two components of the tax diverged, with a positive YTD variance from the nonauto portion and a negative YTD variance from the auto component.

The tax base[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product data show growth in the dollar value of consumer spending through March, seasonally adjusted, with growth strongest in services. Consumer price inflation, as measured by the personal consumption expenditures price index, is not as high as two years ago, but this measure of annual inflation was 2.7% in March, up from 2.5% in January and February.

Nonauto Sales and Use Tax

April GRF receipts of $1.03 billion were $42.3 million (4.0%) below the OBM estimate but $9.9 million (1.0%) above revenue in April 2023. For the first ten months of FY 2024, revenues were $9.74 billion, $23.7 million (0.2%) above estimate and $258.5 million (2.7%) higher than receipts a year earlier.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2023. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Growth this year slowed from a peak in the second half of last year.



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

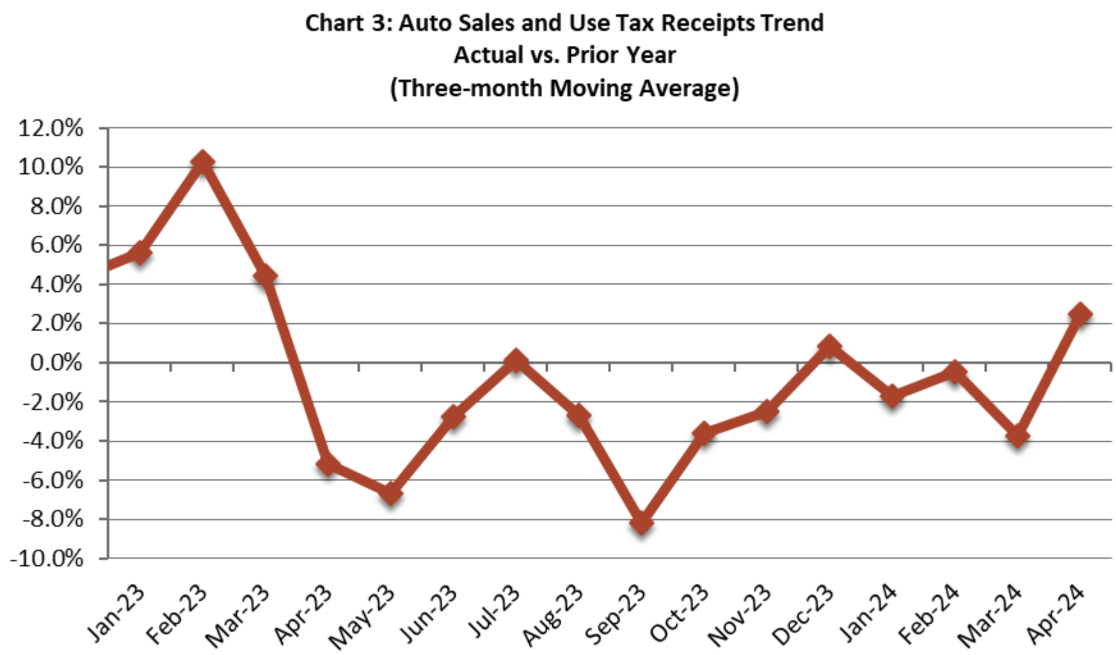
[3] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during February 2023 through April 2023 to revenue received during February 2024 through April 2024.

Auto Sales and Use Tax

April receipts from the auto component of the sales and use tax were $192.9 million, $11.3 million (6.2%) above estimate, and $28.7 million (17.5%) above receipts in April 2023. For the fiscal YTD through April, revenue of $1.59 billion was below the estimate by $38.0 million (2.3%) and below year-earlier revenues by $28.5 million (1.8%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the ten months through April of around 9%, though most of this growth occurred in 2023. Dealer inventories of domestic autos nationwide remain low.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2023. The uptick in the latest month reflects strong April collections, after generally lower auto sales and use tax receipts than a year earlier in most months since early 2023. Whether the April improvement in tax receipts will persist is of course unknown.



Personal Income Tax

April GRF revenue from the PIT of $1.06 billion was $154.8 million (12.7%) below estimate. Revenue received during the first ten months of FY 2024 totaled $7.79 billion, $453.9 million (5.5%) below estimate and $1.04 billion (11.8%) lower than a year earlier. Weakness appears to reflect in substantial part the tax cuts in TY 2023 made by H.B. 33 and the withholding rate cuts that followed beginning last November. Also, income growth in Ohio appears to have slowed, based on initial data, mostly reflecting slower growth of average hourly earnings in the state.

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

H.B. 33 reduced both tax rates and the number of tax brackets for TY 2023 and TY 2024. Withholding rates, set administratively, were unchanged for the lowest wage brackets but reduced by 12% to 29% in higher brackets.

The table below provides details on revenue from PIT components through April relative to estimates for FY 2024 and to revenues received in the year-earlier period. FY 2024 YTD gross collections were $442.2 million (4.0%) above anticipated revenue, but $177.2 million (1.5%) below year-earlier revenues. Shifts among payment categories, with some up substantially and others lower, were attributed by OBM to changes in tax forms associated with enactment of electing pass-through entity law (S.B. 246 of the 134th General Assembly). Refunds were well in excess of estimate and of year-earlier levels. As a result, the YTD shortfall in GRF revenue widened relative to both the estimate, by $453.9 million (5.5%), and to a year ago, by $1.04 billion (11.8%).

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	-$143.7	-1.6%	-$443.7	-4.8%
Quarterly Estimated Payments	$325.6	41.4%	$233.3	26.5%
Trust Payments	$13.0	30.3%	-$4.2	-7.1%
Annual Return Payments	$261.8	21.8%	$49.8	3.5%
Miscellaneous Payments	-$14.4	-18.0%	-$12.3	-15.7%
Gross Collections	**$442.2**	**4.0%**	**-$177.2**	**-1.5%**
Less Refunds	$899.8	36.8%	$856.2	34.4%
Less LGF Distribution	-$3.7	-0.9%	$6.0	1.4%
GRF PIT Revenue	**-$453.9**	**-5.5%**	**-$1,039.4**	**-11.8%**

[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.

Commercial Activity Tax

April GRF receipts from the CAT were $37.6 million, $39.9 million (51.4%) below the estimate. GRF revenues for the fiscal year's first ten months were $1.94 billion, $21.4 million (1.1%) above estimate. CAT payments are due in February, May, August, and November based on gross receipts in the previous calendar quarter, so payments in April tend to be low.

YTD GRF revenue from the CAT grew by $231.2 million (13.5%) compared with the first ten months of FY 2023. Increased economic activity does not account for this growth. Allocation of CAT revenue was changed by H.B. 33, which directs virtually all revenue after the first 0.65% to the GRF.[5] The 0.65% credited from CAT revenues goes to Fund 2280, used by the Department of Taxation to enforce state tax law. Prior to FY 2024 the GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD CAT revenue on an all-funds basis net of refunds, $1.95 billion, was $71.0 million (3.5%) below comparable CAT revenue in the first ten months of FY 2023.

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

Cigarette and Other Tobacco Products Tax

April revenue from the cigarette and other tobacco products tax totaling $58.9 million was below estimate by $1.5 million (2.4%). YTD revenue from the tax was $582.0 million, $29.6 million (4.8%) below estimate. The YTD total included $488.1 million from cigarette sales and $93.9 million from the sale of other tobacco products (OTP).

FY 2024 revenue through April fell by $56.5 million (8.9%) compared to revenue in the first ten months of FY 2023. OTP sales decreased by $1.8 million (1.9%) while receipts from cigarette sales decreased $54.7 million (10.1%). The smaller percentage decrease in OTP revenue may be due in part to rising OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base tends to grow with price increases.

Taxation of OTP differs from cigarettes, which are taxed based on unit sales. Revenue from cigarette sales usually trends slowly downward. This pattern was temporarily disrupted by the COVID-19 pandemic, but cigarette tax receipts appear to have reverted to the pre-pandemic downward trend.

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

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of April 2024
($ in thousands)
(Actual based on OAKS reports run May 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$693,087	$709,937	-$16,850	-2.4%
Higher Education	$203,976	$201,064	$2,912	1.4%
Other Education	$4,598	$10,624	-$6,026	-56.7%
Total Education	**$901,661**	**$921,626**	**-$19,964**	**-2.2%**
Medicaid	$1,074,919	$1,219,359	-$144,440	-11.8%
Health and Human Services	$133,402	$139,874	-$6,472	-4.6%
Total Health and Human Services	**$1,208,321**	**$1,359,233**	**-$150,912**	**-11.1%**
Justice and Public Protection	$269,369	$268,403	$966	0.4%
General Government	$65,662	$87,731	-$22,069	-25.2%
Total Government Operations	**$335,031**	**$356,133**	**-$21,103**	**-5.9%**
Property Tax Reimbursements	$449,860	$462,886	-$13,026	-2.8%
Debt Service	$92,737	$92,739	-$2	0.0%
Total Other Expenditures	**$542,597**	**$555,626**	**-$13,028**	**-2.3%**
Total Program Expenditures	**$2,987,610**	**$3,192,618**	**-$205,007**	**-6.4%**
Transfers Out	**$210,224**	**$0**	**$210,224**	**---**
Total GRF Uses	**$3,197,834**	**$3,192,618**	**$5,217**	**0.2%**

*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 April 30, 2024
($ in thousands)
(Actual based on OAKS reports run May 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$8,377,964	$8,389,796	-$11,832	-0.1%	$7,510,587	11.5%
Higher Education	$2,166,777	$2,202,041	-$35,264	-1.6%	$2,052,617	5.6%
Other Education	$93,390	$97,598	-$4,208	-4.3%	$80,553	15.9%
Total Education	**$10,638,131**	**$10,689,435**	**-$51,304**	**-0.5%**	**$9,643,757**	**10.3%**
Medicaid	$15,969,394	$17,298,561	-$1,329,167	-7.7%	$15,393,230	3.7%
Health and Human Services	$1,537,577	$1,716,450	-$178,872	-10.4%	$1,424,618	7.9%
Total Health and Human Services	**$17,506,971**	**$19,015,011**	**-$1,508,039**	**-7.9%**	**$16,817,848**	**4.1%**
Justice and Public Protection	$2,517,883	$2,602,639	-$84,756	-3.3%	$2,316,393	8.7%
General Government	$1,112,775	$1,207,744	-$94,969	-7.9%	$490,645	126.8%
Total Government Operations	**$3,630,658**	**$3,810,383**	**-$179,725**	**-4.7%**	**$2,807,038**	**29.3%**
Property Tax Reimbursements	$1,456,405	$1,537,737	-$81,332	-5.3%	$1,330,794	9.4%
Debt Service	$1,219,195	$1,227,147	-$7,952	-0.6%	$1,446,762	-15.7%
Total Other Expenditures	**$2,675,600**	**$2,764,884**	**-$89,284**	**-3.2%**	**$2,777,556**	**-3.7%**
Total Program Expenditures	**$34,451,361**	**$36,279,713**	**-$1,828,352**	**-5.0%**	**$32,046,199**	**7.5%**
Transfers Out	**$6,794,830**	**$5,597,298**	**$1,197,532**	**21.4%**	**$2,267,170**	**199.7%**
Total GRF Uses	**$41,246,191**	**$41,877,011**	**-$630,820**	**-1.5%**	**$34,313,369**	**20.2%**

*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 May 8, 2024)

	Month of April 2024				Year to Date through April 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$993,126	$1,137,342	-$144,216	-12.7%	$15,148,200	$16,449,084	-$1,300,884	-7.9%
Non-GRF	$1,746,414	$1,885,592	-$139,178	-7.4%	$12,600,687	$12,958,466	-$357,778	-2.8%
All Funds	$2,739,540	$3,022,934	-$283,394	-9.4%	$27,748,888	$29,407,550	-$1,658,663	-5.6%
Developmental Disabilities								
GRF	$73,997	$73,668	$329	0.4%	$727,729	$728,492	-$763	-0.1%
Non-GRF	$340,116	$341,023	-$907	-0.3%	$2,828,046	$2,947,361	-$119,315	-4.0%
All Funds	$414,113	$414,691	-$578	-0.1%	$3,555,775	$3,675,854	-$120,078	-3.3%
Job and Family Services								
GRF	$7,053	$7,428	-$375	-5.0%	$84,571	$111,254	-$26,682	-24.0%
Non-GRF	$12,806	$17,111	-$4,305	-25.2%	$139,244	$163,868	-$24,624	-15.0%
All Funds	$19,858	$24,538	-$4,680	-19.1%	$223,815	$275,121	-$51,306	-18.6%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education and Workforce, and Higher Education								
GRF	$743	$921	-$179	-19.4%	$8,894	$9,731	-$837	-8.6%
Non-GRF	$2,194	$10,896	-$8,702	-79.9%	$48,025	$102,173	-$54,148	-53.0%
All Funds	$2,936	$11,817	-$8,881	-75.2%	$56,918	$111,904	-$54,986	-49.1%
All Departments:								
GRF	**$1,074,919**	**$1,219,359**	**-$144,440**	**-11.8%**	**$15,969,394**	**$17,298,561**	**-$1,329,167**	**-7.7%**
Non-GRF	**$2,101,529**	**$2,254,621**	**-$153,093**	**-6.8%**	**$15,616,002**	**$16,171,868**	**-$555,866**	**-3.4%**
All Funds	**$3,176,448**	**$3,473,980**	**-$297,533**	**-8.6%**	**$31,585,396**	**$33,470,429**	**-$1,885,033**	**-5.6%**

*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 May 8, 2024)

	Month of April 2024				Year to Date through April 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,061,602**	**$2,318,664**	**-$257,061**	**-11.1%**	**$20,909,792**	**$22,359,719**	**-$1,449,927**	**-6.5%**
CFC†	$497,182	$613,613	-$116,431	-19.0%	$5,557,519	$6,280,833	-$723,314	-11.5%
Group VIII	$458,812	$533,632	-$74,820	-14.0%	$5,019,475	$5,503,664	-$484,189	-8.8%
ABD†	$173,858	$188,567	-$14,709	-7.8%	$1,868,578	$1,960,482	-$91,904	-4.7%
ABD Kids	$58,677	$64,901	-$6,224	-9.6%	$595,053	$652,659	-$57,606	-8.8%
My Care	$288,628	$301,142	-$12,513	-4.2%	$2,665,224	$2,692,605	-$27,381	-1.0%
OhioRise	$42,948	$52,261	-$9,313	-17.8%	$380,808	$412,134	-$31,325	-7.6%
SPBM	$541,496	$564,548	-$23,052	-4.1%	$4,823,135	$4,857,343	-$34,207	-0.7%
Fee-For-Service	**$897,453**	**$917,344**	**-$19,891**	**-2.2%**	**$8,318,300**	**$8,567,887**	**-$249,587**	**-2.9%**
ODM Services	$488,442	$508,797	-$20,355	-4.0%	$4,113,231	$4,219,458	-$106,227	-2.5%
DDD Services	$409,011	$408,547	$464	0.1%	$3,455,529	$3,570,429	-$114,900	-3.2%
Hospital - HCAP	$0	$0	$0	-	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$133,200**	**$141,415**	**-$8,215**	**-5.8%**	**$1,404,179**	**$1,470,334**	**-$66,154**	**-4.5%**
Medicare Buy-In	$78,905	$84,390	-$5,485	-6.5%	$837,686	$889,412	-$51,726	-5.8%
Medicare Part D	$54,295	$57,025	-$2,730	-4.8%	$566,493	$580,922	-$14,428	-2.5%
Administration	**$84,192**	**$96,557**	**-$12,366**	**-12.8%**	**$953,125**	**$1,072,490**	**-$119,364**	**-11.1%**
Total	**$3,176,448**	**$3,473,980**	**-$297,533**	**-8.6%**	**$31,585,396**	**$33,470,429**	**-$1,885,033**	**-5.6%**

*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[6]

– Lin Kong, Budget Analyst

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $34.45 billion in the first ten months of FY 2024. These expenditures were $1.82 billion (5.0%) below OBM's estimates for the YTD. GRF uses also include transfers out, which totaled $6.79 billion and were $1.20 billion (21.4%) over estimate for the YTD, due primarily to transfers to support capital appropriations. Total GRF uses for these ten months were $41.25 billion, which was $630.8 million (1.5%) below estimate. The preceding Tables 3 and 4 show GRF uses compared to estimates for the month of April and YTD, respectively.

For April program expenditures, negative monthly variances occurred in GRF Medicaid ($144.4 million, 11.8%), General Government ($22.1 million, 25.2%), Primary and Secondary Education ($16.9 million, 2.4%), and Property Tax Reimbursements ($13.0 million, 2.8%). The remaining categories had monthly variances of less than $7 million. Total program expenditures were $205.0 million (6.4%) below estimate for the month of April.

For YTD program expenditures, all categories were below their FY 2024 estimate. The categories with the largest negative variances include Medicaid ($1.33 billion, 7.7%), Health and Human Services ($178.9 million, 10.4%), and General Government ($95.0 million, 7.9%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were below their monthly estimate in April by $144.4 million (11.8%) and below their YTD estimate by $1.33 billion (7.7%) at the end of April. Non-GRF Medicaid expenditures were below their monthly estimate by $153.1 million (6.8%) and below their YTD estimate by $555.9 million (3.4%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $297.5 million (8.6%) below estimate in April and $1.89 billion (5.6%) below their YTD estimate at the end of April.

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 April of $283.4 million (9.4%), and a YTD all funds negative variance of $1.66 billion (5.6%) at the end of April. DODD had an April all funds negative variance of $0.6 million (0.1%) and ended the month

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

with YTD expenditures being $120.1 million (3.3%) below estimate. The other seven "sister" agencies – Job and Family Services (ODJFS), Health, Aging, Mental Health and Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), and Higher Education – 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 April. In percentage terms, the Administration variance of $119.4 million (11.1%) was the largest. This continued the recent pattern of lower administrative spending, especially by "sister" agencies. Some of the administrative variance is a product of timing, with agencies deferring spending towards the end of the fiscal year. In terms of absolute dollars, the largest variance was in Managed Care, which was $1.45 billion (6.5%) below the YTD estimate. The Managed Care variance throughout this fiscal year has been largely due to a lower-than-projected caseload, especially in the Covered Families and Children (CFC) population, and a lower per-member-per-month (PMPM) spending. The caseload shortfall accounts for approximately 35% of the YTD negative variance, and the PMPM accounts for approximately 45%. The other categories with negative variances were Fee-for-Service (FFS) at $249.6 million (2.9%) and Premium Assistance at $66.2 million (4.5%).

Due to federal requirements for states to provide continuous coverage throughout the COVID-19 public health emergency (PHE) in exchange for receiving a higher reimbursement on Medicaid expenditures, caseloads increased more than 28% from February 2020 to April 2023. The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM's net caseload had declined by March 2024 by over 420,000.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. ODJFS accounts for a majority of the actual expenditures for this category in FY 2024 (51.8%).

This category's negative YTD variance increased by $6.5 million in April to reach $178.9 million (10.4%). The largest contributor towards the negative YTD variance was ODJFS, the category's largest component. ODJFS was under estimate for the YTD by $128.0 million, which accounted for 71.6% of the category's YTD variance.

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

- A positive monthly variance of $15.1 million in ALI 600410, Temporary Assistance of Needy Families (TANF) State Maintenance of Effort, which decreased the negative YTD variance for this ALI to $20.8 million. This line item is used in conjunction with other line items for TANF programs. Expenditures from this line item are counted toward the state's maintenance of effort (MOE) for the federal TANF Block Grant
- A negative monthly variance of $6.9 million in ALI 600450, Program Operations, which increased the YTD negative variance for this ALI to $54.8 million. This ALI is used for administrative functions, operating expenses, and various information technology projects for the Department.

- A negative monthly variance of $6.0 million in ALI 600523, Children and Families Subsidy, which resulted in a negative YTD variance for this ALI of $26.5 million. This ALI primarily supports family and children services, including foster parent stipends, education training vouchers, and public children services agencies.

The second largest contributor towards this program category's negative YTD variance behind ODJFS is OhioMHAS, which had a monthly negative variance of $8.7 million thereby increasing its negative YTD variance to $28.3 million.

Notable line items in the OhioMHAS budget that contributed towards the negative YTD variance include ALI 336422, Criminal Justice Services, which has a negative YTD variance of $11.8 million. This line item is used to provide forensic psychiatric evaluations to courts of common pleas and to conduct evaluations of patients. ALI 336421, Continuum of Care Services, has a negative YTD variance of $5.4 million. This line item is used to distribute funds to local boards of alcohol, drug addiction, and mental health that meet locally determined needs.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounts for 71.4% of the actual expenditures for this category thus far in FY 2024. Eleven other agencies make up the remaining 28.6% of actual spending.

The April expenditures in this category were above its monthly estimate by about $966,000 (0.4%) resulting in a negative YTD variance of $84.8 million (3.3%). There are two notable line items that have significantly contributed to this program category's YTD negative variance. ALI 019501, County Reimbursement, is a line item within the Ohio Public Defender Commission's (PUB) budget that is used to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. This line item has a negative variance of $27.2 million thus far in FY 2024. ALI 501405, Halfway House, is a line item within the DRC Budget that primarily funds community residential programs operated by halfway house organizations to provide supervision and treatment services for offenders released from state prisons, referred by courts of common pleas, or sanctioned because of a violation of conditions of supervision. ALI 501405 has a YTD negative variance of $14.8 million. These two line items combined make up 49.5% of this program category's YTD negative variance.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The April expenditures in this category were below its monthly estimate by $22.1 million (25.2%), increasing its negative YTD variance to $95.0 million (7.9%). The Department of Development (DEV) accounts for 63.0% of this program category's negative YTD variance.

The particularly large negative variance for the month of April in this program category is due to ALI 195456, Local Roads. For the month of April, this ALI was expected to spend $23.1 million, but no actual expenditures were recorded for the month. More information about this line item is available in the following paragraph.

The most significant line items that contributed to the negative YTD variance thus far relate to infrastructure improvements. ALI 775471, State Road Improvements, was below its YTD estimate by $22.3 million. This line item is used to provide supplemental funding for road improvement projects in conjunction with a Highway Operating Fund appropriation. ALI 195456, Local Roads, was below its YTD estimate by $35.6 million. This now discontinued line item is used to fund local road improvements for economic development purposes.

Transfers out

GRF transfers out totaled $210.2 million in the month of April, although no April transfers out were included in the estimates. The April transfer activity increased the positive YTD variance for GRF transfers out to $1.20 billion (21.4%).

The vast majority of the April transfer was completed by the OBM Director pursuant to H.B. 687 of the 134th General Assembly, which authorized GRF transfers out to support capital projects during the FY 2023-FY 2024 capital biennium. For the month of April, $150.0 million was transferred to the Ohio Facilities Construction Commission's School Building Assistance Fund (Fund 7032) to support its cash needs for the next six months. Another $60.0 million was transferred to the Department of Development's Taxable Third Frontier Research and Development Fund (Fund 7014) to support its cash needs through FY 2025.

For the YTD at the end of April, GRF transfers out to support capital projects totaled $1,196.0 million. OBM's estimates planned for $850.0 million to be transferred for capital appropriations in FY 2024, all in June. So, $850.0 million of the YTD variance in transfers out is timing-related and will be resolved in June, but $346.0 million is resulting from transfers out for FY 2024 being higher than originally estimated. The following table summarizes the GRF transfers made so far in FY 2024 to support capital appropriations.

FY 2024 YTD GRF Transfers Out to Support Capital Appropriations	
Fund	**YTD Transfer**
School Building Program Assistance Fund (Fund 7032)	$350,000,000
Higher Education Improvement Fund (Fund 7034)	$200,000,000
Adult Correctional Building Fund (Fund 7027)	$175,000,000
Mental Health Facilities Improvement Fund (Fund 7033)	$150,000,000
Administrative Building Bond Fund (Fund 7026)	$100,000,000
Cultural and Sports Facilities Building Fund (Fund 7030)	$79,964,476
Taxable Third Frontier Research and Development Fund (Fund 7014)	$60,000,000
Clean Ohio Conservation Fund (Fund 7056)	$37,500,000
Administrative Building Taxable Bond Fund (Fund 7016)	$20,300,000
Parks and Natural Resources Fund (Fund 7031)	$17,000,000
Agricultural Easement Fund (Fund 7057)	$6,250,000
Total	**$1,196,014,476**

Issue Updates

ODH Awards $5 Million to Community and Faith-Based Organizations to Improve Maternal and Infant Health

– Suveksha Bhujel, Economist

On March 12, 2024, the Ohio Department of Health (ODH), in partnership with the Department of Children and Youth (DCY), awarded $5.0 million to 19 community and faith-based organizations to help support pregnant women and new parents. These organizations must use the funds to reduce barriers to health and wellness by providing various physical and social supports to these individuals to address gaps in the maternal health care system. Any supports provided must improve a participant's financial stability and independence, housing or environment quality, or access to early prenatal healthcare and education. Specifically, supports may include parenting education, stress reduction activities, fatherhood support and activities, incentives for program participation, healthcare services, nutrition services, and crisis assistance (e.g., housing, food, and transportation). Community and faith-based organizations were the only eligible applicants for these funds. Grant awards ranged from $40,000 to $350,000 and were provided to organizations across the state.

The goal of these grants is to implement community projects to improve maternal and infant health outcomes and reduce infant mortality. Infant mortality is defined as the death of an infant before his or her first birthday. In 2021, Ohio's infant mortality rate for all races was 7.0 deaths per 1,000 live births, which is higher than both the national and state goal of 6.0 or fewer deaths per 1,000 live births. Additionally, pregnancy-related complications cause an average of 21 maternal deaths each year.

Works4Me Program Begins Statewide Implementation

– Jacquelyn Schroeder, Senior Budget Analyst

In March 2024, the Works4Me Program, which is administered by the Opportunities for Ohioans with Disabilities Agency (OOD), entered its second phase of implementation. This phase will focus on increasing the availability of program services to individuals with disabilities throughout the state. The program originally began last year as a pilot program serving Cuyahoga and Lake counties. It has now expanded into six additional counties: Erie, Hamilton, Huron, Lucas, Ottawa, and Sandusky. OOD and other state and community stakeholders anticipate that statewide expansion efforts will continue throughout the remainder of 2024. The goal of Works4Me is to remove barriers for individuals with developmental disabilities who are employed at subminimum wage, or are considering employment at subminimum wage, but are seeking competitive integrated employment (CIE).[7] Services offered include career development,

[7] Competitive integrated employment is paid at or above minimum wage. It also: pays comparable wages to employees with and without disabilities for performing similar work; offers the same level of benefits

work incentives planning, paid work experience in the community, and other related wraparound services personalized to meet each individual's needs. OOD anticipates that the program will help approximately 1,450 individuals successfully complete activities leading to CIE.

The Works4Me Program is supported by a federal five-year grant award of approximately $9.0 million from the Rehabilitation Services Administration under the U.S. Department of Education. In 2023, Ohio was one of 14 states to receive such an award. Eligible entities included state vocational rehabilitation programs that had not completely phased out subminimum wage employment. Subminimum wage employment allows employers to pay individuals with disabilities less than the federal minimum wage mandated for other workers if the employer has a section 14(c) certificate issued from the U.S. Department of Labor. Several states have passed, or are in the process of implementing, legislation that abolishes the payment of subminimum wages to individuals with disabilities.

Board of Pharmacy Reaches $1.5 Million Settlement with CVS Health to Resolve Violations at 22 Ohio Pharmacies

– Robert Meeker, Senior Budget Analyst

On February 29, 2024, the State of Ohio Board of Pharmacy announced a $1.5 million settlement agreement with CVS Health to resolve 27 cases pending against 22 pharmacies. As part of the settlement, CVS Health agreed to pay a monetary penalty of $1.25 million and $250,000 (approximately $83,000 per year) for enhanced monitoring by the Board at eight CVS Pharmacy stores over a three-year probation period. In addition to its duties to prevent, detect, and investigate the diversion of dangerous drugs, the Pharmacy Board also investigates and presents evidence of suspected violations of drug laws and refers them for prosecution or administrative action. The Board works collaboratively with other state boards and law enforcement to conduct investigations of healthcare professionals who may be in violation of Ohio law.

The allegations against the 22 CVS pharmacies (in 14 counties) include improper drug security, dispensing errors, prescription delays, lack of general cleanliness, understaffing, and failure to report losses of controlled substances. The alleged conduct occurred between calendar years 2020 and 2023.

The enhanced monitoring fees will supplement Board appropriations in FY 2024 and FY 2025 for two additional Pharmacy Board Inspectors to carry out the enhanced monitoring of the relevant pharmacies. All money received through the settlement will be deposited to the Occupational Licensing Fund (Fund 4K90) which is used by the Board to administer and enforce laws governing the legal distribution of dangerous drugs, the practice of pharmacy, and the activities of home medical equipment service providers. The first deposit was made on March 28, 2024, and included the full $1.25 million fine and the first of three annual payments of $83,333 for compliance monitoring.

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to employees with and without disabilities; allows employees with disabilities to interact with coworkers and the public in the same capacity as employees without disabilities; and provides similar opportunities for advancement for employees with and without disabilities.

Controlling Board Approves Contract for Law Enforcement Training at Mid-Ohio Sports Car Course

– Maggie West, Senior Budget Analyst

On February 12, 2024, the Controlling Board approved the Department of Public Safety's request to contract with Green Savoree Mid-Ohio LLC for the Ohio State Highway Patrol's (OSHP) use of the Mid-Ohio Sports Car Course, located in Lexington, Ohio. The contract, in the amount $318,750 in each of FY 2024 and FY 2025, is for continued professional training of law enforcement officers in accordance with earmarks provided for in H.B. 33. OSHP will conduct Emergency Vehicle Operations Course (EVOC) training for both OSHP personnel and local law enforcement agencies.

The EVOC course curriculum consists of six hours of instruction. Of the six hours two hours is classroom instruction on rules and regulations of the track, vehicle dynamics and performance driving, and proper techniques for shuffle steering, hand and seat positioning, and straight-line breaking. The remaining four hours is practical training where students properly demonstrate specified driving techniques. The contract also provides for one day of instructor familiarization (train-the-trainer), during which the vendor will supply personnel to train OSHP officers. The contract provides for not more than 30 training sessions during each fiscal year, including the train-the-trainer sessions.

The contract is funded each fiscal year from two sources: (1) $89,250 from Fund 5ML0 ALI 768431, Highway Patrol Training, and (2) $229,500 from Fund 5Y10 ALI 764695, State Highway Patrol Continuing Professional Training. The Department has been contracting with the Mid-Ohio Sports Car Course for EVOC training course development assistance and facility use since FY 2013 and has generally continued those services annually except for the time period between June 2017 and November 2021.

Department of Natural Resources Awards Nearly $580,000 in Marine Patrol Assistance Grants

– Jared Cape, Budget Analyst

On April 19, 2024, the Department of Natural Resources (DNR) announced the recipients of Marine Patrol Assistance Grants totaling nearly $580,000. As shown in the table below, 24 agencies in 22 counties will receive grants of between $3,645 and $35,000, the maximum allowable award. These grants are used by law enforcement agencies to provide emergency responses to boating-related incidents, conduct routine waterway patrols, and purchase safety equipment for use on marine patrol vessels. The grants require a grantee cost share or in-kind contribution of 25%. Grants are made from the Waterways Safety Fund (Fund 7086), which receives 0.875% of the state motor fuel tax, boating registration and related fees, federal grants, and fines. More details concerning the grants may be found on the ODNR website: ohiodnr.gov.

FY 2024 Marine Patrol Assistance Grant Recipients		
County	**Law Enforcement Agency**	**Award**
Butler	Butler County Sheriff's Office	$23,487
Cuyahoga	Rocky River Police Department	$34,802
Erie	Huron Police Department	$30,855
Erie	Sandusky Police Department	$24,321
Erie	Vermilion Police Department	$32,697
Fairfield	Fairfield County Sheriff's Office	$10,592
Franklin	Columbus Division of Police	$34,943
Hamilton	Hamilton County Sheriff's Office	$21,875
Knox	Knox County Sheriff's Office	$22,796
Lake	Lake County Sheriff's Office	$29,934
Lawrence	Lawrence County Sheriff's Office	$17,039
Lorain	Lorain Police Department	$35,000
Mahoning	Mahoning County Sheriff's Office	$33,158
Montgomery	Five Rivers MetroParks	$14,041
Ottawa	Port Clinton Harbor Patrol	$18,284
Pickaway	Pickaway County Sheriff's Office	$15,645
Portage	Portage County Sheriff's Office	$26,838
Ross	Ross County Sheriff's Office	$17,270
Sandusky	Sandusky County Sheriff's Office	$19,572
Scioto	Scioto County Sheriff's Office	$18,882
Shelby	Shelby County Sheriff's Office	$3,645
Summit	Summit County Sheriff's Office	$32,697
Trumbull	Trumbull County Sheriff's Office	$24,646
Tuscarawas	Muskingum Watershed Conservancy District	$35,000
	Total	**$578,021**

Controlling Board Authorizes an Additional $1.4 Million for Department of Agriculture's Phosphorous Reduction Initiative

– Jared Cape, Budget Analyst

On April 15, 2024, the Controlling Board authorized an additional $1.4 million in FY 2025 under the Department of Agriculture's (AGR) budget to investigate ways to remove excess phosphorus from agriculture fields that can degrade Ohio's bodies of water. AGR will use the funding to collaborate with institutions of higher education to identify 8-12 agricultural fields to install and monitor phosphorus removal systems. The initiative will run through FY 2029. At the end of the program, reports will be issued that detail water quality results, technological developments, and phosphorus removal. Of the additional $1.4 million, $1.3 million will go to research grants and provide soil and water conservation districts with funding to monitor phosphorous content. Just over $110,000 will be used for AGR to hire a person to administer the program.

The funding is appropriated under Fund 5QW0 ALI 700653, Watershed Assistance, to support AGR's strategies for reducing agricultural phosphorous runoff in Ohio's watersheds, a key goal under the state's H2Ohio Program. The source of the funding is a portion of an $80.0 million settlement with Monsanto Co. for environmental damages caused by toxic Polychlorinated Biphenyls (PCBs) found in the company's products. The proceeds from the March 2022 settlement are overseen by the state PCB Advisory Board, consisting of leadership from the Attorney General's Office, the Environmental Protection Agency, and the departments of Health, Natural Resources, and Agriculture.

Controlling Board Approves $10.8 Million in Solvency Assistance for Mt. Healthy City School District

– Joshua Sherer, Budget Analyst

On April 15, 2024, the Controlling Board approved a request by DEW to provide a $10.8 million solvency advance payment to the Mt. Healthy City School District in Hamilton County for FY 2024. The Auditor of State declared Mt. Healthy in a state of fiscal emergency on April 5, 2024, due to a state of insolvency. Current law requires an emergency declaration if (1) the Auditor certifies the district's operating deficit for the current fiscal year at greater than 15% of the district's general fund revenue for the previous fiscal year, and (2) voters have not approved a levy that would raise enough money to reduce the deficit below that threshold in the next fiscal year. Mt. Healthy's $10.8 million operating deficit represented 26% of its general fund revenues and the school district has not passed a recent levy. The district's last new permanent operating levy was passed in 2003 while an emergency levy most recently passed in 2009 but expired after 2013. Solvency advances are interest-free but generally must be repaid over two years. In some cases, DEW and OBM and Management may approve alternate repayment schedules lasting up to ten years.

To support Mt. Healthy's solvency advance, DEW transferred $8.8 million from the Lottery Profits Education Fund (Fund 7017) to the School District Solvency Assistance Fund (Fund 5H30). H.B. 33 authorizes certain cash transfers necessary to maintain a sufficient balance in Fund 5H30 and appropriates the transferred cash in line item 200687, School District Solvency

Assistance. Prior to the cash transfer and appropriation increase, the cash balance in Fund 5H30 stood at $5.1 million while the FY 2024 appropriation for item 200687 was $2.0 million.

Each school district placed in fiscal emergency falls under the jurisdiction of a five-member financial planning and supervision commission. The commission's membership consists of three appointed members and the directors (or designees) of OBM and DEW. A commission must adopt a financial recovery plan for the school district within 120 days after its first meeting. A commission has broad powers to restore the fiscal solvency of the district, including assuming responsibility for the restructuring or refinancing of district debt and recommending a new tax levy. However, a commission's plan must be approved by the DEW Director.

Prior to the Mt. Healthy declaration, Niles City School District in Trumbull County was the last school district placed in fiscal emergency in February 2019. It was released from that status in January 2022. Solvency assistance was last required in FY 2016, when Coventry Local School District in Summit County received $4.8 million. Coventry was in fiscal emergency from December 2015 to June 2021.[8]

OBM Authorizes Three Transfers Totaling $576,000 from GRF to Higher Education Program Reserve Funds

– Jason Glover, Senior Budget Analyst

In March 2024, OBM authorized three transfers totaling more than $576,000 from the GRF to reserve funds that support, as needed, the War Orphans and Severely Disabled Veterans' Children (War Orphans), Choose Ohio First (COF), and Ohio College Opportunity Grant (OCOG) scholarship and grant programs. As shown in the table below, OBM made GRF transfers of $543,832 to the War Orphans and Severely Disabled Veterans' Children Scholarship Reserve Fund (Fund 5PW0), $22,108 to the Choose Ohio First Scholarship Reserve Fund (Fund 5PV0), and $10,250 to the Ohio College Opportunity Grant Program Reserve Fund (Fund 5PU0). Additionally, the table shows the balance for each of the three reserve funds. As of April 23, 2024, Fund 5PU0 had the largest balance at nearly $18.7 million, followed by Fund 5PW0 at $612,711, and Fund 5PV0 at $79,255.

Transfers to Higher Education Program Reserve Funds and Balances, FY 2024			
Fund Name	**Fund**	**Transfer**	**Balance***
War Orphans and Severely Disabled Veterans' Children Scholarship Reserve Fund	5PW0	$543,832	$612,711
Choose Ohio First Scholarship Reserve Fund	5PV0	$22,108	$79,255

[8] See DEW's District Financial Status website for annual reports since 2009 on the status of districts in fiscal emergency, which can be accessed by conducting a keyword "district financial status" search on DEW's website at education.ohio.gov.

Transfers to Higher Education Program Reserve Funds and Balances, FY 2024			
Fund Name	**Fund**	**Transfer**	**Balance***
Ohio College Opportunity Grant Program Reserve Fund	5PU0	$10,250	$18,695,665

*The balance in each fund is as of April 23, 2024.

Funds 5PU0, 5PV0, and 5PW0 may receive cash up to the amount of any unused GRF appropriations for each respective program in a fiscal year. Additionally, each biennium's main operating appropriations act since H.B. 49 of the 132nd General Assembly has authorized the Director of OBM to transfer cash, up to the certified amount of canceled prior-year encumbrances in GRF line items 235438 (COF), 235504 (War Orphans), and 235563 (OCOG), from the GRF to each program's respective reserve fund.

Each reserve fund may be tapped in the event that GRF appropriations for the respective program are insufficient to meet program obligations. In these circumstances, the Director of OBM may transfer cash from the reserve fund to the GRF. The cash transfer is accompanied by a commensurate appropriation increase in the respective program's GRF line item. Fund 5PW0 (War Orphans) was most recently used in FY 2020 while Fund 5PU0 (OCOG) was most recently used in FY 2018. No transfers have been made from Fund 5PV0 (COF).

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

Nationwide employment continued to increase in April, though with the smallest one-month rise since October 2023. The U.S. unemployment rate ticked up to 3.9% for the month; the rate has remained below 4% for 27 consecutive months. Real gross domestic product (GDP) rose in the first quarter of 2024 at an annualized rate of 1.6%, the weakest growth since the second quarter of 2022. In contrast with real GDP, industrial production fell in this year's first quarter, at a 1.8% annual rate. Both job openings and hiring nationwide changed little. Housing starts nationwide declined in March and YTD starts were lower than a year earlier. However, sales of new homes nationwide increased for the month, and increased from a year earlier, even though the average interest rates for mortgage loans nationwide have risen during the last several weeks. Retail and food services sales increased in March, but motor vehicle and parts dealers sales were down. The consumer price index for all urban consumers (CPI-U) rose 0.4% in March to 3.5% higher than a year earlier.

In Ohio, nonfarm payroll employment increased by 11,500, a larger increase than the average monthly increase (3,000) during the last 12 months. The state's unemployment rate rose to 3.8% in March, the highest level since January 2023. During the first three months of the year, existing home unit sales in Ohio declined, but home sales prices were up. Overall economic activity in the region grew at a modest pace since late February, according to the latest Federal Reserve Beige Book.

In May, the Federal Reserve through its Federal Open Market Committee (FOMC) continued to keep its short-term interest rate target range at 5.25% to 5.50%, which has been the range since July of last year. FOMC stated that "In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%."

The National Economy

Employment on nonfarm payrolls nationwide increased by 175,000 in April, after rising 315,000 in March. The national unemployment rate rose from 3.8% in March to 3.9% in April. The U.S. unemployment rate has remained below 4% since February 2022. U.S. and Ohio employment growth are shown in Chart 4 while U.S. and Ohio unemployment rates are presented in Chart 5. The April increase was the smallest one-month rise since October 2023, and was smaller than the average monthly gain (242,000) over the past 12 months. In April, job gains were reported in health care, social assistance, transportation and warehousing, and retail trade. Employment in most other major industries was little changed.

The number of people counted as unemployed nationally was 6.5 million in April, little changed from the 6.4 million unemployed in March. A year earlier, the number of people counted as unemployed nationally was 5.7 million. Of the 6.5 million unemployed in April, 1.3 million had been without jobs and actively looking for work for six months or more, a number that has changed little from last month. The number of people working part-time for economic reasons was 4.5 million in April, a slight increase from March. The labor force participation rate, which is the share of the population that is either employed or actively seeking work, remained unchanged at 62.7% in April.

Average hourly earnings among private, nonfarm employees rose 0.2% in April. During the past 12 months, earnings for these employees increased 3.9%, marking the first time that year-over-year wage growth has fallen below 4% since June 2021.

The number of nationwide job openings decreased by 0.3 million to 8.5 million in March. Job openings for the month were 1.1 million below the prior year level; there were 9.6 million job openings in March 2023. For the month, job openings increased in state and local government education, but decreased in construction as well as in finance and insurance. In March, the number of hires was 5.5 million, nearly 0.3 million fewer than in February. Total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) decreased from 5.5 million in February to 5.2 million in March. The number of people choosing to quit changed little, declining at a relatively low rate of 2.1% from the previous month. Employees are more likely to quit jobs if they are confident they can find other or better positions.

Real GDP rose at a 1.6% annual rate in the first quarter of 2024, according to the advance estimate from the U.S. Bureau of Economic Analysis (BEA), the weakest growth since the second quarter of 2022. Consumer spending, fixed investment, nonresidential fixed investment, and government spending at both the state and local level expanded. Private inventory investment slowed. Imports outweighed exports for the first time in two years. Real GDP growth was faster than in the fourth quarter of 2023, when real GDP rose at a 3.4% rate. The slower growth in the first quarter can be attributed to a slowing down in consumer spending, exports, and state and local government spending and a decline in federal government spending that were partly offset by increases in residential fixed investment. Imports, which are subtracted in the calculation of GDP, accelerated.

Industrial production increased 0.4% in March, following an upwardly revised increase of 0.4% in February. But negative growth in January caused industrial production for the first quarter to contract at a 1.8% annualized rate. Manufacturing output rose 0.5% in March, with a solid gain in motor vehicles and parts, as well as in aerospace and miscellaneous transportation equipment. Mining output declined 1.4% in March as oil and gas extraction and support activities for other types of mining edged down. Output of natural gas and electric utilities, which is volatile and weather dependent, rose 2% in March. For the first calendar quarter, both manufacturing and mining output declined at annual rates of 0.1% and 12.3%, respectively.

Personal income, not adjusted for inflation, increased 0.5% in March largely driven by an increase in compensation. A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index increased 0.3% in March and was 2.7% higher than a year earlier. Excluding food and energy, the core PCE price index also increased 0.3% in March and was up 2.8% over the year. Real personal consumption expenditures increased by 0.5% for the month.

Approximately 1.3 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of April. Unit sales for the month were 9.1% lower than the number of units sold in March. YTD vehicle sales totaled 5.1 million, which is 3.0% higher than the quantity sold during the same months in calendar year 2023.

The CPI-U rose 0.4% in March, seasonally adjusted, after a 0.4% increase in February. Year-over-year, the price of all items increased 3.5%. The index for shelter rose 0.4% for the month and was up 5.7% relative to a year earlier. The core CPI-U, excluding food and energy, rose 0.4% in March to 3.8% higher than a year earlier. CPI-U changes from a year earlier are shown in Chart 6.

The producer price index (PPI) for final demand increased 0.2% in March, after seasonal adjustment, following larger increases in January and February. The increase for the month was attributed to a broad-based gain in the PPI for final demand services. On the other hand, the index for final demand goods declined from February to March, as prices for energy edged down. The core PPI, which excluded food, energy, and trade services, rose 0.2% in March and increased 2.8% for the year.

Housing starts in the U.S. decreased 14.7% in March from the revised February estimate, seasonally adjusted, and decreased by 4.3% compared to March of last year. Building permits for new housing units in the U.S. declined 4.3% from the revised February estimate to March, but increased 1.5% from the preceding year. In the Midwest, housing starts declined 23.0% in March, but increased 18.0% from a year ago. Building permits in the Midwest decreased by 14.7% from February to March, and decreased by 3.4% from the same month in 2023. New home sales increased 8.8% nationally in March from the revised February estimate, seasonally adjusted, and increased 8.3% from a year earlier. As homebuyers contend with an increasingly limited supply of existing homes for sale, many have shifted their search to the new-home market. Interest rates for home purchases have increased since the week of March 28, 2024. The average 30-year fixed-rate mortgage loan rate nationwide rose to 7.2% as of May 2, 2024, according to a Freddie Mac Primary Mortgage Market Survey.

Retail and food services sales increased 0.7% in March and picked up by 4.0% from a year earlier. Sales at motor vehicle and parts dealers were down in March, but were up 2.8% from a year earlier. In March, nonstore retailers (e.g., online shopping) sales increased 2.7% while sales at food services and drinking places rose 0.4%. From a year earlier, sales at nonstore retailers increased 11.3% while sales at food services and drinking places rose 6.5%. Total sales during the first three months of 2024 rose 2.1% from the same period in 2023.

The Ohio Economy

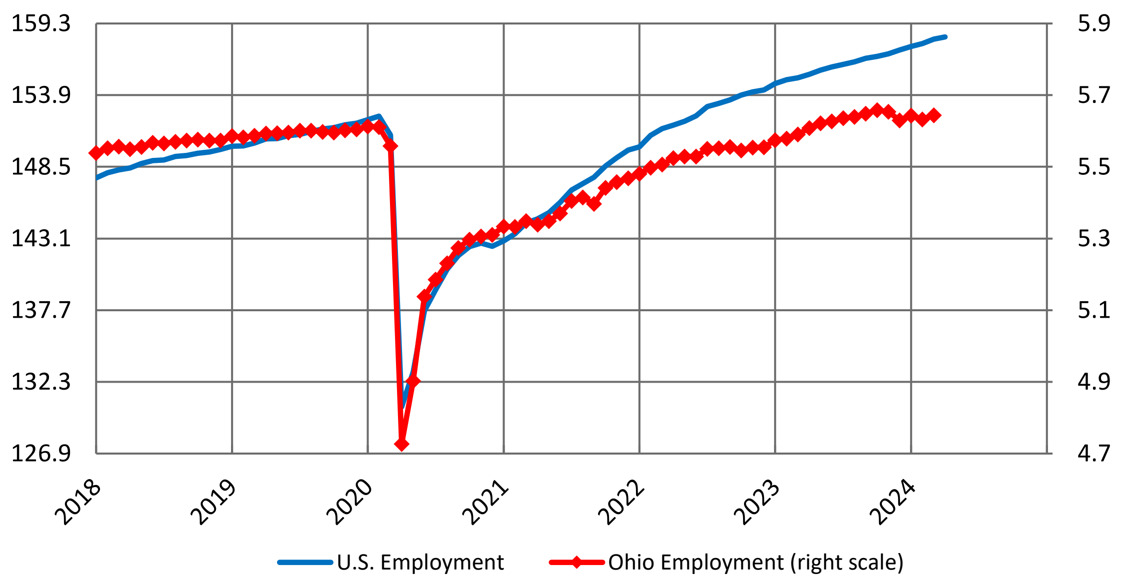
Ohio's unemployment rate edged up to 3.8% in March, an increase from February, and an increase from March of last year. Ohio's unemployment rate was the same as the U.S. unemployment rate of 3.8% for March. The number of unemployed Ohioans was 220,000 in March, an increase of 6,000 from February. From a year earlier, the number of unemployed Ohioans increased by 17,000.

The state's total nonfarm payroll employment, seasonally adjusted, grew by 11,500 in March from the revised total in February, or 0.2%, following an increase of 3,000 jobs in February. During the last three months, the state nonfarm payroll employment average monthly increase was 4,700, but the monthly average over the last 12 months was only 3,000. Increases in employment in March were reported in the private-service providing sector and government, but employment in goods-producing industries decreased. Job gains largely occurred in trade, transportation, and utilities; private educational and health services; professional and business services; construction; local government; and leisure and hospitality. Compared to a year ago, total nonfarm payroll employment increased by 35,700, or 0.6%. The largest increase occurred in private educational and health services; leisure and hospitality; local government; and other services. Losses primarily occurred in professional and business services; financial activities; state government; nondurable goods manufacturing; and trade, transportation, and utilities.

In March, the number of existing homes sold in Ohio declined by 1.8% as compared to sales in March of last year, according to Ohio Realtors. During the first three months of 2024, existing home unit sales were 3.1% higher than in the corresponding months of last year. The statewide sales price of homes sold in the first three months of this year averaged $265,854, 8.5% higher than in the corresponding months in 2023.

The economic activity in the region increased at a modest pace between late February and early April, according to a report by the Cleveland Federal Reserve Bank. Overall labor market conditions grew modestly, with some contacts in construction and manufacturing industries noting increased hiring in response to new projects and increased production. Wages increased moderately, as many firms continued to report that wage pressures were normalizing. Nonlabor input cost pressures continued to increase moderately. Consumer spending grew modestly. Auto dealers reported mixed sales, but most dealers continued to report low sales because of high interest rates and vehicle prices. Manufacturing activity remained flat. Sales of new homes strengthened, but sales for existing homes were constrained. Nonresidential construction activity rose modestly.

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



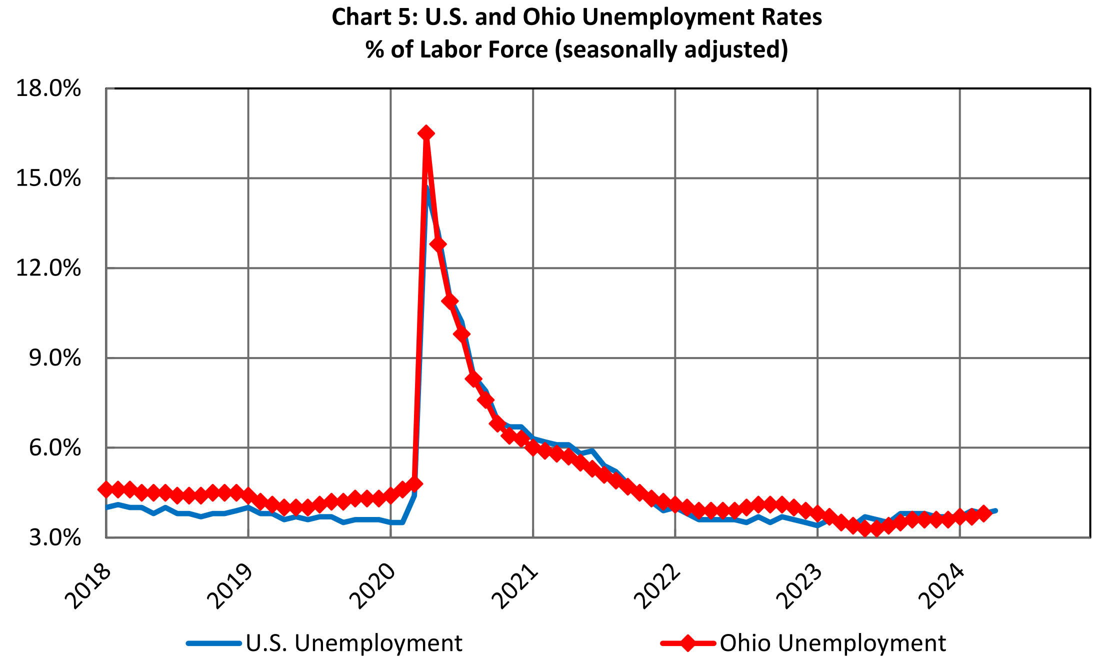


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
2024
U.S. Unemployment
Ohio Unemployment

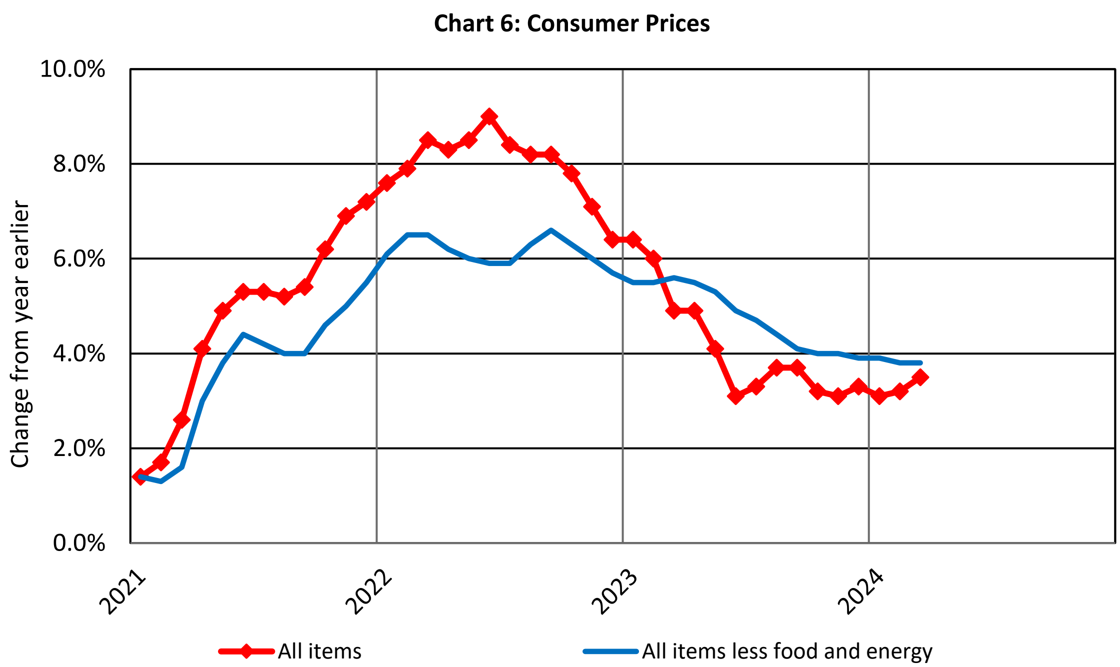


Chart 6: Consumer Prices
Change from year earlier
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2021
2022
2023
2024
All items
All items less food and energy