LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 Issue: April 2023

Highlights

– *Phil Cummins, Senior Economist*

March GRF tax receipts were $31 million above the estimate published by the Office of Budget and Management (OBM). The personal income tax (PIT) was $32 million over estimate, the foreign insurance tax was $17 million over, and the nonauto sales and use tax was $14 million over. Receipts were below estimate from the auto sales and use tax by $18 million and the cigarette tax and the financial institutions tax (FIT), each by nearly $9 million. Year-to-date (YTD) GRF tax revenue through March was $805 million above estimate.

March total GRF uses exceeded the estimate by $77 million, as transfers out were over by $284 million and Medicaid expenditures were under by $112 million.

Ohio nonfarm payroll employment continued an uptrend through February, and the state's unemployment remained low. National data indicate further economic expansion in March.

Through March 2023, GRF sources totaled $31.34 billion:

- Revenue from the sales and use tax was $209.6 million above estimate;
- PIT receipts were $465.7 million above estimate.

Through March 2023, GRF uses totaled $31.83 billion:

- Program expenditures were $1.17 billion below estimate, largely due to GRF Medicaid spending, which was $694.3 million below estimate;
- Other program categories with large negative variances include General Government ($177.0 million), Justice and Public Protection ($125.8 million), and Property Tax Reimbursements ($102.6 million);
- Transfers out were $1.57 billion over estimate, due to transfers authorized after the estimates were made and others occurring sooner than expected.

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of March 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 3, 2023)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$167,302	$185,000	-$17,698	-9.6%
Nonauto Sales and Use	$833,325	$819,000	$14,325	1.7%
Total Sales and Use	*$1,000,628*	*$1,004,000*	*-$3,372*	*-0.3%*
Personal Income	$668,234	$636,000	$32,234	5.1%
Commercial Activity Tax	$18,988	$20,200	-$1,212	-6.0%
Cigarette	$63,682	$72,500	-$8,818	-12.2%
Kilowatt-Hour Excise	$25,484	$27,100	-$1,616	-6.0%
Foreign Insurance	$64,607	$47,600	$17,007	35.7%
Domestic Insurance	$34	-$800	$834	104.2%
Financial Institution	$31,301	$40,000	-$8,699	-21.7%
Public Utility	$3,707	$2,600	$1,107	42.6%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$5,967	$5,200	$767	14.7%
Liquor Gallonage	$4,118	$4,300	-$182	-4.2%
Petroleum Activity Tax	$5,335	$2,900	$2,435	84.0%
Corporate Franchise	$23	-$100	$123	122.6%
Business and Property	$0	$0	$0	---
Estate	$1	$0	$1	---
Total Tax Revenue	**$1,892,109**	**$1,861,500**	**$30,609**	**1.6%**
Nontax Revenue				
Earnings on Investments	$6	$0	$6	---
Licenses and Fees	$68,459	$55,174	$13,285	24.1%
Other Revenue	$1,100	$1,250	-$149	-12.0%
Total Nontax Revenue	**$69,565**	**$56,424**	**$13,142**	**23.3%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$1,961,675**	**$1,917,924**	**$43,751**	**2.3%**
Federal Grants	**$1,398,980**	**$1,260,722**	**$138,257**	**11.0%**
Total GRF Sources	**$3,360,654**	**$3,178,646**	**$182,008**	**5.7%**

*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 2023 as of March 31, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 3, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$1,458,434	$1,406,200	$52,234	3.7%	$1,397,702	4.3%
Nonauto Sales and Use	$8,465,062	$8,307,700	$157,361	1.9%	$8,090,465	4.6%
Total Sales and Use	*$9,923,496*	*$9,713,900*	*$209,596*	*2.2%*	*$9,488,167*	*4.6%*
Personal Income	$7,464,293	$6,998,601	$465,692	6.7%	$7,045,810	5.9%
Commercial Activity Tax	$1,615,839	$1,549,600	$66,239	4.3%	$1,486,781	8.7%
Cigarette	$576,312	$611,800	-$35,488	-5.8%	$616,214	-6.5%
Kilowatt-Hour Excise	$219,957	$225,400	-$5,443	-2.4%	$235,329	-6.5%
Foreign Insurance	$400,093	$360,400	$39,692	11.0%	$352,229	13.6%
Domestic Insurance	$18,774	$18,200	$573	3.1%	$2,291	719.5%
Financial Institution	$153,325	$128,200	$25,125	19.6%	$112,622	36.1%
Public Utility	$130,523	$99,300	$31,223	31.4%	$106,382	22.7%
Natural Gas Consumption	$37,196	$34,300	$2,896	8.4%	$34,909	6.6%
Alcoholic Beverage	$47,178	$47,200	-$22	0.0%	$49,086	-3.9%
Liquor Gallonage	$43,102	$43,100	$2	0.0%	$43,492	-0.9%
Petroleum Activity Tax	$11,367	$6,900	$4,467	64.7%	$6,474	75.6%
Corporate Franchise	$88	$0	$88	32160.5%	$668	-86.8%
Business and Property	$0	$0	$0	---	$0	---
Estate	$34	$0	$34	8869.3%	$50	-31.1%
Total Tax Revenue	**$20,641,576**	**$19,836,902**	**$804,673**	**4.1%**	**$19,580,504**	**5.4%**
Nontax Revenue						
Earnings on Investments	$113,395	$44,100	$69,295	157.1%	$20,963	440.9%
Licenses and Fees	$92,299	$79,301	$12,998	16.4%	$79,010	16.8%
Other Revenue	$152,066	$168,642	-$16,575	-9.8%	$396,706	-61.7%
Total Nontax Revenue	**$357,761**	**$292,043**	**$65,718**	**22.5%**	**$496,680**	**-28.0%**
Transfers In	**$18,535**	**$5,000**	**$13,535**	**270.7%**	**$55,535**	**-66.6%**
Total State Sources	**$21,017,871**	**$20,133,945**	**$883,926**	**4.4%**	**$20,132,719**	**4.4%**
Federal Grants	**$10,323,901**	**$10,593,108**	**-$269,207**	**-2.5%**	**$9,414,236**	**9.7%**
Total GRF SOURCES	**$31,341,772**	**$30,727,053**	**$614,719**	**2.0%**	**$29,546,954**	**6.1%**

*Estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2022.
Detail may not sum to total due to rounding.

Revenues[1]

– Ross Miller, Chief Economist

Overview

GRF tax revenue received in March exceeded the OBM estimate for the month by $30.6 million (1.6%). The positive variance was largely due to the PIT, which was above estimate by $32.2 million and the foreign insurance tax, which was above estimate by $17.0 million. Several taxes had revenue below estimate for the month, most notably the cigarette and other tobacco products (OTP) tax ($8.8 million), the FIT ($8.7 million), and the sales and use tax ($3.4 million). The variance for the sales and use tax was due to the auto component of the tax, which was $17.7 million below estimate (the nonauto portion was above estimate by $14.3 million). Revenue from the auto component varies significantly from month to month, and February revenue exceeded estimate by $13.3 million; it may be that the March variance for the tax was due to a timing issue with the estimates.

With the March results, GRF tax revenue was $804.7 million (4.1%) above estimate for the YTD through March. The PIT drives the YTD results, with a positive variance of $465.7 million; the PIT has exceeded estimate by significant amounts every month since July. The sales and use tax contributed $209.6 million to the YTD positive variance, and the commercial activity tax (CAT) contributed another $66.2 million. The fourth major tax, the cigarette tax, accounted for easily the largest YTD negative variance, $35.5 million; the only other significant negative variance was for the kilowatt-hour tax (KWH, $5.4 million). Other notable positive variances included those for the foreign insurance tax ($39.7 million), the public utility excise tax ($31.2 million), and the FIT ($25.1 million). The FIT result could be due in part to timing, though. And the picture for the foreign insurance tax may shift somewhat during the remaining months of the fiscal year, as that tax is expected to pay out refunds on net during the remaining months of the year. More details about the major taxes, the PIT, the sales and use tax, the CAT, and the cigarette tax, are found in the sections that follow.

Among nontax GRF revenue sources, the most notable results in March were for federal grants and for license and fee revenue. Federal grants exceeded estimate for the month by $138.3 million. Of the $1.40 billion in federal grants received in March, over 99.9% were reimbursements for GRF Medicaid expenditures. When federal grants revenue exceeds expectations, typically Medicaid expenditures are also above estimate, but that was not the case in March, as GRF Medicaid expenditures were below estimate by $112.2 million. As for license and fee revenue, $66.3 million of the $68.5 million (96.8%) in March revenue was due to fees paid by surplus lines insurance brokers. So that category of fees was the primary driver of the $13.3 million positive variance for license and fee revenue. For the YTD, federal grants were $269.2 million below estimate, while license and fee revenue was $13.0 million above estimate.

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

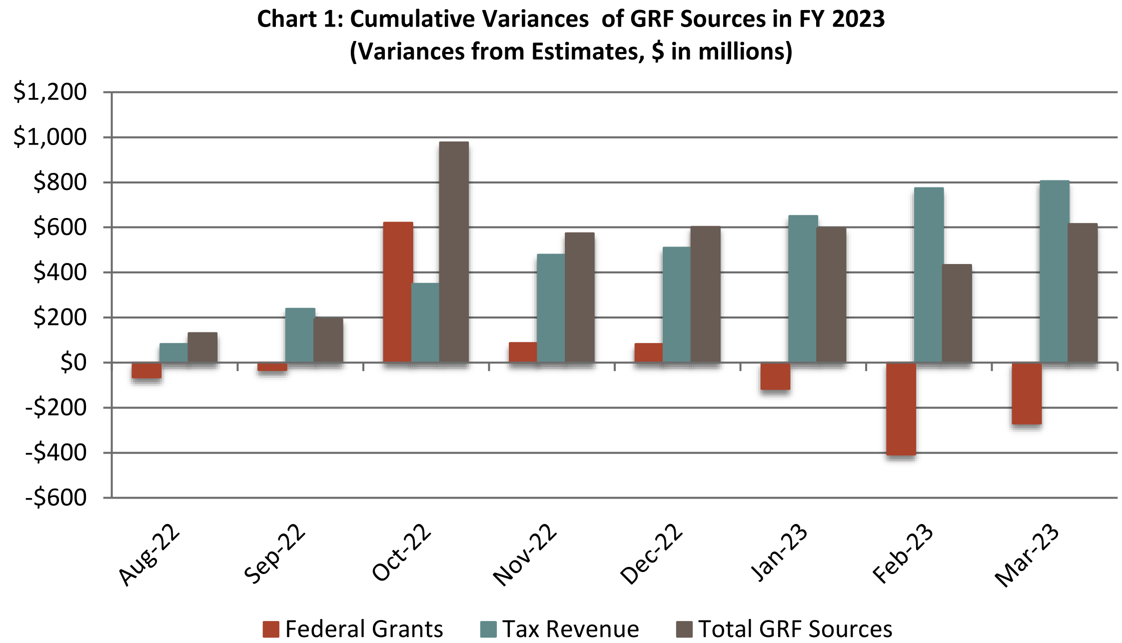


Chart 1 shows the cumulative variances at the end of each month of FY 2023 since August, for federal grants, tax revenue, and total GRF sources.

As shown in Table 2, most revenue sources grew from the first nine months of FY 2022 to the corresponding months of FY 2023. Revenue from the PIT grew $418.5 million (5.9%) despite a withholding rate reduction implemented in early FY 2022. Revenue growth was also strong for the sales and use tax, at $435.3 million (4.6%) and the CAT ($129.1 million, 8.7%). Revenue from these taxes tends to receive a boost from inflation, which is still high but has declined slightly from very high levels earlier in the year. Other taxes that grew by notable amounts include the foreign insurance tax ($47.9 million, 13.6%), FIT ($40.7 million, 36.1%), public utility excise tax ($24.1 million, 22.7%), and domestic insurance tax ($16.5 million, 719.5%). Notable revenue declines among tax sources were the cigarette and OTP tax ($39.9 million, 6.5%) and the KWH tax ($15.4 million, 6.5%). Revenue from the cigarette and OTP tax has declined steadily for years except for a brief revenue spike early in the pandemic. All funds revenue from the KWH tax fell ($6.0 million, 1.4%) year-over-year, while revenue allocated to the Public Library Fund (Fund 7065) rose $9.4 million. Half of the amount due to Fund 7065 each month is debited against the KWH tax for accounting purposes.

Sales and Use Tax

March GRF revenue from the sales and use tax amounted to $1.00 billion, $3.4 million (0.3%) below estimate. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto.[2] A positive variance in March for the nonauto component of the tax was more than offset by a significant negative variance for the auto portion. For the YTD through March, the tax raised $9.92 billion, $209.6 million (2.2%) more than

[2] 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.

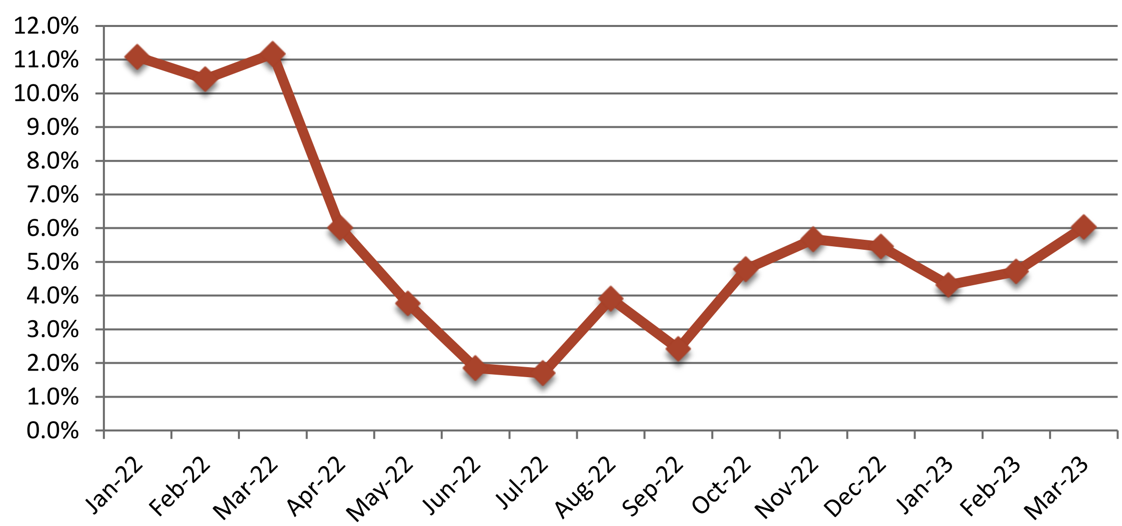
estimate. YTD revenue from the tax grew $435.3 million (4.6%) from the revenue received during the corresponding months of FY 2022. Revenue from this tax was above estimate every month so far this fiscal year except July (zero variance) and December.

Nonauto Sales and Use Tax

The nonauto component of the tax raised $833.3 million in March GRF revenue, which was $14.3 million (1.7%) above estimate. YTD revenue amounting to $8.47 billion was $157.4 million (1.9%) more than the estimate. March revenue was $37.9 million (4.8%) more than the revenue received in March 2022, while YTD revenue was $374.6 million (4.6%) more than was received during the first nine months of FY 2022. Revenue was above estimate every month since July except for September and December.

Chart 2 shows year-over-year growth in revenue from the nonauto portion of the tax since January 2022. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. The slowdown shown in the chart in early calendar year (CY) 2022 was likely due in part to reductions in federal income support.[4] Growth has accelerated since the last few months of 2022, due at least in part to inflation boosting prices of taxable goods.

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



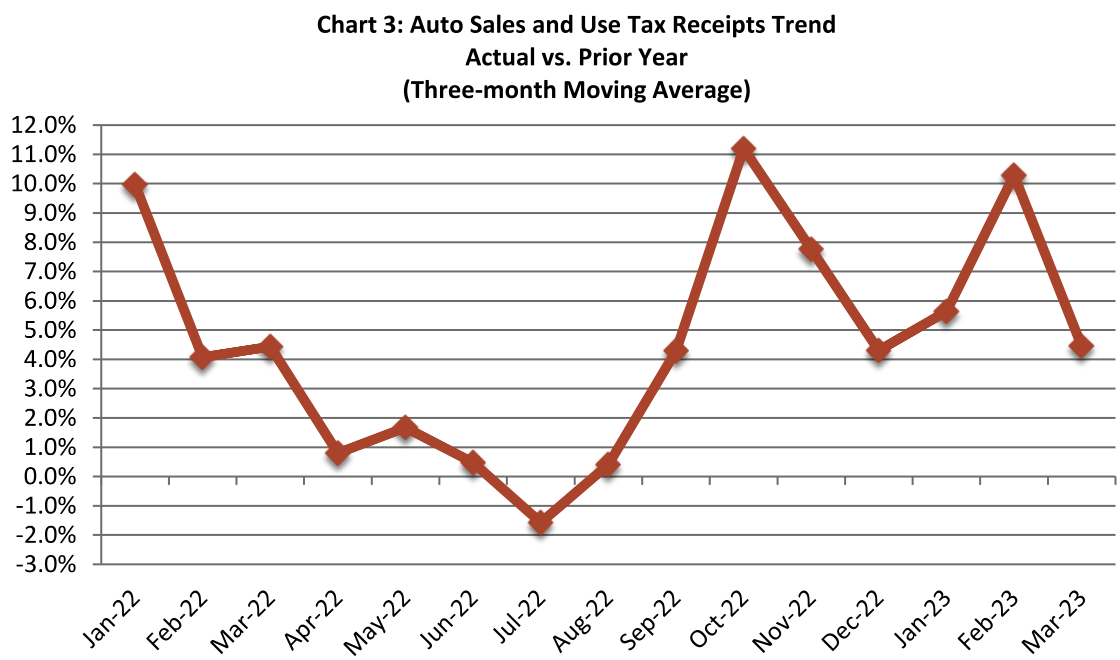
[3] A three-month moving average means, for example, that the most recent data point in the chart shows the percentage growth from revenue received during the three months January 2022 through March 2022 to revenue received during January 2023 through March 2023.

[4] In FY 2022, an unusual set of circumstances supported consumer spending on taxable goods: household incomes increased from prepandemic levels with assistance from federal income support programs and a low interest rate environment combined with rapidly appreciating home values enabled many homeowners to refinance their mortgages at lower rates in 2020 and 2021.

Auto Sales and Use Tax

March receipts from the auto component of the sales and use tax were $167.3 million, $17.7 million (9.6%) below estimate, and $13.6 million (7.5%) less than revenue collected during the month a year ago. The poor results for the month followed a positive variance in February that was nearly as large, at $13.3 million. YTD through March, revenue amounting to $1.46 billion exceeded the estimate by $52.2 million (3.7%). It is too early to say for certain, but the negative variance for March may have been due to timing. YTD revenue grew by $60.7 million (4.3%) compared to the first nine months of FY 2022.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections since January 2022. The earliest portion of the pattern is similar to that for the nonauto sales tax shown in Chart 2, in that it reflects strong growth at the outset of CY 2022 but a deceleration towards the end of the second calendar quarter, as interest rates started rising. Revenue growth has accelerated in FY 2023, due in part to sharply higher vehicle prices. Also, dealer supplies of vehicles were tight last year due to supply chain problems that started during the COVID-19 pandemic, but sales have started to recover in recent months. National data on unit sales of light vehicles (cars and light trucks) show that they were up 8.1% in the first quarter of this year over the corresponding quarter of 2022.



Personal Income Tax

March GRF receipts from the PIT amounted to $668.2 million, $32.2 million (5.1%) above estimate. PIT receipts have been above estimate every month so far this fiscal year (other than a zero variance in July), so that YTD revenue was $7.46 billion. YTD revenue was $465.7 million (6.7%) above estimate and $418.5 million (5.9%) above revenue during the first nine months of FY 2022.

YTD receipts from employer withholding have been the single largest driver of the positive variances. Such receipts amounted to $8.41 billion YTD, $440.8 million (5.5%) above estimate and $715.9 million (9.3%) higher than withholding for the corresponding months of FY 2022.

Withholding receipts exceeded estimates by margins in the tens of millions of dollars during the first seven months of FY 2023, but the margin shrank to $11.2 million in February and became negative in March, by $12.5 million. Other components of the tax continued to exceed estimate in March, however, so that gross collections[5] exceeded estimate by $68.8 million for the month, increasing the YTD positive variance for gross collections to $705.7 million (7.9%). YTD refunds were 14.4% above estimate, however, reducing the YTD growth for the GRF to 6.7%. GRF revenue from the tax equals gross collections minus both refunds and transfers to the Local Government Fund.

Growth in withholding receipts primarily reflects growth in private and public payrolls. But this year growth has been influenced by two other factors, which have worked against each other. First, the Tax Commissioner reduced withholding rates by 3% effective September 2021, after tax rates were reduced by H.B. 110 (the operating budget act). Reduced withholding rates during FY 2022 would reduce the rate of growth from the first two months of FY 2022 to the first two months of FY 2023, making actual FY 2023 YTD growth even more impressive than the already healthy 9.3%. But second, a new source of receipts classified as withholding accounts for part of the strong growth. These receipts were from pass-through entities (PTEs) paying the "voluntary" tax enacted in S.B. 246 of the 134th General Assembly. The March edition of *Budget Footnotes* includes a more detailed explanation of this factor. The bottom line of this second factor is that a new source of revenue was classified as withholding revenue for most of the current fiscal year, boosting growth, and that that new source is shifting into the estimated payments and annual return payments categories at some unknown rate. Year-over-year growth in withholding receipts since January should more accurately reflect payroll growth.

The table below provides details on revenue from each component of the PIT through March relative to estimates for those months of FY 2023 and compared to revenue received in the year-earlier period. As noted above, FY 2023 YTD gross collections were $705.7 million (7.9%) above anticipated revenue. All components of gross collections exceeded their estimates, most notably employer withholding, by $440.8 million (but see discussion above); payments due with annual returns, by $207.7 million; and estimated payments, by $41.2 million. YTD refunds were $226.7 million above projections, and distributions to the LGF were $13.3 million higher than OBM's estimate, both of which reduced revenue available to the GRF. Subtracting $226.7 million and $13.3 million from the positive variance for gross collections yields the YTD GRF positive variance of $465.7 million.

[5] In addition to employer withholding, gross collections under the PIT include quarterly estimated payments, payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. The primary driver of GRF revenue from the PIT is employer withholding, which accounted for about 76% of FY 2022 gross collections.

FY 2023 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY 2022	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$440.8	5.5%	$715.9	9.3%
Quarterly Estimated Payments	$41.2	6.1%	-$16.5	-2.2%
Trust Payments	$8.4	24.8%	$7.3	20.8%
Annual Return Payments	$207.7	106.8%	$56.1	16.2%
Miscellaneous Payments	$7.7	13.3%	-$14.9	-18.5%
Gross Collections	**$705.7**	**7.9%**	**$747.9**	**8.4%**
Less Refunds	$226.7	14.4%	$310.5	20.8%
Less LGF Distribution	$13.3	3.6%	$19.0	5.3%
GRF PIT Revenue	**$465.7**	**6.7%**	**$418.5**	**5.9%**

Commercial Activity Tax

Quarterly payments by CAT taxpayers are due in August, November, February, and May, making March one of the months with smaller revenue amounts. GRF revenues from the CAT in March amounted to $19.0 million, $1.2 million (6.0%) below estimate. The latest monthly performance brought the YTD positive variance for this tax source to $66.2 million (4.3%). YTD GRF receipts from CAT taxpayers through March were $1.62 billion, $129.1 million (8.7%) above revenues in FY 2022 through March. Variances under this tax have been mixed this fiscal year, with negative variances in August and February, as well as in March. Revenue exceeded estimates in the other months.

Under continuing law, CAT receipts are deposited into the GRF (85.0%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13.0%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2.0%). The distributions to Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase out of property taxes on general business tangible personal property and the phase down of property taxes on public utility tangible personal property. Any receipts in excess of amounts needed for such payments may be transferred back to the GRF, though OBM did not transfer the excess cash in FY 2022, as it was not needed.[6]

[6] Ohio Administrative Knowledge System (OAKS) reports run April 11, 2023, showed cash balances of $706.0 million in Fund 7047 and $165.3 million in Fund 7081.

Cigarette and Other Tobacco Products Tax

The cigarette and OTP tax generated $63.7 million in GRF revenue in March, below estimate for the month by $8.8 million (12.2%). YTD revenue from the tax was $576.3 million through March, $35.5 million (5.8%) below estimate. The YTD total included $490.1 million derived from the sale of cigarettes and $86.2 million from the sale of OTP.

FY 2023 revenue through March fell by $39.9 million (6.5%) compared to FY 2022 revenue through March 2022. OTP sales increased by $4.1 million (5.0%) while receipts from cigarette sales decreased $44.0 million (8.2%). The increase in OTP revenue may be due in full to higher OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product, so revenue from that portion of the tax base grows with price increases.[7]

Revenue from sales of cigarettes usually trends downward, generally at a slow pace. Revenue increased during the first half of FY 2021, though, due to smokers' responses to the COVID-19 pandemic. However, cigarette tax receipts appear to have reverted to the prepandemic trend in FY 2022 and FY 2023. The tax on cigarettes is based on unit sales rather than value.

[7] In January (latest available), the U.S. producer price index for other tobacco products was 7.8% higher than a year earlier, and producer (wholesale) prices for the seven months through January were also 7.8% higher than a year earlier.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2023
($ in thousands)
(Actual based on OAKS reports run April 7, 2023)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$696,919	$685,264	$11,654	1.7%
Higher Education	$206,782	$203,905	$2,878	1.4%
Other Education	$3,717	$4,174	-$456	-10.9%
Total Education	**$907,419**	**$893,343**	**$14,076**	**1.6%**
Medicaid	$1,765,458	$1,877,654	-$112,196	-6.0%
Health and Human Services	$135,645	$152,073	-$16,428	-10.8%
Total Health and Human Services	**$1,901,103**	**$2,029,727**	**-$128,623**	**-6.3%**
Justice and Public Protection	$188,167	$179,010	$9,157	5.1%
General Government	$33,827	$50,458	-$16,630	-33.0%
Total Government Operations	**$221,994**	**$229,467**	**-$7,473**	**-3.3%**
Property Tax Reimbursements	$60,921	$144,687	-$83,766	-57.9%
Debt Service	$147,793	$148,250	-$456	-0.3%
Total Other Expenditures	**$208,714**	**$292,937**	**-$84,222**	**-28.8%**
Total Program Expenditures	**$3,239,230**	**$3,445,474**	**-$206,243**	**-6.0%**
Transfers Out	**$283,566**	**$0**	**$283,566**	**---**
Total GRF Uses	**$3,522,797**	**$3,445,474**	**$77,323**	**2.2%**

*August 2022 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 2023 as of March 31, 2023
($ in thousands)
(Actual based on OAKS reports run April 7, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$6,892,027	$6,898,168	-$6,141	-0.1%	$6,558,575	5.1%
Higher Education	$1,857,186	$1,878,443	-$21,257	-1.1%	$1,833,385	1.3%
Other Education	$71,074	$71,764	-$690	-1.0%	$70,928	0.2%
Total Education	**$8,820,287**	**$8,848,374**	**-$28,088**	**-0.3%**	**$8,462,888**	**4.2%**
Medicaid	$14,693,563	$15,387,829	-$694,266	-4.5%	$13,480,689	9.0%
Health and Human Services	$1,302,639	$1,350,710	-$48,072	-3.6%	$1,159,584	12.3%
Total Health and Human Services	**$15,996,201**	**$16,738,539**	**-$742,338**	**-4.4%**	**$14,640,273**	**9.3%**
Justice and Public Protection	$2,020,323	$2,146,100	-$125,777	-5.9%	$2,002,529	0.9%
General Government	$403,683	$580,663	-$176,980	-30.5%	$378,544	6.6%
Total Government Operations	**$2,424,006**	**$2,726,763**	**-$302,757**	**-11.1%**	**$2,381,074**	**1.8%**
Property Tax Reimbursements	$973,060	$1,075,687	-$102,627	-9.5%	$1,041,404	-6.6%
Debt Service	$1,353,066	$1,351,328	$1,738	0.1%	$1,274,081	6.2%
Total Other Expenditures	**$2,326,126**	**$2,427,015**	**-$100,889**	**-4.2%**	**$2,315,485**	**0.5%**
Total Program Expenditures	**$29,566,620**	**$30,740,691**	**-$1,174,072**	**-3.8%**	**$27,799,720**	**6.4%**
Transfers Out	**$2,259,232**	**$684,900**	**$1,574,332**	**229.9%**	**$2,988,863**	**-24.4%**
Total GRF Uses	**$31,825,852**	**$31,425,591**	**$400,260**	**1.3%**	**$30,788,583**	**3.4%**

*August 2022 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2022.
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 April 11, 2023)

	Month of March 2023				Year to Date through March 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,714,511	$1,806,171	-$91,660	-5.1%	$14,168,104	$14,789,820	-$621,716	-4.2%
Non-GRF	$1,125,647	$1,063,129	$62,518	5.9%	$9,955,195	$9,601,874	$353,321	3.7%
All Funds	$2,840,157	$2,869,300	-$29,142	-1.0%	$24,123,298	$24,391,694	-$268,395	-1.1%
Developmental Disabilities								
GRF	$43,408	$62,965	-$19,557	-31.1%	$443,724	$487,292	-$43,568	-8.9%
Non-GRF	$276,390	$310,340	-$33,950	-10.9%	$2,200,971	$2,261,177	-$60,206	-2.7%
All Funds	$319,798	$373,304	-$53,506	-14.3%	$2,644,695	$2,748,469	-$103,774	-3.8%
Job and Family Services								
GRF	$6,616	$7,767	-$1,152	-14.8%	$72,832	$101,816	-$28,984	-28.5%
Non-GRF	$13,103	$14,314	-$1,212	-8.5%	$127,153	$259,333	-$132,180	-51.0%
All Funds	$19,719	$22,082	-$2,363	-10.7%	$199,985	$361,149	-$161,164	-44.6%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$923	$751	$173	23.0%	$8,903	$8,902	$2	0.0%
Non-GRF	$4,048	$5,519	-$1,471	-26.6%	$28,267	$38,807	-$10,540	-27.2%
All Funds	$4,972	$6,269	-$1,298	-20.7%	$37,170	$47,708	-$10,539	-22.1%
All Departments:								
GRF	**$1,765,458**	**$1,877,654**	**-$112,196**	**-6.0%**	**$14,693,563**	**$15,387,829**	**-$694,266**	**-4.5%**
Non-GRF	**$1,419,188**	**$1,393,302**	**$25,886**	**1.9%**	**$12,311,585**	**$12,161,190**	**$150,395**	**1.2%**
All Funds	**$3,184,646**	**$3,270,955**	**-$86,310**	**-2.6%**	**$27,005,148**	**$27,549,020**	**-$543,871**	**-2.0%**

*September 2022 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 April 11, 2023)

	Month of March 2023				Year to Date through March 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,299,479**	**$2,300,227**	**-$748**	**0.0%**	**$18,177,831**	**$18,341,471**	**-$163,640**	**-0.9%**
CFC†	$682,805	$704,256	-$21,451	-3.0%	$5,532,516	$5,602,788	-$70,272	-1.3%
Group VIII	$632,538	$621,204	$11,334	1.8%	$5,098,860	$5,253,929	-$155,069	-3.0%
ABD†	$227,005	$223,938	$3,067	1.4%	$1,927,862	$1,972,329	-$44,467	-2.3%
ABD Kids	$63,527	$73,931	-$10,405	-14.1%	$569,699	$615,631	-$45,932	-7.5%
My Care	$236,096	$261,395	-$25,299	-9.7%	$2,147,938	$2,270,455	-$122,517	-5.4%
OhioRISE	$29,597	$49,841	-$20,244	-40.6%	$167,325	$256,892	-$89,566	-34.9%
SPBM	$427,913	$365,663	$62,250	17.0%	$2,424,519	$2,051,947	$372,572	18.2%
Pay for Performance	$0	$0	$0	---	$309,111	$317,500	-$8,389	-2.6%
Fee-For-Service	**$670,538**	**$738,994**	**-$68,455**	**-9.3%**	**$6,997,141**	**$7,049,415**	**-$52,274**	**-0.7%**
ODM Services	$358,355	$371,579	-$3,224	-0.9%	$3,744,794	$3,672,788	$72,006	2.0%
DDD Services	$302,184	$367,415	-$65,232	-17.8%	$2,567,929	$2,658,758	-$90,829	-3.4%
Hospital - HCAP	$0	$0	$0	---	$684,417	$717,869	-$33,452	-4.7%
Premium Assistance	**$121,245**	**$137,761**	**-$16,516**	**-12.0%**	**$1,069,898**	**$1,134,969**	**-$65,072**	**-5.7%**
Medicare Buy-In	$76,729	$84,825	-$8,096	-9.5%	$692,451	$728,675	-$36,224	-5.0%
Medicare Part D	$44,516	$52,936	-$8,420	-15.9%	$377,447	$406,294	-$28,848	-7.1%
Administration	**$93,383**	**$93,973**	**-$590**	**-0.6%**	**$760,279**	**$1,023,164**	**-$262,886**	**-25.7%**
Total	**$3,184,646**	**$3,270,955**	**-$86,310**	**-2.6%**	**$27,005,148**	**$27,549,020**	**-$543,871**	**-2.0%**

*September 2022 estimates from the Department of Medicaid.
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program.
Detail may not sum to total due to rounding.

Expenditures[8]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $29.57 billion through March of FY 2023. These expenditures were $1.17 billion (3.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.26 billion and were $1.57 billion (229.9%) over estimate for the YTD, due primarily to $734.5 million in transfers that were authorized in H.B. 45 of the 134th General Assembly and not included in the estimates and the timing of $837.2 million in transfers that were not estimated to occur until June. Total GRF uses for these nine months were $31.83 billion, which was $400.3 million (1.3%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of March and YTD, respectively.

For March program expenditures, negative monthly variances in GRF Medicaid ($112.2 million, 6.0%), Property Tax Reimbursements ($83.8 million, 57.9%), General Government ($16.6 million, 33.0%), and Health and Human Services ($16.4 million, 10.8%) were partially offset by positive monthly variances in Primary and Secondary Education ($11.7 million, 1.7%), Justice and Public Protection ($9.2 million, 5.1%), and Higher Education ($2.9 million, 1.4%). The remaining categories had negative monthly variances of less than $1.0 million. Total program expenditures were $206.2 million (6.0%) under estimate for the month of March.

For YTD program expenditures, all categories, except for Debt Service, were under estimate, most significantly GRF Medicaid ($694.3 million, 4.5%), General Government ($177.0 million, 30.5%), Justice and Public Protection ($125.8 million, 5.9%), and Property Tax Reimbursements ($102.6 million, 9.5%). 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. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were below their monthly estimate in March by $112.2 million (6.0%) and below their YTD estimate by $694.3 million (4.5%) at the end of March. Non-GRF Medicaid expenditures were above their monthly estimate by $25.9 million (1.9%) and above their YTD estimate by $150.4 million (1.2%). March's negative GRF variance and positive non-GRF variance reflect a continuation of the trend by state Medicaid agencies to substitute GRF and non-GRF spending for each other as conditions dictate. Including both the GRF and non-GRF, all funds Medicaid expenditures were $86.3 million (2.6%) below estimate in March and $543.9 million (2.0%) below the YTD estimate at the end of March.

[8] 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.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and six 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 March of $29.1 million (1.0%) and a YTD all funds negative variance of $268.4 million (1.1%) at the end of March. DODD had a March all funds negative variance of $53.5 million (14.3%) and ended the month with YTD expenditures $103.8 million (3.8%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for all four major payment categories at the end of March. In both percentage terms and absolute dollars, the Administration variance of $262.9 million (25.7%) was the largest. The other categories with negative variances were Managed Care at $163.6 million (0.9%), Premium Assistance at $65.1 million (5.7%), and Fee-For-Service (FFS) at $52.3 million (0.7%). The YTD Administration variance continues to reflect general underspending on administrative costs, particularly in the Ohio Department of Job and Family Services (ODJFS). Of the $262.9 million YTD variance, $161.2 million (61.3%) is accounted for by ODJFS. The subcategory variance for the Ohio Resilience through Integrated Systems and Excellence (OhioRISE) program reflects continued less-than-forecasted spending as the enrollment of qualified youth is slower than anticipated. Both Medicare Buy-in and Medicare Part D have negative variances. Medicare Part B rates for 2024 are lower than 2023 and ODM's projections. Additionally, the variance for Medicaid Part D reflects the continued elevated Federal Medical Assistance Percentage (FMAP) due to the unexpected continuation of the COVID-19 public health emergency.

From the beginning of the COVID-19 pandemic in March 2020 through the end of March 2023, caseloads have increased by approximately 21,580 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility required as a condition of receiving increased financial assistance from the federal government and an increase in the number of new applications and approvals due to the economic impacts of the COVID-19 pandemic. Recently, states have received approval to restart eligibility redeterminations. ODM will begin any associated disenrollments during the spring of this year. This should lead to negative caseload variances throughout the second half of the calendar year. Until that time, the recent trend of positive caseload variances is expected to continue, as it did in March, with 140,411 cases (4.1%) above estimate.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The Ohio Department of Development (DEV) makes up 36.5% of the estimated expenditures from this category in FY 2023. Four other agencies make up another 32.6% of estimated expenditures: the Ohio Department of Transportation (ODOT, 9.0%), the Ohio Department of Natural Resources (ODNR, 8.7%), the Department of Taxation (TAX, 7.8%), and the Department of Agriculture (AGR, 7.1%). Twenty other agencies make up the remaining 30.9% of estimated spending.

This category was under estimate by $16.6 million (33.0%) in March, increasing its negative YTD variance to $177.0 million (30.5%). Most agencies in the category were under their YTD estimates. The largest appropriation line item (ALI) variances were for appropriations made in H.B. 687 of the 134th General Assembly to support Intel's megaproject development in central Ohio. ALI 195456, Local Roads, in DEV's budget, was under its YTD estimate by $74.9 million. The estimates had the entire $95 million appropriation for this ALI being expended in January. Nothing was actually expended from this ALI in January; $20.1 million, however, was expended in November. ALI 195459, Ohio Onshoring Incentive, also in DEV's budget, was under its YTD estimate by $50.0 million. The estimates have expenditures of $12.5 million each month from November through the end of the fiscal year, but no payments have yet been made. Finally, ALI 775471, State Road Improvements, in ODOT's budget is under its YTD estimate by $3.9 million. These variances are related to the timing of the projects. As the projects get underway, this variance may decrease or appropriation may be encumbered or reappropriated to be spent in future fiscal years. Another ALI in this category with a significant negative YTD variance is ALI 775470, Public Transportation – State, in ODOT's budget. This ALI has been under estimate for most months of this fiscal year culminating in a negative YTD variance at the end of March of $13.8 million.

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 71.0% of the estimated expenditures for this category for FY 2023. Eleven other agencies make up the remaining 29.0% of estimated spending.

The negative YTD variance in this category fell by $9.2 million in March to $125.8 million (5.9%). The largest YTD variances were in the Ohio Department of Public Safety (ODPS), DRC, and the Office of the Ohio Public Defender (OPD). Most other agencies in this category also had negative YTD variances. The positive March variance is mainly from positive variances of $8.1 million for DRC and $4.1 million for OPD.

ODPS was under its YTD estimate by $68.0 million; $49.9 million of that variance was due to ALI 761408, Highway Patrol Operating Expenses. This amount is almost the entire $50.0 million appropriation for this ALI for FY 2023. The estimates were for the entire amount to be expended in December, but this did not happen. February saw the first payment from the ALI of $75,000. The ALI provides GRF support for the highway patrol's operating expenditures that are in addition to the funds collected for this purpose from various taxes, fees, and fines related to the registration and operation of vehicles on public highways. Most of the other ALIs in the ODPS budget were also under estimate.

DRC ended March with a negative YTD variance of $38.4 million, due mainly to negative YTD variances of $21.7 million in ALI 505321, Institution Medical Services, and $6.1 million in ALI 501321, Institutional Operations. DRC's positive March variance was driven by a positive monthly variance of $8.3 million in ALI 501321. ALI 505321 is used to provide medical services to inmates of the state's prisons. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management.

OPD was under its YTD estimate by $9.1 million, due mainly to a negative YTD variance of $7.8 million in ALI 019501, County Reimbursement. For the month of March, this ALI had a positive variance of $4.1 million. ALI 019501 is used to reimburse counties for their costs in providing legal counsel to indigent persons. The estimate allocates the appropriation over the fiscal year, but actual expenditures depend on the actual costs incurred by the counties and the timing of the requests for reimbursement.

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 March, this category had a negative variance of $83.8 million (57.9%) increasing its negative YTD variance to $102.6 million (9.5%).

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services programs, except for debt service. ODJFS accounts for 53.4% of the estimated expenditures for this category for FY 2023, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.7% and the Ohio Department of Health (ODH) at 8.5%. Eight other agencies make up the remaining 8.4% of estimated spending.

This category's negative YTD variance rose by $16.4 million in March to $48.1 million (3.6%). All agencies were under estimate for the YTD. The two agencies with the largest negative YTD variances were ODH ($18.1 million) and OhioMHAS ($11.8 million). The negative monthly variance in March was mainly due to a negative variance of $20.7 million in ODJFS being partially offset by a positive variance of $4.8 million in OhioMHAS.

Significant variances for ALIs in the ODJFS budget include:

- ALI 600450, Program Operations, had a negative monthly variance of $0.6 million, which decreased the positive YTD variance for this ALI to $11.7 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS. H.B. 45 of the 134th General Assembly increased the FY 2023 appropriation for this ALI by $30.6 million.
- ALI 600523, Family and Children Services, had a negative monthly variance of $6.4 million, which resulted in a YTD negative variance of $5.2 million. This ALI is used primarily to support county public children services agencies.
- ALI 600535, Early Care and Education, had a negative monthly variance of $13.0 million, which resulted in a negative YTD variance for this ALI of $3.0 million. This ALI is used to pay for publicly funded child care services.
- ALI 600410, TANF State Maintenance of Effort, had a positive monthly variance of $2.5 million, which increased the positive YTD variance for this ALI to $3.3 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

The majority of ALIs in ODH's budget were under estimate for the YTD. The largest negative YTD variance was $3.9 million in ALI 440459, Help Me Grow. This ALI is used for a family support program offered to pregnant women and new parents.

Most ALIs in OhioMHAS's budget were under the YTD estimate, including ALI 336423, Addiction Services Partnership with Corrections, and ALI 336510, Residential State Supplement, which were under estimate by $3.7 million and $2.7 million, respectively. ALI 336423 funds programming and treatment services inside of correctional facilities. ALI 336510 provides financial assistance and case management to adults with disabilities who reside in approved living facilities.

OhioMHAS's positive March variance was mainly the result of positive variances in ALI 336504, Community Innovations, and ALI 336422, Criminal Justice Services, of $3.2 million and $2.3 million, respectively. ALI 336504 is used for a variety of community programs that support OhioMHAS's mission. ALI 336422 is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system.

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education (ODE), except for property tax reimbursement and Medicaid spending. This category was over its monthly estimate in March by $11.7 million, decreasing its negative YTD variance to $6.1 million (0.1%). The positive March variance was mainly due to a positive monthly variance of $9.4 million in ALI 200550, Foundation Funding – All Students, which increased its positive YTD variance to $21.7 million. This positive variance partially offsets negative YTD variances in most other ALIs.

ALI 200550 is the main source of state support for public schools in the state, including those operated by traditional school districts, joint vocational school districts (JVSDs), and community and STEM (science, technology, engineering, and mathematics) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. For FY 2023, estimated spending in this ALI comprises 83.7% of total estimated spending in the category. Expenditures from this ALI are governed by a variety of formulas and data and can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in this ALI.

The ALIs with the most significant negative YTD variances are:

- ALI 200540, Special Education Enhancements, with a negative YTD variance of $7.1 million. This ALI is used primarily for preschool special education services and school-age special education services provided by county boards of developmental disabilities and institutions.
- ALI 200437, Student Assessment, with a negative YTD variance of $6.8 million. This ALI is used for contracts to administer the state's student assessment system.
- ALI 200408, Early Childhood Education, with a negative YTD variance of $5.8 million. This ALI is used to provide grants for low-income students in early childhood education programs.
- ALI 200502, Pupil Transportation, with a negative YTD variance of $5.1 million. This ALI supports formula-derived funding for pupil transportation by schools, including funding for special education transportation.

Transfers Out

Transfers out of the GRF were over the monthly estimate in March by $283.6 million and over the YTD estimate by $1.57 billion (229.9%). The March variance was due to transfers authorized by the capital appropriations bill of the 134th General Assembly, H.B. 687. The estimates reflect $1.10 billion of transfers authorized by H.B. 687 occurring all in June. However, in March, there were transfers of $180.0 million to support the Parks and Recreation

Improvement Fund (Fund 7035), $40.0 million to support the Higher Education Improvement Taxable Fund (Fund 7024), and $63.5 million to support the Capital Information Technology Projects Fund (Fund 7091). These transfers bring the total transfers authorized by H.B. 687 to $837.2 million for the YTD. The transfers taking place prior to March were:

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $150.0 million to the School Building Program Assistance Fund (Fund 7032);
- $100.0 million to the Adult Correctional Building Fund (Fund 7027);
- $60.0 million to the Third Frontier Research and Development Taxable Bond Fund (Fund 7014);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056); and
- $6.3 million to the Clean Ohio Agricultural Easement Fund (Fund 7057).

In addition to transfers authorized by H.B. 687, two transfers authorized by H.B. 45 of the 134th General Assembly that were not included in the estimates also contributed to the positive YTD variance:

- $727.0 million to the Budget Stabilization Fund (BSF) and
- $7.5 million to the Electronic Pollbooks Fund (Fund 5ZE0).

The YTD variance in transfers out can be further explained by the following:

- Transfers totaling $3.2 million to the National Guard Scholarship Reserve Fund (Fund 5BM0) that were authorized in R.C. 5919.341 but not included in the estimates;
- Transfers totaling $2.8 million to the Ohio College Opportunity Grant Program Reserve Fund (Fund 5PU0) that were authorized in R.C. 3333.124 but not included in the estimates;
- A transfer of $250,000 to the At Home Technology Pilot Fund (Fund 5XT0) that was estimated to occur in June;
- A transfer of $1.0 million to the Major IT Purchases Fund (Fund 4N60) in November, when the estimates reflect a transfer of $5.2 million in October.

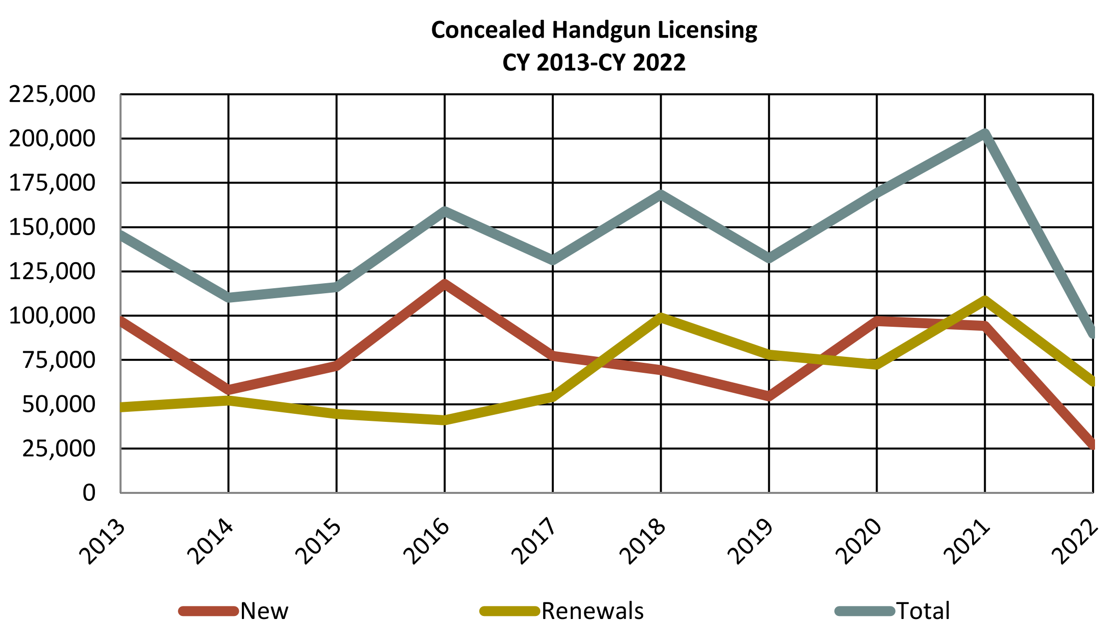
Issue Updates

Attorney General Releases 2022 Concealed Handgun Report

– Jessica Murphy, Budget Analyst

On March 1, 2023, the Ohio Attorney General's Office released its 2022 Statistics of Concealed Handgun License report. The annual report includes statewide and county statistics on licenses issued (new and renewals), suspended, revoked, and denied. Of note is that the total number of concealed handgun licenses issued statewide fell to 89,782 in 2022 from the record high of 202,920 the previous year, a decline of 56% (113,138). This decline resulted from a significant drop in both new and renewal license applications following the change in law that provides that a "qualifying adult" is not required to obtain a license in order to carry a concealed handgun.[9] The full report is available on the Attorney General's website under Publications: ohioattorneygeneral.gov.

The following chart demonstrates the changes in licensing activity over the past ten years. As noted above, the total number of concealed handgun licenses issued statewide peaked in 2021. That increase was largely attributed to the extension of deadlines for license renewal in 2020 in response to the COVID-19 pandemic and other delays. However, in 2022, only 27,031 new licenses were issued and 62,271 licenses were renewed, representing annual decreases of 71% (67,267) and 42% (45,871), respectively. It is uncertain whether license activity will continue to trend downward or flatten out in future years. While licensing for carrying concealed handguns is no longer required, some individuals may continue to voluntarily seek out a new or renewed license due to the ease in travelling from state to state or other ancillary benefits.



---

[9] S.B. 215 of the 134th General Assembly, effective June 13, 2022. See LSC's various analysis documents for further detail, which are available on the General Assembly's website and by searching for the noted bill: legislature.ohio.gov.

Under current law, the base cost of a concealed carry license is $67 and the renewal is $50 and any additional fees (i.e., background check fees, emergency processing fees, etc.) are set and collected locally by the county sheriff. Applicants residing in Ohio for less than five years must undergo a background check and pay an additional fee. The sheriff retains a portion of the fee which is then credited to the Sheriff's Concealed Handgun License Issuance Fund. The cost of the background check is remitted to the state and is credited to the Ohio Attorney General's General Reimbursement Fund (Fund 1060), which is used in part to fund the cost of background checks performed by the Bureau of Criminal Investigation (BCI), as well as any checks requested from the Federal Bureau of Investigation. Due to the fewer number of applications, the Attorney General estimates a decrease of $3.25 million in licensing fee revenues in the FY 2022-FY 2023 biennium.

OhioMHAS Awarded Federal Certified Community Behavioral Health Clinic Planning Grant

– Wendy Risner, Division Chief

On March 16, 2023, OhioMHAS was awarded a $1 million, one-year federal Certified Community Behavioral Health Clinic (CCBHC) planning grant. The goal of the grant is to expand access to comprehensive behavioral health care services. Funds will be used to help states certify clinics as CCBHCs and to establish prospective payment systems for Medicaid reimbursable services. Ohio was one of 15 states to receive a planning grant. States that receive a planning grant this year will be eligible to apply to participate in a four-year CCBHC demonstration program next year. As part of the demonstration program, states will receive enhanced federal matching funds for services CCBHCs provide to Medicaid recipients.

The U.S. Department of Health and Human Services (HHS) administers both the planning grant and the demonstration program. HHS requires CCBHCs to meet specific criteria for the services that they provide. CCBHCs must provide crisis services that are available 24 hours a day, seven days a week for individuals requiring mental health or substance use services. These services must be provided regardless of an individual's ability to pay or the individual's place of residence or age. CCBHCs must also perform immediate screening and risk assessments for behavioral health issues and offer routine primary care services within ten days following a patient contact. Additionally, CCBHCs must coordinate physical and behavioral health care and social services that a patient requires. CCBHCs are also required to provide the following nine services: crisis services; treatment planning; screening, assessment, diagnosis, and risk assessment; outpatient mental health and substance use services; targeted case management; outpatient primary care screening and monitoring; community-based mental health care for veterans; peer, family support and counselor services; and psychiatric rehabilitation services.

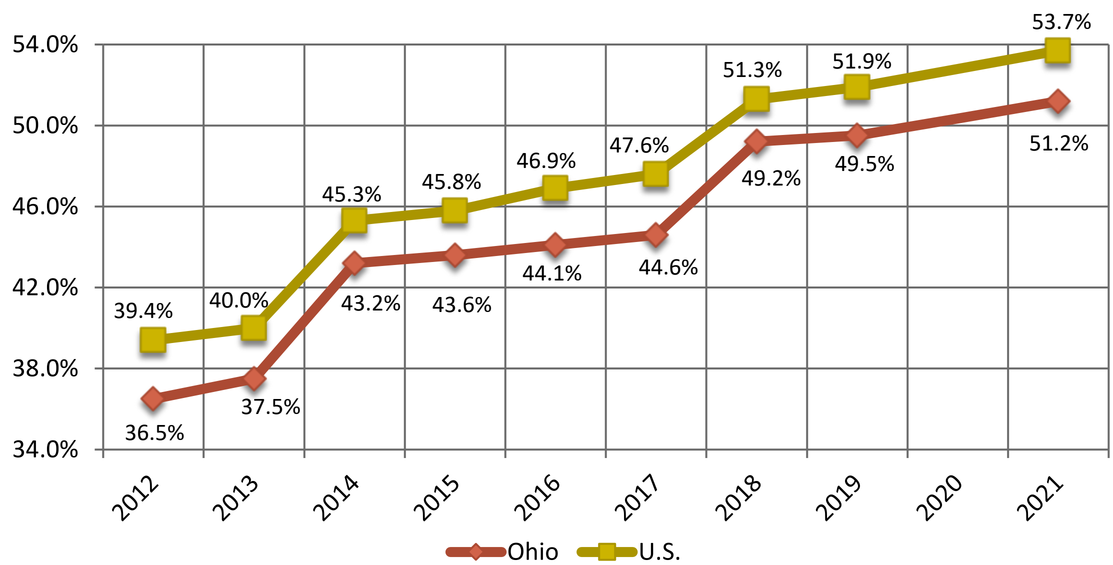
This grant is the second planning grant that HHS has awarded. In 2015, the first round of planning grants were awarded and the following year eight states were chosen to take part in a CCBHC demonstration project. As part of the demonstration project, participating states submitted information regarding their projects. HHS states that when patients use CCBHCs there is a decrease in the following: homelessness, emergency room and inpatient hospitalization utilization for behavioral health issues, and illegal substance usage.

Postsecondary Degree or Certificate Attainment Increased to 51.2% in Ohio in 2021

– Jason Glover, Budget Analyst

According to the latest figures compiled by the Lumina Foundation, Ohio's overall rate of college degree or certificate attainment increased to 51.2% in 2021, continuing Ohio's progress toward achieving its goal of 65% of Ohioans ages 25 to 64 having a degree, certificate, or other postsecondary credential of value in the marketplace by 2025.[10] As seen in the chart below, Ohio's overall rate of degree or certificate attainment increased from 36.5% in 2012 to 51.2% in 2021, an increase of 14.7 percentage points.[11] While Ohio's attainment rate has steadily increased since 2012, the 51.2% attainment rate in 2021 was still two and a half percentage points below the national average of 53.7%. The large percentage point increases in both Ohio's and the U.S.'s average attainment rates in 2014 and 2018 are due to the inclusion of workforce-relevant certificates and certifications beginning in 2014 and 2018, respectively.[12]

Degree and Certificate Attainment Rates for Ohio and U.S.



Source: Lumina Foundation

Overall, the most common credential among those completing some type of postsecondary education is a bachelor's degree. The chart below shows that 20.8% of Ohio residents between the ages of 25 and 64 had a bachelor's degree in 2021, followed by a graduate or professional degree (12.1%), associate's degree (9.7%), and short-term credential (8.6%). The

---

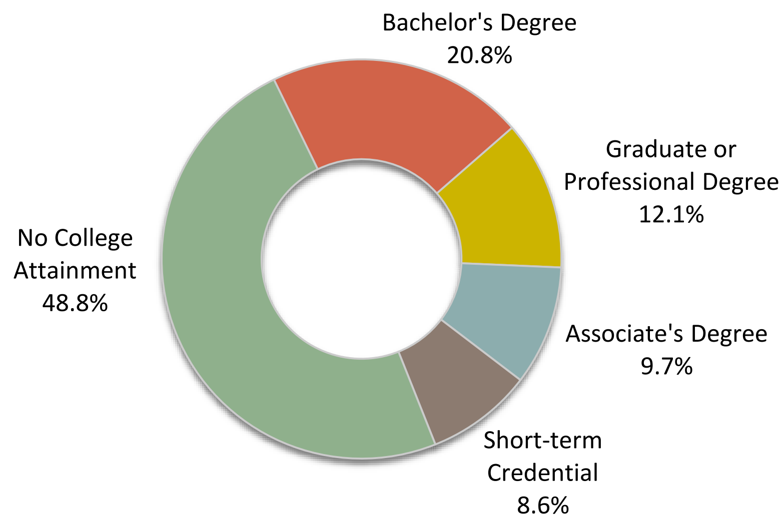
[10] Lumina's Stronger Nation report for Ohio can be viewed by conducting a keyword "stronger nation report" search on Lumina's website: luminafoundation.org.

[11] Per the report, Lumina omitted 2020 data because the data gathered for that year did not meet their quality standards.

[12] In general, a certificate is granted through completion of an academic program while a certification is a credential earned by demonstrating specialized knowledge or experience in a particular professional field, typically through passage of an assessment.

remaining 48.8% of Ohio residents between ages 25 and 64 had not completed a postsecondary credential. However, 10.8% did have some college experience.

Education Levels of Ohio Residents Ages 25 to 64, 2021



Source: Lumina Foundation

At the county level, educational attainment rates for Ohioans ages 25 to 64 earning at least an associate's degree vary widely.[13] Overall, 15 counties (17%) were above the state rate of 42.6%. Delaware County had the highest rate at 68.4%, while Holmes County had the lowest one at 13.6%.

ODM Launches Comprehensive Maternal Care

– Nelson V. Lindgren, Economist

On January 23, 2023, ODM launched the Comprehensive Maternal Care (CMC) program. CMC is a statewide, community-based program whose primary goal is to improve the health of mothers, infants, and families covered by the Medicaid program. CMC is structured with a results-based payment structure that rewards participating maternal care providers for addressing patient and family needs during the full cycle of childbearing, including prenatal care, childbirth, and postnatal care. Additionally, CMC uses a prospective per-member-per-month value-based payment system for participating providers that is based on the risk level of Medicaid members.

During the first year of the program, ODM expects to enroll 77 medical practices and provide services to more than 14,000 pregnant and postpartum Medicaid recipients. Medical practices that wish to participate in CMC will be required to meet several requirements, including engaging with patients and families, and obtaining firsthand accounts describing how access to care, cultural competence, and communication methods affect patient outcomes. Practices will

[13] Note that the Lumina Foundation does not estimate the number of residents with postsecondary certificates when developing attainment rates at the county level.

also be required to: (1) use the Pregnancy Risk Assessment to identify women in need of a first prenatal appointment to ensure early access to appointments and services, (2) engage community supports and assess the patient's experiences throughout treatment, (3) ensure patient involvement and care continuity, (4) evaluate practice strengths and patient needs to make certain that resources are being used to achieve healthier outcomes for patients. ODM has budgeted $5 million for the program during its first year of operation.

Department of Development Awards $57.7 Million in Appalachian Community Grants

Shannon Pleiman, Senior Budget Analyst

On March 20, 2023, the Controlling Board approved the release of approximately $57.7 million in Appalachian Community Grants to 26 recipient local governments and community organizations within the 32-county Appalachian region. Under the program, awards fall under two categories: planning and development. The majority of the awards distributed, $50.0 million in this round, went to four projects under the development category, which focuses on health care, infrastructure, and workforce training initiatives that are ready for implementation within 90 days: (1) $25.8 million to the Survivor Advocacy Outreach Program to address social determinants of health challenges in Athens, Gallia, Hocking, and Meigs counties, (2) $17.7 million to Athens, Coshocton, Logan, and Somerset for downtown revitalization efforts, (3) $4.2 million to the Outdoor Recreation Council of Appalachia for trail development and tourism activity along the Baileys Trail System, and (4) $2.4 million to the Utica Shale Academy for workforce training efforts in Carrol, Columbiana, Jefferson, and Mahoning counties. There is no maximum grant award under the development category, but projects must total at least $1.0 million or more to be eligible for consideration. A second round of development grants will open in November of this year.

The remaining $7.7 million was distributed to 22 local governments and community organizations for planning grants. Local governments, community organizations, and collaborations among the two may use this money to plan, research, and develop proposals for prospective development grants. The maximum award to an individual organization is $250,000. Awards under this round ranged from $1.6 million to the Buckeye Hills Regional Council (serving eight counties in southeastern Ohio) to just under $6,000 to the Ohio History Connection.

The Appalachian Community Grant Program was created under H.B. 377 of the 134th General Assembly, which appropriated $500.0 million in American Rescue Plan Act (ARPA) funding under Fund 5CV3, ALI 1956B1, ARPA Appalachia Community Plan, for this purpose. The federal funding that Ohio received to support this initiative must be used by October 2026.

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

– Jared Cape, Budget Analyst

On March 21, 2023, ODNR announced the recipients of Marine Patrol Assistance Grants totaling almost $580,000. As shown in the table below, 24 agencies in 21 counties will receive grants of between $3,759 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 2023 Marine Patrol Assistance Grant Recipients		
County	Law Enforcement Agency	Award
Tuscarawas	Muskingum Watershed Conservancy District	$35,000
Franklin	Columbus Division of Police	$34,974
Cuyahoga	Rocky River Police Department	$34,789
Lorain	Lorain Police Department	$33,841
Lake	Lake County Sheriff's Office	$33,609
Erie	Vermilion Police Department	$33,146
Summit	Summit County Sheriff's Office	$33,146
Mahoning	Mahoning County Sheriff's Office	$31,987
Erie	Huron Police Department	$28,974
Butler	Butler County Sheriff's Office	$25,497
Trumbull	Trumbull County Sheriff's Office	$25,497
Sandusky	Sandusky County Sheriff's Office	$24,338
Hamilton	Hamilton County Sheriff's Office	$22,252
Knox	Knox County Sheriff's Office	$21,788
Portage	Portage County Sheriff's Office	$21,164
Ottawa	Ottawa County Sheriff's Office	$20,251
Ottawa	Port Clinton Harbor Patrol	$19,724
Ross	Ross County Sheriff's Office	$19,470
Scioto	Scioto County Sheriff's Office	$18,079

FY 2023 Marine Patrol Assistance Grant Recipients		
County	**Law Enforcement Agency**	**Award**
Lawrence	Lawrence County Sheriff's Office	$16,457
Pickaway	Pickaway County Sheriff's Office	$14,808
Montgomery	Five Rivers MetroParks	$14,589
Erie	Sandusky Police Department	$12,517
Shelby	Shelby County Sheriff's Office	$3,759
	Total	**$579,654**

ODE Announces Addition of Medicaid Participation in Direct Certification for Free and Reduced-Price School Meals

– Daniel Hummel, Budget Analyst

ODE announced in February that starting in the 2023-2024 school year, a student's participation in Medicaid will automatically qualify the student for free or reduced-price school meals through the direct certification process. A preliminary estimate, based on a U.S. Department of Agriculture (USDA)-sponsored study,[14] is that this change will increase the number of students in Ohio eligible for free meals by about 2%. Since the 2012-2013 school year, schools in Ohio participating in the national school lunch and school breakfast programs have qualified a student for free meals through direct certification if the student's household participates in the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF). The direct certification process allows students to qualify without being required to submit an application. Instead, if the student's household matches administrative records for SNAP and TANF participation, the student is automatically eligible. It has been estimated that requiring families to submit an application results in 20% to 55% of students eligible for a free lunch not participating.[15]

The national school lunch program is the second largest nutrition assistance program in the U.S. after SNAP. Ohio's food service program serves more than one million meals each day

[14] USDA Direct Certification with Medicaid for Free and Reduced-Price Meals (DCM-F/RP) Demonstration, Year 2 (PDF), which can be accessed by conducting a keyword "free and reduced price meals" on Mathematica.org (accessed March 28, 2023).

[15] Marcus, M., & Yewell, K. G. (2022), The effect of free school meals on household food purchases: Evidence from the community eligibility provision, *Journal of Health Economics*, *84*, 102646, which can be accessed by conducting a keyword "free school lunch" search on ScienceDirect.com.

across more than 3,000 sites.[16] Schools are reimbursed for each meal served at rates that vary according to whether the student pays for the meal, pays a reduced price (no more than $0.40 per meal), or receives the meal for free. According to ODE, as of October 2022, more than 677,000 students qualify for free or reduced-price meals.

Controlling Board Approves $197,000 in Gaming Licensing Receipts Funding for the Ohio Veterans Homes

– Shaina Morris, Budget Analyst

On February 27, 2023, the Controlling Board approved a Department of Veterans Services (DVS) request for a $197,000 appropriation in FY 2023 to new ALI 900650, Sports Gaming – Veterans, to support expenses at the Ohio Veterans Homes in Sandusky and Georgetown. The appropriation is the first from the Sports Gaming Profits Veterans Fund (Fund 5YP0) which was created in H.B. 29 of the 134th General Assembly.[17] Fund 5YP0 receives 0.5% of the revenue generated from sports gaming proprietor and management services provider license fees.

The money credited to Fund 5YP0 must be used for the direct benefit of veterans and their spouses and dependents, to provide funding to a county veterans service commission, to provide funding to an Ohio veterans home, or to provide funding to a program administered by the Ohio National Guard. The Casino Control Commission started to issue sports gaming licenses in the fall of 2022. Licenses are generally five years with up to 50% of the license fee being paid in the first year. As of the end of March 2023, $201,649 had been deposited to the credit of Fund 5YP0. Over 70% of that amount was deposited in November 2022.

---

[16] See ODE's National School Lunch Program Fact Sheet (PDF), which can be accessed by conducting a keyword "NSLP" search on education.ohio.gov.

[17] Among other provisions included in H.B. 29, the bill legalizes and regulates sports gaming in Ohio through sports gaming proprietors licensed and regulated by the Ohio Casino Control Commission to offer sports gaming online, at sports gaming facilities, and in the form of lottery sports gaming at bars and restaurants.

Tracking the Economy

– Lin Kong, LSC Fellow

Overview

The U.S. economy continued to expand in recent months, despite increasing interest rates and prices. The nation's unemployment rate changed little in March at 3.5%. Personal income rose in February, as wages and salaries increased. U.S. inflation-adjusted gross domestic product (real GDP) rose in the fourth quarter of 2022 at a 2.6% annual rate, down from a 3.2% annual rate in the third quarter. The nation's industrial production did not change from January to February, though manufacturing output ticked up. The Federal Reserve, the nation's central bank, raised the federal funds rate target as it combats high inflation levels.

The inflation rate, as measured by the Consumer Price Index for All Urban Consumers (CPI-U) edged downward in February, from an increase of 0.5% in the index, seasonally adjusted, in January to an increase of 0.4%. Prices for food and shelter rose this month, while energy prices decreased. Year-over-year growth in CPI-U, at 6.0%, has trended downward from its peak in June of over 9%.

In February, Ohio's total nonfarm payroll employment increased by 900 (0.0%) from the revised total in January, following a significant increase in January. The state's unemployment rate was 3.9%, a decrease from 4.0% in January. Ohio's housing market continued to slow in February.

The National Economy

The U.S. economy added 236,000 nonfarm payroll jobs in March, after seasonal adjustment. The nation's monthly unemployment rate changed little in March at 3.5%, down from 3.6% in February. Chart 4 displays U.S. nonfarm payroll employment, and Chart 5 shows unemployment.

Most of the job growth in March occurred in the service sector, in subsectors such as leisure and hospitality (+72,000, with most of the increase at food services and drinking places), private education and health services (+65,000), government (+47,000), and professional and business services (+39,000). On the other hand, employment declined in goods-producing industries, especially construction (-9,000) but also manufacturing (-1,000).

Unemployment decreased by 97,000 persons in March to 5.8 million. The number of persons considered as unemployed for over 26 weeks changed little at 1.1 million in March, down from 1.4 million in March of last year. The number of employed persons who were working part-time for noneconomic reasons, such as having childcare problems or personal obligations, decreased by 423,000 in March to 21.4 million but that was about 543,000 more than in March of last year. The seasonally adjusted labor force participation rate, at 62.6%, continued to trend up.

In February, the number of job openings declined to 9.9 million from 10.6 million at the end of January. The number of job openings in February remained well above the number of unemployed workers. The number of hires (6.2 million) and the number of separations (5.8 million) were little changed in February.

The U.S. total industrial production index was at 102.0 in February, unchanged from January, following declines in December and November of last year. Manufacturing output rose 0.1% for the month, after a sizeable increase in January, but was 0.2% below its level a year earlier. Business equipment had the largest increase among major market groups with a 3.9% rise, while construction supplies registered the largest decrease with a 2.0% drop. Mining output fell 0.8% in February, following a 2.1% increase in January. Utility output rose 0.5%.

U.S. real GDP rose at a 2.6% annual rate in the fourth quarter of 2022, according to the U.S. Bureau of Economic Analysis's (BEA's) third estimate, following an increase of a 3.2% annual rate in the third quarter. The growth was slightly slower than the BEA's second estimate of a 2.7% annual rate, but based on more complete information. The fourth quarter's growth reflects expansions in private inventory investment, consumer spending on services and nondurable goods, nonresidential fixed investment, and spending at both the federal and state and local government levels. Residential fixed investment decreased sharply. Both exports and imports of goods decreased. For the entire year of 2022, real GDP expanded 2.1%, following a 5.9% increase in 2021. Growth in 2022 was largely spurred by consumer spending, exports, and private inventory investment. In 2022, consumers spent more on services but less on goods.

Personal income, not adjusted for inflation, rose 0.3% in February, led by higher wages and salaries in both private service-producing industries and the public sector. The price index for consumer spending also rose 0.3% in February and was 5.0% higher than a year earlier. Excluding food and energy, the price index for consumer spending still rose 0.3% in February and rose 4.6% from the year prior. Real personal consumption expenditures decreased 0.1% for the month, after a 1.5% increase in January. In March, light motor vehicles sold at a seasonally adjusted annual rate of 14.8 million units. In January, sales of light motor vehicles were at a 16.0 million rate; in February, the rate had decreased to 15.0 million.

The CPI-U increased 0.4% in February, after a 0.5% increase in January. The largest contributor to this monthly increase was the index for shelter, which accounted for over 70% of the increase. Food prices also increased over the month by 0.4%, but energy prices decreased by 0.6% as natural gas and fuel oil prices dipped. The index for all items excluding food and energy also rose in February, a 0.5% increase. Compared to February 2022, the CPI-U for all items was 6.0% higher; excluding food and energy, it was 5.5% higher. Prices for used cars continued to decrease in February by 2.8%, consistent with a downward trend of used car prices in recent months; compared to February of last year, prices for used cars and trucks were 13.6% lower.

Year-over-year percentage changes in CPI-U have trended downward since June, while such changes for the index excluding food and energy prices have trended downward since September. The downward trends are a welcome development for consumers, of course, but also for the Federal Reserve as its attempts to reduce inflation via monetary policy are gradually working. In response to modest economic growth in spending and production along with elevated inflation levels, the Federal Reserve's Federal Open Market Committee decided to raise the target range for the federal funds rate to 4.75% to 5.0% at its meeting on March 21-22. By doing so, the Committee hopes to achieve maximum employment and lowered inflation levels to a target rate of 2.0%. The Committee anticipates additional monetary policy changes will follow as they seek to achieve this objective.

The Ohio Economy

In February, Ohio total nonfarm payroll employment, seasonally adjusted, rose by 900 (0.0%) from the revised total in January, following a large 19,900 (0.4%) increase in January. Ohio's nonfarm payroll employment was 77,800 (1.4%) higher than in February 2022.

Employment increased by 1,100 in goods-producing industries for the month of February. Included in that increase were gains in construction (+1,200) and mining and logging (+200), somewhat offset by losses in manufacturing (-300). In the private service-providing sector, employment increased by 1,200 for the month. Within this sector, employment fell in professional and business services (-6,900). Employment rose in private educational and health services (+3,300); trade, transportation, and utilities (+1,800); financial activities (+1,200); leisure and hospitality (+1,100); other services (+600); and information (+100). Government employment decreased by 1,400 in February as losses in state (-2,100) and local government (-400) exceeded gains in the federal government (+1,100).

From February 2022 to February 2023, employment grew in the private service-providing sector (+53,600), goods-producing industries (+17,800, including manufacturing at +8,700), and government (+6,400). Employment rose during the past year in most sectors, with the largest gains in private educational and health services, leisure and hospitality, and durable goods manufacturing.

In February, the state's unemployment rate was 3.9%, a decrease from 4.0% in January and also a decrease from 4.0% in February 2022. The state's unemployment rate in February was higher than the U.S. unemployment rate. The U.S. unemployment rate was 3.6% in February. The number of unemployed workers in Ohio was 223,500 in February, 5,300 less than in January and also 6,900 less than in February 2022.

Ohio's housing market continued to slow this month, according to data from Ohio Realtors. The number of existing home sales in Ohio decreased to 8,032 in February from 9,284 in February of last year, a 13.5% decrease. The average price of homes sold statewide was $245,459, up 4.0% from February 2022.

Chart 4: U.S. and Ohio Nonfarm Payroll Employment
(in millions)

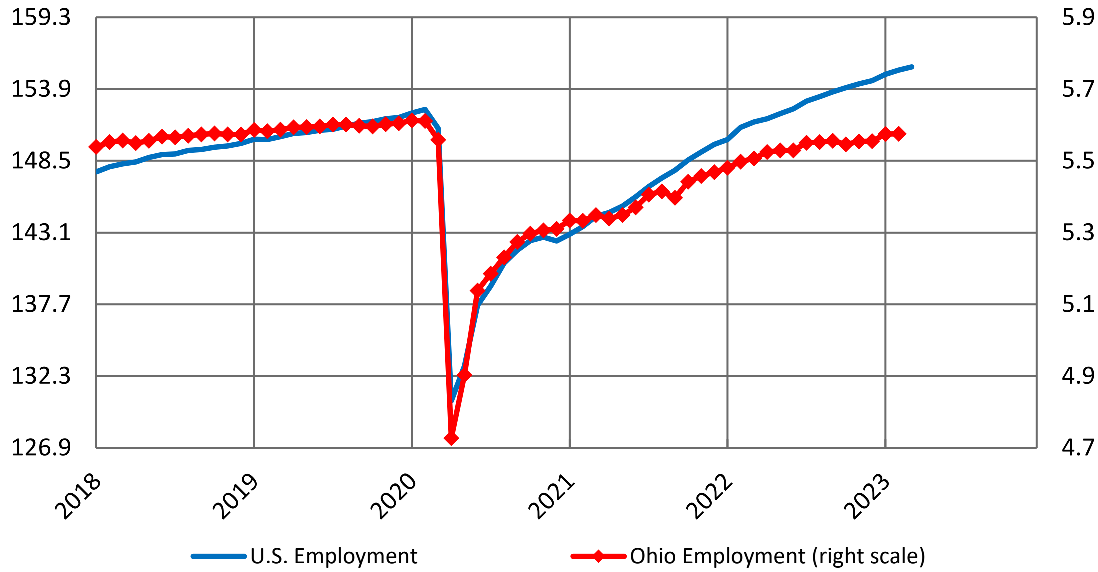


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force