LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 **Issue: July 2023**

Highlights

– Ross Miller, Principal Economist

June GRF tax receipts were $153 million over the estimate published by the Office of Budget and Management (OBM) at the beginning of FY 2023. Positive variances for tax receipts were common this year, so that full-year GRF tax revenue of $28.92 billion was $994 million above estimate. The positive revenue picture was complemented by below-estimate GRF expenditures, yielding a FY 2023 GRF ending cash balance of $8.99 billion (see table below).

H.B. 33 included a provision calling for $150 million to be transferred in July from the GRF to the Budget Stabilization Fund (BSF; a similar provision transferring $600 million to the BSF from the Health and Human Services Reserve Fund was vetoed). When made, that transfer will increase the BSF cash balance to $3.65 billion, or 8.6% of FY 2023 GRF revenue, a record level, in both dollar and percentage terms.

Simplified GRF Cash Statement, as of June 30, 2023 ($ in millions)	
Beginning Cash Balance	**$6,547.04**
Plus Actual Revenues, Transfers In, and Receivables	$42,515.29
Less Actual Expenditures and Transfers Out	$40,071.67
Ending Cash Balance	**$8,990.66**
Year-end Encumbrances	$1,633.52
Unobligated Ending Cash Balance	**$7,357.14**
BSF Balance	**$3,500.85**
Combined GRF and BSF Unobligated Ending Balance	**$10,857.99**

This healthy budget picture is permitted by an equally healthy Ohio labor market. Ohio's seasonally adjusted unemployment rate fell to 3.6% in May, the first month since September 2021 that Ohio's rate was below the national rate. And Ohio nonfarm payroll employment grew by 85,400 (1.5%) during the year ending in May. Most of that growth (82,000) was in the private sector, which grew 1.7% over the year.

Through June 2023, GRF sources totaled $42.52 billion:

- Revenue from the personal income tax (PIT) was $645.1 million above estimate;
- Sales and use tax receipts were $149.2 million above estimate.

Through June 2023, GRF uses totaled $40.07 billion:

- Program expenditures were $1.81 billion below estimate, due primarily to GRF Medicaid expenditures, which were $1.42 billion below estimate;
- General Government expenditures were $185.7 million below estimate;
- Expenditures from all other program categories were below estimates except for Debt Service, which was above estimate by $1.3 million.

In this issue...

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Have a great summer!

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of June 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 5, 2023)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$187,255	$176,200	$11,055	6.3%
Nonauto Sales and Use	$1,022,488	$1,012,200	$10,288	1.0%
Total Sales and Use	*$1,209,743*	*$1,188,400*	*$21,343*	*1.8%*
Personal Income	$963,580	$903,800	$59,780	6.6%
Commercial Activity Tax	$15,813	$15,700	$113	0.7%
Cigarette	$122,798	$124,500	-$1,702	-1.4%
Kilowatt-Hour Excise	$14,501	$18,000	-$3,499	-19.4%
Foreign Insurance	-$772	-$3,300	$2,528	76.6%
Domestic Insurance	$363,212	$289,900	$73,312	25.3%
Financial Institution	$27,349	$28,500	-$1,151	-4.0%
Public Utility	$5,075	$4,900	$175	3.6%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$5,109	$4,900	$209	4.3%
Liquor Gallonage	$4,971	$5,100	-$129	-2.5%
Petroleum Activity Tax	$4,516	$2,100	$2,416	115.0%
Corporate Franchise	$14	$0	$14	---
Business and Property	$181	$100	$81	81.2%
Estate	$1	$0	$1	---
Total Tax Revenue	**$2,736,091**	**$2,582,600**	**$153,491**	**5.9%**
Nontax Revenue				
Earnings on Investments	$106,666	$21,600	$85,066	393.8%
Licenses and Fees	$656	$878	-$222	-25.3%
Other Revenue	$1,143	$1,954	-$811	-41.5%
Total Nontax Revenue	**$108,465**	**$24,431**	**$84,033**	**344.0%**
Transfers In	**$1,486**	**$0**	**$1,486**	**---**
Total State Sources	**$2,846,041**	**$2,607,031**	**$239,010**	**9.2%**
Federal Grants	**$648,561**	**$784,239**	**-$135,678**	**-17.3%**
Total GRF Sources	**$3,494,602**	**$3,391,270**	**$103,332**	**3.0%**

*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 June 30, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on July 05, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$1,994,574	$1,955,900	$38,675	2.0%	$1,948,990	2.3%
Nonauto Sales and Use	$11,488,563	$11,378,000	$110,563	1.0%	$11,080,574	3.7%
Total Sales and Use	*$13,483,137*	*$13,333,900*	*$149,237*	*1.1%*	*$13,029,564*	*3.5%*
Personal Income	$10,797,208	$10,152,101	$645,107	6.4%	$10,752,165	0.4%
Commercial Activity Tax	$2,151,863	$2,069,000	$82,863	4.0%	$1,995,538	7.8%
Cigarette	$827,422	$872,300	-$44,878	-5.1%	$884,587	-6.5%
Kilowatt-Hour Excise	$278,267	$289,300	-$11,033	-3.8%	$291,440	-4.5%
Foreign Insurance	$362,814	$328,100	$34,714	10.6%	$328,385	10.5%
Domestic Insurance	$386,683	$323,600	$63,083	19.5%	$312,610	23.7%
Financial Institution	$239,236	$215,000	$24,236	11.3%	$202,770	18.0%
Public Utility	$182,859	$140,000	$42,860	30.6%	$156,311	17.0%
Natural Gas Consumption	$67,803	$69,000	-$1,197	-1.7%	$69,019	-1.8%
Alcoholic Beverage	$64,518	$62,000	$2,518	4.1%	$61,742	4.5%
Liquor Gallonage	$57,314	$58,000	-$686	-1.2%	$57,936	-1.1%
Petroleum Activity Tax	$15,883	$9,000	$6,883	76.5%	$9,276	71.2%
Corporate Franchise	$121	$0	$120	44151.5%	$721	-83.3%
Business and Property	$518	$200	$318	158.9%	$404	28.2%
Estate	$39	$0	$39	10172.4%	$58	-32.6%
Total Tax Revenue	**$28,915,687**	**$27,921,502**	**$994,184**	**3.6%**	**$28,152,524**	**2.7%**
Nontax Revenue						
Earnings on Investments	$304,566	$90,000	$214,566	238.4%	$52,792	476.9%
Licenses and Fees	$117,085	$100,000	$17,085	17.1%	$99,240	18.0%
Other Revenue	$225,774	$173,094	$52,680	30.4%	$401,201	-43.7%
Total Nontax Revenue	**$647,426**	**$363,094**	**$284,332**	**78.3%**	**$553,233**	**17.0%**
Transfers In	**$20,699**	**$5,000**	**$15,699**	**314.0%**	**$57,085**	**-63.7%**
Total State Sources	**$29,583,812**	**$28,289,596**	**$1,294,215**	**4.6%**	**$28,762,842**	**2.9%**
Federal Grants	**$12,931,384**	**$13,513,145**	**-$581,761**	**-4.3%**	**$11,897,309**	**8.7%**
Total GRF SOURCES	**$42,515,196**	**$41,802,742**	**$712,454**	**1.7%**	**$40,660,150**	**4.6%**

*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]

– Philip A. Cummins, Senior Economist

Overview

GRF receipts were strong in FY 2023 for the third consecutive year. GRF sources of $42.52 billion were $712.5 million (1.7%) above OBM's estimate, with GRF tax sources above projections by $994.2 million (3.6%). In addition, nontax revenue had a surplus of $284.3 million (78.3%) mostly due to increased earnings on investments from the upsurge in market interest rates. Transfers in were also above estimate, by $15.7 million (314.0%). However, federal grants were less than the estimate by $581.8 million (4.3%). GRF sources consist of state-source receipts and federal grants. State-source receipts include tax revenue, nontax revenue, and transfers in. Federal grants are related to spending for Medicaid and other human services programs. Tables 1 and 2 show GRF sources for the month of June and for FY 2023 through June, respectively.

The strong performance of GRF tax sources in FY 2023 was largely due to robust positive variances of $645.1 million for the PIT and $149.2 million for the sales and use tax. A third major tax source, the commercial activity tax (CAT) was above estimate by $82.9 million, as the tax demonstrated remarkable growth over the past two years. Also surpassing their estimates were the domestic insurance tax ($63.1 million), the public utility excise tax (PUET, $42.9 million), the foreign insurance tax ($34.7 million), the financial institutions tax (FIT, $24.2 million), the petroleum activity tax (PAT, $6.9 million), and the alcoholic beverage tax ($2.5 million). Those positive variances were partly offset by deficits from the cigarette tax ($44.9 million), the kilowatt-hour (kWh) tax ($11.0 million), the natural gas consumption tax ($1.2 million), and the liquor gallonage tax ($0.7 million). Chart 1, below, shows cumulative YTD variances of GRF sources through June in FY 2023.

For the month of June 2023, tax sources were above estimate by $153.5 million (5.9%), nontax revenues were above estimate by $84.0 million (344.0%), and transfers in were $1.5 million when none were expected, while federal grants were below estimate by $135.7 million (17.3%). Major tax sources above estimate in June include the PIT, by $59.8 million, the auto sales and use tax, by $11.1 million, the nonauto sales and use tax, by $10.3 million, and the CAT, by $0.1 million, while the cigarette tax was below estimate by $1.7 million. The remaining taxes had a combined positive variance of $74.0 million, of which the domestic insurance tax accounted for $73.3 million. Other taxes with positive variances include the foreign insurance tax, $2.5 million, the PAT, $2.4 million, the alcoholic beverage tax, $0.2 million, and the public utility tax, $0.2 million, while other taxes with negative variances include the kWh tax, $3.5 million, the FIT, $1.2 million, and the liquor gallonage tax, $0.1 million. Earnings on investments exceeded the estimate by $85.1 million.

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[1] This report compares actual monthly and year-to-date (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. The OBM estimates shown were made at the beginning of the fiscal year; they are not the FY 2023 estimates that accompanied the Executive budget proposal because OBM did not release monthly breakdowns of those estimates.

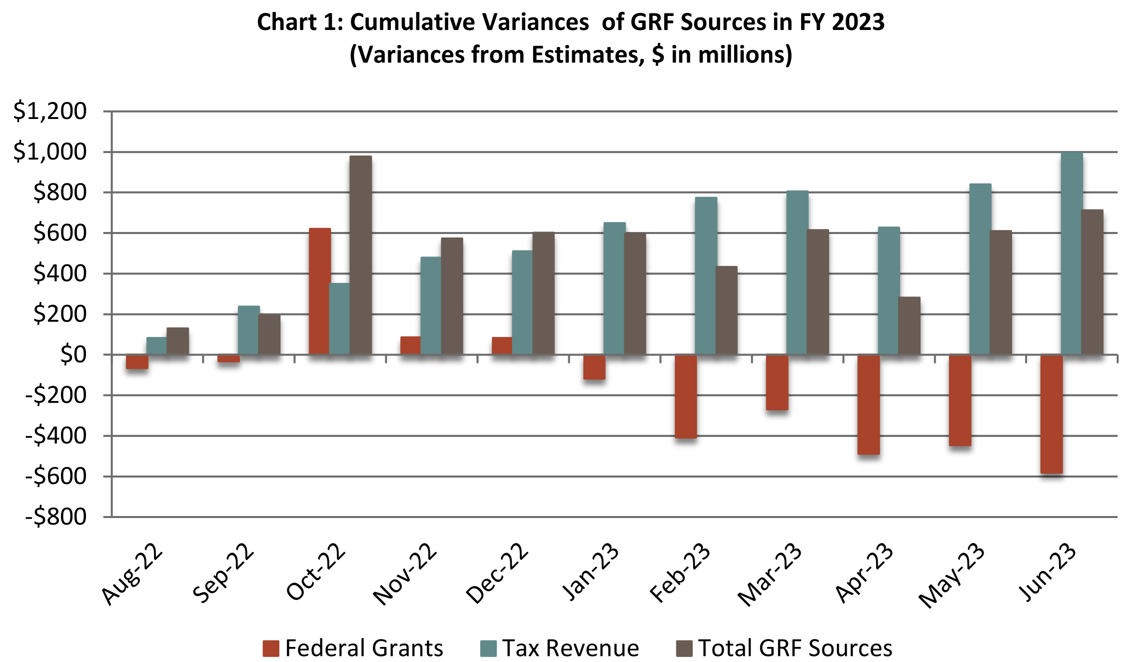


Chart 1 shows the cumulative variances at the end of each month of FY 2023 since August, for federal grants, tax revenue, and total GRF sources.

As shown in Table 2 above, FY 2023 total sources through June were $1.86 billion (4.6%) higher than in FY 2022, primarily due to increases in federal grants ($1.03 billion) and total tax revenue ($763.2 million). Major tax revenue sources grew during FY 2023 compared to FY 2022, except for the cigarette tax. Revenue for the sales and use tax, the CAT, and the PIT increased by $453.6 million (3.5%), $156.3 million (7.8%), and $45.0 million (0.4%), respectively. Cigarette tax revenue decreased by $57.2 million (6.5%), continuing a downward trend. Revenue growth for nonmajor taxes was also strong, notably the domestic insurance tax ($74.1 million, 23.7%), the FIT ($36.5 million, 18.0%), the foreign insurance tax ($34.4 million, 10.5%), the public utility tax ($26.5 million, 17.0%), the PAT ($6.6 million, 71.2%), and the alcoholic beverage tax ($2.8 million, 4.5%). Revenue from the kWh tax, the natural gas consumption tax, and the liquor gallonage tax decreased by $13.2 million (4.5%), $1.2 million (1.8%), and $0.6 million (1.1%), respectively. All funds revenue from the kWh tax decreased by $6.5 million (1.2%) year-over-year, while revenue allocated to the Public Library Fund (PLF, Fund 7065) increased by $6.7 million. Half of the amount due to the PLF in each month is debited against the kWh tax for accounting purposes while the other half is debited against the nonauto sales and use tax.

Sales and Use Tax

GRF revenue from the sales and use tax in June totaled $1.21 billion, which was $21.3 million (1.8%) above estimate. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto.[2] Both parts were above estimate for the month. For all of FY 2023, the GRF received a total of $13.48 billion from the sales and use tax,

[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.

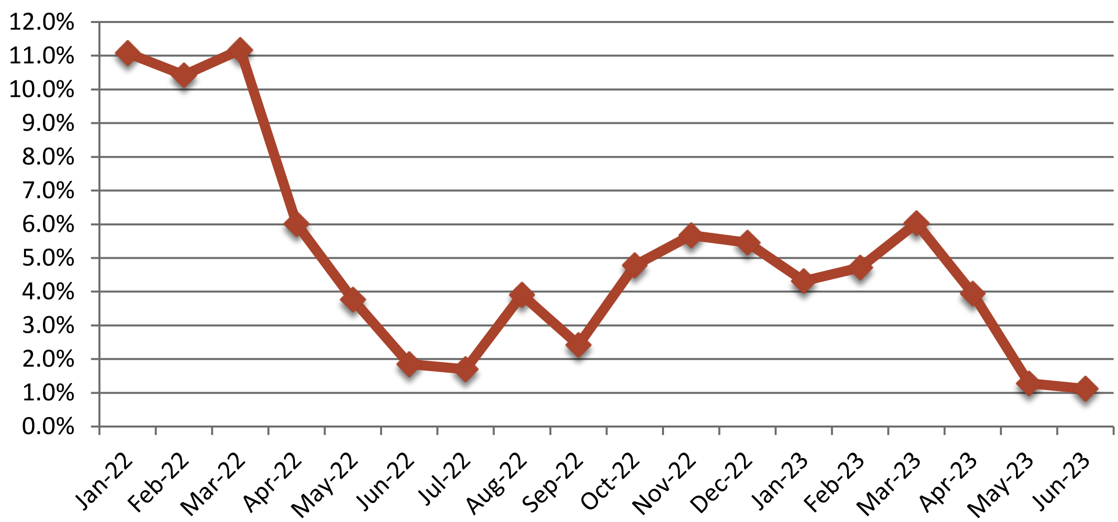
which was $149.2 million (1.1%) above the estimate. Revenue from the tax grew $453.6 million (3.5%) from that received in FY 2022.

Nonauto Sales and Use Tax

GRF receipts from the nonauto portion of the tax were $1.02 billion in June, which was $10.3 million (1.0%) above estimate. FY 2023 revenue was $11.49 billion, $110.6 million (1.0%) more than the estimate. June revenue was $35.4 million (3.6%) more than the revenue received in June 2022, while FY 2023 revenue was $408.0 million (3.7%) more than received in all of FY 2022.

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 to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month.[3] Slower growth starting in April 2022 was likely due in part to withdrawal of pandemic-era federal income support. Retail sales nationally rose more slowly starting around mid-2022 as the earlier rapid increases in prices of many consumer goods came to an end. U.S. inflation-adjusted consumer spending grew in the first quarter of calendar year (CY) 2023 despite higher interest rates but decelerated in May. Nonauto tax receipts lag economic activity by about one month, as many sales tax returns are due the 23rd day in the following month.

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



Auto Sales and Use Tax

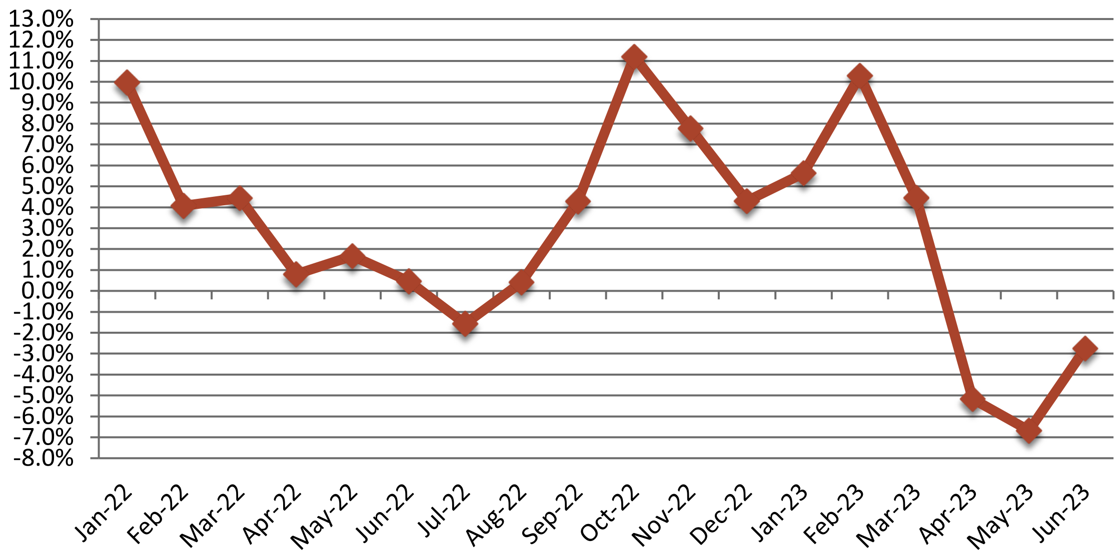
Receipts from the auto component of the sales and use tax for the month were $187.3 million, $11.1 million (6.3%) above estimate and $8.2 million (4.6%) higher than revenue

[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 April 2022 through June 2022 to revenue received during April 2023 through June 2023.

collected during June 2022. FY 2023 revenue from the auto component of the tax totaled $1.99 billion, above estimate by $38.7 million (2.0%). YTD revenue grew by $45.6 million (2.3%) compared to the total for 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 a large increase from a year earlier followed by deceleration through May-July as interest rates rose. Revenue growth then accelerated due in part to sharply higher vehicle prices and also perhaps as a result of some easing of the shortages of completed vehicle that arose from supply chain problems. National data on unit sales of light vehicles (cars and light trucks) show that they were up 11%% in January through May 2023, compared with a year earlier. However, Ohio's auto sales and use tax receipts show year-over-year declines in revenue in the latest three data points charted below. Auto tax receipts lag sales activity.

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



Personal Income Tax

GRF receipts from the PIT totaled $963.6 million in June, $59.8 million (6.6%) above estimate. The overage was largely attributable to estimated payments, $78.5 million (64.5%) above the OBM estimate, and to payments that accompanied annual return filings, $41.7 million (262.4%) above estimate. The latter may be a continuation of a delay in processing such filings and payments, which were below estimate in April. Total PIT receipts were above estimate in every month of FY 2023 except for a zero variance in July and a negative $122.3 million variance in April. FY 2023 revenue was $10.80 billion, $645.1 million (6.4%) above estimate but only $45.0 million (0.4%) above revenue in FY 2022.

FY 2023 receipts from employer withholding were the single largest driver of the positive variances. Such receipts totaled $11.04 billion in FY 2023, $406.2 million (3.8%) above estimate and $723.1 million (7.0%) higher than withholding in FY 2022. Withholding receipts exceeded estimates by wide margins early in FY 2023 but fell below estimates on balance in the year's last four months. As explained in more detail in the March through May issues of *Budget Footnotes*, some of the tax revenue classified under withholding in FY 2023 was from a new voluntary tax enacted for pass-through entities (PTEs) by S.B. 246 of the 134th General Assembly.

PIT revenue to the GRF is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments, trust payments, payments associated with annual returns, and other miscellaneous payments. The table below provides details on revenue from each component of the PIT through FY 2023 compared to estimates and to year-earlier revenue. FY 2023 gross collections were $919.7 million (7.0%) above anticipated revenue. Nearly every component of gross collections exceeded estimates, most notably employer withholding, by $406.2 million, payments due with annual returns, by $375.2 million, and estimated payments, by $166.0 million. Trust payments were the exception, $44.2 million below estimate. Refunds were $259.3 million above projections, and distributions to the LGF were $15.3 million higher than OBM's estimate, both of which reduced revenue available to the GRF. Subtracting $259.3 million and $15.3 million from the positive variance for gross collections yields the FY 2023 GRF positive variance of $645.1 million.

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	$406.2	3.8%	$723.1	7.0%
Quarterly Estimated Payments	$166.0	17.5%	-$34.4	-3.0%
Trust Payments	-$44.2	-34.9%	-$56.9	-40.9%
Annual Return Payments	$375.2	28.5%	-$163.7	-8.8%
Miscellaneous Payments	$16.5	20.5%	-$15.7	-13.9%
Gross Collections	$919.7	7.0%	$452.4	3.3%
Less Refunds	$259.3	10.5%	$393.1	16.9%
Less LGF Distribution	$15.3	3.1%	$14.2	2.9%
GRF PIT Revenue	$645.1	6.4%	$45.0	0.4%

Gross collections grew by $452.4 million (3.3%) from FY 2022 to FY 2023. Most of this increase in GRF revenue from the PIT was offset by the $393.1 million (16.9%) growth in refunds, though. Revenue from withholding grew by 7.0%, augmented to an unknown extent by the classification issue mentioned above.[4] But working in the opposite direction, withholding rates were reduced in September 2021, due to PIT reductions enacted in H.B. 110 of the 134th General Assembly. Year-over-year growth of withholding in the first two months of this fiscal year occurred despite the 3% withholding rate reduction.

Commercial Activity and Petroleum Activity Taxes

June 2023 GRF revenue from the CAT was $15.8 million, $0.1 million (0.7%) above estimate and $4.3 million (37.0%) above revenue in June 2022. For all of FY 2023, GRF receipts from the CAT were $2.15 billion, $82.9 million (4.0%) above the estimate and $156.3 million (7.8%) higher than revenues in FY 2022. Most CAT receipts are booked in the middle month of each calendar quarter, based on gross receipts in the previous calendar quarter. The dollar value of Ohio business gross receipts was propelled upward in the past year by rapid inflation.

Gross CAT collections in FY 2023 were $2.66 billion, $201.5 billion (8.2%) higher than in FY 2022. Refunds, which may include refundable credits claimed against the CAT, were $113.9 million, $16.3 million (16.7%) higher than in the previous year. From the remaining receipts, the Revenue Enhancement Fund (Fund 2280) received $16.9 million to pay Department of Taxation administrative expenses, the School District Tangible Property Tax Replacement Fund (Fund 7047) received $329.1 million, and the Local Government Tangible Property Tax Replacement Fund (Fund 7081) received $50.6 million. The balance was credited to the GRF.

Under a provision of H.B. 33, the main operating budget act for FY 2024-FY 2025, the Tax Commissioner is to transfer CAT receipts (after deducting administrative expenses) to Fund 7047 and Fund 7081 in amounts needed to fund required payments to schools and local governments. These payments compensate the local entities for loss of property tax revenues from past reductions in tangible personal property taxes, and are phasing down.[5] The rest of CAT revenues are to be deposited into the GRF. For FY 2023 and years prior, specified percentages of CAT receipts were deposited into the various funds; receipts in excess of amounts needed for such payments could be transferred back to the GRF.

The PAT is applied to receipts from the sale or exchange of motor fuel at a rate of 0.65% on a motor fuel supplier's adjusted gross receipts, with the majority of the revenue deposited in the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0). Quarterly payments are due on gallons sold in the previous calendar quarter, multiplied by statewide average wholesale prices for each motor fuel type. PAT GRF revenue was $15.9 million in FY 2023, $6.9 million (76.5%) above estimate and $6.6 million (71.2%) above FY 2022 GRF receipts.

In FY 2023, all funds revenue (net of refunds) from the PAT was $136.5 million, an all-time high for this tax that went into effect in FY 2015. In FY 2023, $120.7 million was deposited in Fund 5NZ0. The tax has rebounded well above its prepandemic level, after plummeting in FY 2021

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[4] The effect of the classification issue tentatively appears to have been small relative to total withholding. Wage disbursements in Ohio in FY 2023 were 6.9% higher than in FY 2022, based on the June 2023 prediction from forecasting firm S&P Global Market Intelligence.

[5] Fund 7047 and Fund 7081 have cash balances of $754.3 million and $177.9 million, respectively, as of July 7, 2023. The combined appropriations against these funds for the FY 2024-FY 2025 biennium equal $127.6 million, so they currently have ample funding and would not require additional transfers from the GRF during the biennium.

when the COVID-19 pandemic led to business closures, home confinement, and work-from-home employment, reducing motor fuel quantities sold and prices.

Cigarette and Other Tobacco Products Tax

The cigarette and other tobacco products (OTP) tax generated $122.8 million in GRF revenue in June, below estimate for the month by $1.7 million (1.4%). FY 2023 revenue from the tax was $827.4 million, $44.9 million (5.1%) below estimate. The total included $711.9 million derived from the sale of cigarettes and $115.5 million from the sale of OTP.

Compared with FY 2022, revenue from the cigarette and OTP tax in FY 2023 fell by $57.2 million (6.5%). Receipts from cigarette sales decreased $60.4 million (7.8%) while OTP sales increased $3.3 million (2.9%). Revenue from cigarette sales has trended downward for years. The tax on cigarettes is based on unit sales rather than value, so the decline in cigarette receipts reflects lower unit sales. The increase in OTP revenue may be due in full to higher wholesale OTP prices.[6] With some exceptions the tax is 17% of the wholesale cost of the product, so revenue from that portion of the tax base grows with price increases.

Utility-related Taxes

Utility-related taxes include the PUET, the natural gas distribution or MCF tax, and the kWh tax. Receipts from these taxes are credited to the GRF. Half of the share of GRF total tax revenue transferred to the PLF is debited against the kWh tax for accounting purposes (the other half is debited against the nonauto sales and use tax). Consumption and prices are the main determinants of revenue from utility-related taxes.

The PUET is imposed on the gross intrastate receipts of some utilities. Companies subject to the tax pay 4.75% of gross receipts, except for pipeline companies which pay 6.75%. Revenues from this tax totaled $182.9 million in FY 2023, $42.9 million (30.6%) more than the estimate and $26.5 million (17.0%) above FY 2022 revenue. Taxes paid by natural gas companies account for most tax receipts from the PUET. Receipts from pipelines have grown in recent years. Other classes of utilities that pay this tax include waterworks and water transportation. Under a provision of H.B. 33 that went into effect immediately on enactment, heating companies are no longer subject to the PUET but instead pay the CAT. Under continuing law, companies subject to the PUET do not pay the CAT.

The natural gas consumption tax, also known as the natural gas distribution or MCF tax, is levied based on the quantity of natural gas distributed to end users in Ohio. The tax is charged at rates ranging from 2¢ to 15.93¢ per Mcf (thousand cubic feet), depending on the amount distributed to each end user. Receipts from this tax were $67.8 million in FY 2023, $1.2 million (1.7%) below the estimate and $1.2 million (1.8%) below receipts the previous year.

FY 2023 receipts from the kWh tax that were retained by the GRF were $278.3 million, $11.0 million (3.8%) below estimate and $13.2 million (4.5%) lower than receipts in FY 2022. Total FY 2023 kWh tax collections (revenues on an all funds basis net of refunds) were $532.4 million, $6.5 million (1.2%) lower than total collections in FY 2022. The decline was primarily due to lower sales of electricity.

[6] Wholesale OTP prices nationally averaged 7.7% higher in the year to May 2023 than a year earlier, in data from the U.S. Bureau of Labor Statistics.

The kWh tax is levied on electric distribution companies with end users in Ohio. The tax rate depends on the volume of electricity used by the customer. Receipts from the kWh tax are credited to the GRF. As noted earlier, one-half of the share of GRF total tax revenue transferred to the PLF is debited against the kWh tax for accounting purposes, the remaining half is debited against the nonauto sales and use tax. In FY 2022 and FY 2023, the PLF received 1.70% of revenues from all GRF taxes. The allocation of kWh tax revenues to the PLF was $254.1 million in FY 2023, which was $6.7 million (2.7%) higher than the FY 2022 allocation of $247.4 million.

Foreign and Domestic Insurance Taxes

Insurance taxes are levied on premiums collected by insurance companies and are deposited in the GRF. The domestic insurance tax is paid by insurance companies whose headquarters are in Ohio while the foreign insurance tax is paid by insurance companies whose headquarters are located outside of the state. The large majority of the revenue is deposited in the GRF, while a small portion is dedicated to the state Fire Marshal Fund (Fund 5460). Combined revenue from the insurance taxes was $787.4 million in FY 2023, of which $749.5 million was deposited in the GRF and $37.9 million was deposited in Fund 5460.

The GRF received $386.7 million from the domestic insurance tax in FY 2023, an amount $63.1 million (19.5%) above estimate and $74.1 million (23.7%) more than receipts in FY 2022. The increase in receipts from the domestic insurance tax was largely due to an increase in taxes paid by health insuring corporations, property and casualty, other insurers, and Medicaid managed care organizations. Net revenue from this tax this fiscal year was influenced in part by decreases in refunds, which were $17.1 million lower than prior-year levels.

Foreign insurance tax receipts totaled $362.8 million. That amount was $34.7 million (10.6%) above estimate and $34.4 million (10.5%) above FY 2022 revenue. A portion of the FY 2023 growth reflects $9.2 million fewer refunds issued to taxpayers, as compared to the previous year. Unlike Medicaid managed care organizations that are all domestic insurers, the performance of the foreign insurance tax is directly related to increased premiums received from property and casualty and life and health insurers.

Financial Institutions Tax

The FIT is levied on the "total Ohio equity capital" of financial institutions, which includes a firm's common stock, perpetual preferred stock, surplus, retained earnings, treasury stock, and unearned employee stock ownership plan shares. Annual FIT tax returns are due in October, but estimated payments are made in January, March, and May. The reconciliation between estimated payments and the final tax liability generally results in refunds exceeding tax payments between July and December. Therefore, the vast majority of tax receipts are collected in the latter half of the fiscal year. At the close of FY 2023, GRF receipts from the FIT of $239.2 million were $24.2 million (11.3%) above estimate and $36.5 million (18.0%) above receipts in FY 2022. Overall, gross collections decreased for FY 2023, but refunds and credits declined by more, when compared to FY 2022.

Alcoholic Beverage and Liquor Gallonage Taxes

Combined revenue for the alcoholic beverage and liquor gallonage taxes totaled $121.8 million in FY 2023, $1.8 million (1.5%) above estimate for the fiscal year and $2.2 million (1.8%) above combined revenue in FY 2022.

The alcoholic beverage tax applies to sales of beer, malt beverages, wine, and mixed alcoholic beverages. All beverages brewed or fermented from malt products and containing at least 0.5% alcohol by volume are included in the tax base. The tax is levied on a per-container rate depending on the type of beverage sold and tax rates vary greatly. For FY 2023, GRF revenue from the alcoholic beverage tax was $64.5 million, $2.5 million (4.1%) above estimate. FY 2023 revenue was $2.8 million (4.5%) above that of the prior year. The bases for the alcoholic beverage tax are split into beer/malt beverages and wine/mixed beverages. In FY 2023, revenue from the malt beverages category was $41.8 million, an increase of $1.0 million (2.6%) from FY 2022 collections. Revenue from the wine and mixed beverages category was $22.7 million, an increase of $1.7 million (8.3%) from FY 2022.

The liquor gallonage tax is levied at the rate of $3.38 per gallon of spirituous liquor. This is the equivalent of $0.67 per standard 750 milliliter bottle. Revenue is deposited in the GRF. Revenue from the liquor gallonage tax was $57.3 million during FY 2023, $0.7 million (1.2%) less than estimated revenue and $0.6 million (1.1%) below receipts in FY 2022.

On the whole, alcoholic beverage sales have gradually shifted in recent years from beer, wine, and mixed beverages and towards spirituous liquor, largely a result of changes in consumer preferences. Over the last ten years, the share of combined revenue for all alcoholic beverages coming from the liquor tax slowly rose from roughly 40% to about 47% in FY 2023. That increase has come primarily at the expense of tax revenue from the sales of beer and malt beverages.

Discontinued Taxes

Small amounts of revenue continue to trickle in from adjustments to discontinued state taxes: the estate tax, corporate franchise tax, and dealers in intangibles tax. In FY 2023, revenues from the three taxes totaled less than $1 million. H.B. 153 of the 129th General Assembly repealed the estate tax for individuals dying on or after January 1, 2013. H.B. 510 of the 129th General Assembly eliminated the corporate franchise tax and the dealers in intangibles tax (also known as the business and property tax) at the end of 2013 and replaced both taxes with the financial institutions tax the next year.

Nontax Revenue

FY 2023 GRF nontax revenue totaling $647.4 million was $284.3 million (78.3%) above estimate and $94.2 million (17.0%) above such revenue in FY 2022. The year-over-year increase in revenue was primarily due to earnings on investments. In FY 2023, GRF earnings on investments of $304.6 million were $214.6 million (238.4%) above estimate and $251.8 million (476.9%) above FY 2022 earnings. Earnings on investments grew due to an increase in the amount of available state cash for investment and much higher interest rates in FY 2023 than in FY 2022.

Revenue from licenses and fees totaled $117.1 million in FY 2023, $17.1 million (17.1%) higher than estimate and $17.8 million (18.0%) above receipts in FY 2022. The positive variance in this fiscal year was largely related to an increase in revenue received from surplus lines insurers.

Transfers In

Transfers into the GRF were $20.7 million in FY 2023, $15.7 million (314.0%) higher than the estimate. In June 2023, transfers in totaled $1.5 million when no transfers were anticipated by OBM.

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$341,943	$337,676	$4,266	1.3%
Higher Education	$187,023	$192,429	-$5,406	-2.8%
Other Education	$3,924	$3,791	$132	3.5%
Total Education	**$532,890**	**$533,897**	**-$1,007**	**-0.2%**
Medicaid	$791,082	$1,205,432	-$414,349	-34.4%
Health and Human Services	$108,703	$86,634	$22,068	25.5%
Total Health and Human Services	**$899,785**	**$1,292,066**	**-$392,281**	**-30.4%**
Justice and Public Protection	$250,659	$191,171	$59,487	31.1%
General Government	$34,375	$46,605	-$12,231	-26.2%
Total Government Operations	**$285,033**	**$237,777**	**$47,256**	**19.9%**
Property Tax Reimbursements	$7,556	$20,062	-$12,507	-62.3%
Debt Service	$77,708	$78,238	-$529	-0.7%
Total Other Expenditures	**$85,264**	**$98,300**	**-$13,036**	**-13.3%**
Total Program Expenditures	**$1,802,972**	**$2,162,040**	**-$359,068**	**-16.6%**
Transfers Out	**$21,564**	**$1,105,250**	**-$1,083,686**	**-98.0%**
Total GRF Uses	**$1,824,536**	**$3,267,290**	**-$1,442,754**	**-44.2%**

*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 June 30, 2023
($ in thousands)
(Actual based on OAKS reports run July 5, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$8,449,907	$8,466,464	-$16,557	-0.2%	$8,211,255	2.9%
Higher Education	$2,447,551	$2,482,548	-$34,997	-1.4%	$2,417,559	1.2%
Other Education	$88,681	$88,906	-$225	-0.3%	$87,161	1.7%
Total Education	**$10,986,139**	**$11,037,918**	**-$51,779**	**-0.5%**	**$10,715,975**	**2.5%**
Medicaid	$18,483,730	$19,904,140	-$1,420,410	-7.1%	$17,079,327	8.2%
Health and Human Services	$1,625,331	$1,688,580	-$63,250	-3.7%	$1,519,875	6.9%
Total Health and Human Services	**$20,109,061**	**$21,592,720**	**-$1,483,659**	**-6.9%**	**$18,599,202**	**8.1%**
Justice and Public Protection	$2,758,904	$2,819,160	-$60,256	-2.1%	$2,652,803	4.0%
General Government	$559,569	$745,238	-$185,668	-24.9%	$499,389	12.1%
Total Government Operations	**$3,318,474**	**$3,564,398**	**-$245,924**	**-6.9%**	**$3,152,193**	**5.3%**
Property Tax Reimbursements	$1,821,090	$1,854,000	-$32,910	-1.8%	$1,818,202	0.2%
Debt Service	$1,546,978	$1,545,724	$1,254	0.1%	$1,474,769	4.9%
Total Other Expenditures	**$3,368,068**	**$3,399,724**	**-$31,657**	**-0.9%**	**$3,292,971**	**2.3%**
Total Program Expenditures	**$37,781,741**	**$39,594,760**	**-$1,813,019**	**-4.6%**	**$35,760,340**	**5.7%**
Transfers Out	**$2,289,930**	**$1,790,150**	**$499,780**	**27.9%**	**$3,074,283**	**-25.5%**
Total GRF Uses	**$40,071,671**	**$41,384,910**	**-$1,313,240**	**-3.2%**	**$38,834,623**	**3.2%**

*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 July 5, 2023)

	Month of June 2023				Year to Date through June 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$718,510	$1,136,661	-$418,151	-36.8%	$17,752,497	$19,089,773	-$1,337,275	-7.0%
Non-GRF	$1,732,093	$1,549,233	$182,860	11.8%	$14,538,626	$13,638,214	$900,412	6.6%
All Funds	$2,450,603	$2,685,894	-$235,291	-8.8%	$32,291,123	$32,727,986	-$436,863	-1.3%
Developmental Disabilities								
GRF	$62,942	$61,760	$1,182	1.9%	$622,229	$681,248	-$59,019	-8.7%
Non-GRF	$196,190	$195,009	$1,181	0.6%	$2,896,590	$2,942,280	-$45,690	-1.6%
All Funds	$259,132	$256,769	$2,363	0.9%	$3,518,819	$3,623,528	-$104,709	-2.9%
Job and Family Services								
GRF	$9,091	$6,194	$2,896	46.8%	$97,668	$121,576	-$23,908	-19.7%
Non-GRF	$13,986	$13,649	$338	2.5%	$167,941	$295,244	-$127,303	-43.1%
All Funds	$23,077	$19,843	$3,234	16.3%	$265,609	$416,820	-$151,211	-36.3%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$540	$816	-$276	-33.9%	$11,336	$11,543	-$207	-1.8%
Non-GRF	$2,543	$5,939	-$3,396	-57.2%	$42,991	$52,333	-$9,342	-17.9%
All Funds	$3,083	$6,755	-$3,672	-54.4%	$54,327	$63,876	-$9,549	-14.9%
All Departments:								
GRF	**$791,082**	**$1,205,432**	**-$414,349**	**-34.4%**	**$18,483,730**	**$19,904,140**	**-$1,420,410**	**-7.1%**
Non-GRF	**$1,944,813**	**$1,763,829**	**$180,983**	**10.3%**	**$17,646,148**	**$16,928,070**	**$718,078**	**4.2%**
All Funds	**$2,735,895**	**$2,969,261**	**-$233,366**	**-7.9%**	**$36,129,878**	**$36,832,210**	**-$702,332**	**-1.9%**

*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 July 5, 2023)

	Month of June 2023				Year to Date through June 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,936,023**	**$2,093,270**	**-$157,247**	**-7.5%**	**$24,657,020**	**$24,861,175**	**-$204,155**	**-0.8%**
CFC†	$519,446	$682,528	-$163,082	-23.9%	$7,324,160	$7,518,946	-$194,786	-2.6%
Group VIII	$505,537	$471,626	$33,911	7.2%	$6,761,981	$6,818,398	-$56,417	-0.8%
ABD†	$171,660	$178,939	-$7,278	-4.1%	$2,500,707	$2,554,003	-$53,296	-2.1%
ABD Kids	$56,368	$60,756	-$4,388	-7.2%	$747,200	$811,162	-$63,961	-7.9%
My Care	$240,990	$266,848	-$25,859	-9.7%	$2,864,879	$3,065,444	-$200,565	-6.5%
OhioRise	$29,727	$67,144	-$37,418	-55.7%	$257,175	$442,027	-$184,852	-41.8%
SPBM	$412,295	$365,429	$46,866	12.8%	$3,823,206	$3,249,695	$573,511	17.6%
Pay for Performance	$0	$0	$0	---	$377,711	$401,500	-$23,789	-5.9%
Fee-For-Service	**$712,239**	**$655,885**	**$56,353**	**8.6%**	**$9,139,731**	**$9,139,778**	**-$47**	**0.0%**
ODM Services	$457,220	$405,006	$52,215	12.9%	$5,040,664	$4,918,429	$122,235	2.5%
DDD Services	$255,018	$250,880	$4,139	1.6%	$3,414,650	$3,503,480	-$88,830	-2.5%
Hospital - HCAP	$0	$0	$0	---	$684,417	$717,869	-$33,452	-4.7%
Premium Assistance	**$0**	**$138,848**	**-$138,848**	**-100.0%**	**$1,319,139**	**$1,550,285**	**-$231,146**	**-14.9%**
Medicare Buy-In	$0	$85,398	-$85,398	-100.0%	$846,071	$984,144	-$138,073	-14.0%
Medicare Part D	$0	$53,451	-$53,451	-100.0%	$473,068	$566,141	-$93,073	-16.4%
Administration	**$87,633**	**$81,257**	**$6,376**	**7.8%**	**$1,013,989**	**$1,280,972**	**-$266,983**	**-20.8%**
Total	**$2,735,895**	**$2,969,261**	**-$233,366**	**-7.9%**	**$36,129,878**	**$36,832,210**	**-$702,332**	**-1.9%**

*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[7]

– Melaney Carter, Director

– Ivy Chen, Principal Economist

Overview

FY 2023 GRF program expenditures totaled $37.78 billion. These expenditures were $1.81 billion (4.6%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.29 billion and were $499.8 million (27.9%) over estimate for the year, due primarily to a transfer of $727.0 million to the BSF that was authorized in H.B. 45 of the 134th General Assembly and not included in the estimates being partially offset by a negative variance of $262.8 million in transfers out for capital expenditures. Total GRF uses for the year were $40.07 billion, which was $1.31 billion (3.2%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of June and the entire fiscal year, respectively.

For June program expenditures, negative monthly variances in GRF Medicaid ($414.3 million, 34.4%), Property Tax Reimbursements ($12.5 million, 62.3%), General Government ($12.2 million, 26.2%), and Higher Education ($5.4 million, 2.8%) were partially offset by positive monthly variances in Justice and Public Protection ($59.5 million, 31.1%), Health and Human Services ($22.1 million, 25.5%), and Primary and Secondary Education ($4.3 million, 1.3%). The remaining categories had monthly variances of less than $1 million. Total program expenditures were $359.1 million (16.6%) under estimate for the month of June.

For FY 2023 program expenditures, all categories, except for Debt Service, were under estimate, most significantly GRF Medicaid ($1.42 billion, 7.1%), General Government ($185.7 million, 24.9%), Health and Human Services ($63.3 million, 3.7%), and Justice and Public Protection ($60.3 million, 2.1%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

State agencies encumbered $1.63 billion in GRF appropriations for expenditure in FY 2024. The "**Encumbrances**" section of this report provides additional information on FY 2023 year-end encumbrances.

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 June by $414.3 million (34.4%) and below their yearly estimate by $1.42 billion (7.1%) at the end of June. Non-GRF Medicaid expenditures were above their monthly estimate by $181.0 million (10.3%) and above their yearly estimate by $718.1 million (4.2%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $233.4 million (7.9%) below estimate in June and $702.3 million (1.9%) below the yearly estimate at the end of June.

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

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 June of $235.3 million (8.8%) and an all funds negative variance of $436.9 million (1.3%) to end the fiscal year. DODD had a June all funds positive variance of $2.4 million (0.9%) but ended the fiscal year with expenditures $104.7 million (2.9%) 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 fiscal year estimates for all four major payment categories at the end of June. In both percentage terms and absolute dollars, the Administration variance of $267.0 million (20.8%) was the largest. The other categories with negative variances were Premium Assistance at $231.1 million (14.9%), Managed Care at $204.2 million (0.8%), and Fee-For-Service (FFS) at $47,000 (0.0%). The fiscal year Administration variance reflects general underspending on administrative costs throughout the year, particularly in the Ohio Department of Job and Family Services (ODJFS). Of the $267.0 million yearly variance, $151.2 million (56.6%) is accounted for by ODJFS. Every managed care plan except one had a negative variance for the fiscal year. Single Pharmacy Benefit Manager (SPBM) was the one category with a positive variance, reflecting higher than anticipated startup costs for the new program. Both Medicare Buy-in and Medicare Part D had negative variances for the fiscal year, as the elevated Federal Medical Assistance Percentage (FMAP) due to the COVID-19 public health emergency created a larger federal share than anticipated when the fiscal year began. This higher FMAP is scheduled to dissipate over the first half of the next fiscal year.

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-one other agencies make up the remaining 30.9% of estimated spending.

This category was under estimate by $12.2 million (26.2%) in June, increasing its negative FY 2023 variance to $185.7 million (24.9%). Most agencies in the category were under their yearly 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 195459, Ohio Onshoring Incentive, in DEV's budget, was under its yearly estimate by $100.0 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. ALI 195456, Local Roads, also in DEV's budget, was under its yearly estimate by $46.2 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. However, $20.1 million was expended in November and $28.7 million was expended in April. Finally, ALI 775471, State Road Improvements, in ODOT's budget is under its yearly estimate by $2.8 million. These variances are related to the timing of the projects. These appropriations have been encumbered for expenditure in FY 2024.

Another ALI in this category with a significant negative yearly 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 FY 2023 variance of $18.0 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 FY 2023 variance in this category decreased by $59.5 million in June to $60.3 million (2.1%). The largest yearly variances were in DRC, the Ohio Department of Public Safety (ODPS), and the Office of the Ohio Public Defender (OPD). Most other agencies in this category also had negative FY 2023 variances.

DRC ended the year with a negative variance of $34.6 million, due mainly to negative variances of $14.4 million in ALI 505321, Institution Medical Services, and $10.4 million in ALI 501321, Institutional Operations. 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.

ODPS was under its yearly estimate by $17.8 million. This negative variance decreased by $41.5 million in June. The June variance for ODPS was driven by ALI 761408, Highway Patrol Operating Expenses, which was over estimate for June by $38.0 million. This ALI has an appropriation of $50.0 million 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, April the second payment of $11.0 million, and June the largest payment from the ALI, leaving the ALI under estimate by $850,000 for the fiscal year. 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 other ALIs in the ODPS budget were also under the FY 2023 estimate, with ALI 763513, Security Grants, having the largest negative FY 2023 variance of $7.7 million. ALI 763513 is used to provide competitive grants to nonprofit organizations to prevent, prepare for, or respond to acts of terrorism.

OPD was under its FY 2023 estimate by $7.2 million, due mainly to a negative FY 2023 variance of $5.1 million in ALI 019501, County Reimbursement. 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.

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 8.6%. Eight other agencies make up the remaining 8.3% of estimated spending.

This category's negative FY 2023 variance fell by $22.1 million in June to $63.3 million (3.7%). All agencies in this category were under estimate for the fiscal year. The four agencies with the largest negative yearly variances were OhioMHAS ($26.0 million), ODH ($18.5 million), the Ohio Department of Veterans Services (DVS, $6.6 million), and ODJFS ($5.3 million). The positive monthly variance in June was mainly due to a positive variance of $33.2 million in ODJFS being partially offset by a negative variance of $11.0 million in OhioMHAS.

All ALIs in OhioMHAS's budget were at or under the FY 2023 estimate, including:

- ALI 336504, Community Innovations, which was under the FY 2023 estimate by $5.5 million. This ALI is used to make targeted investments in programs operated by other state agencies, governmental entities, or private nonprofits to achieve a net reduction in GRF expenditures or improve outcomes for Ohio citizens.
- ALI 336421, Continuum of Care Services, which was under the FY 2023 estimate by $5.4 million. This ALI is used to distribute funds to local boards of alcohol, drug addiction, and mental health to meet locally determined needs, including allowing for boards to contract with local providers to offer behavioral health services in their area.
- ALI 336510, Residential State Supplement, which was under the FY 2023 estimate by $4.6 million. This ALI provides financial assistance and case management to adults with disabilities who reside in approved living facilities.
- ALI 336422, Criminal Justice Services, which was under the FY 2023 estimate by $4.3 million. This ALI is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system.

All but three of the 25 ALIs in ODH's budget were at or under estimate for FY 2023. The largest negative yearly variance was $3.8 million in ALI 440459, Help Me Grow. This ALI is used for a family support program offered to pregnant women and new parents.

All ALIs in DVS's budget were at or under the FY 2023 estimate, with the largest negative yearly variance of $5.5 million in ALI 900321, Veterans Homes. This ALI is used to pay for the costs incurred in the administration and operation of the two state veterans homes, located in Sandusky (Erie County) and Georgetown (Brown County).

Significant variances for ALIs in the ODJFS budget include:

- ALI 600528, Adoption Services, had a negative FY 2023 variance of $4.5 million. This ALI is used to pay the state share of Ohio federal IV-E and state adoption subsidy programs, which provide payments to families who adopt children with special needs.
- ALI 600521, Family Assistance - Local, had a negative monthly variance of $1.6 million, in June, increasing the negative FY 2023 variance for this ALI to $4.3 million. This ALI is used to provide county departments of job and family services the state's share of county administration funding for public assistance programs, mainly Medicaid and Supplemental Nutrition Assistance Program (SNAP).
- ALI 600560, Employment Incentive Program, had a negative FY 2023 variance of $3.6 million. This ALI is used to develop employment incentive programs for individuals

currently or recently enrolled in SNAP, Medicaid, or a Temporary Assistance for Needy Families (TANF) employment program.

- ALI 600410, TANF State Maintenance of Effort, had a positive variance of $9.7 million in June, decreasing this ALI's negative FY 2023 variance to $1.8 million. This ALI is used in conjunction with other sources of funding to support Ohio's TANF program.
- ALI 600535, Early Care and Education, had a positive monthly variance of $7.7 million, which decreased this ALI's negative FY 2023 variance to $1.2 million. This ALI is used to pay for publicly funded child care services.
- ALI 600413, Child Care State/Maintenance of Effort, had a positive monthly variance of $6.6 million, decreasing the ALI's negative FY 2023 variance of $190,000. This ALI is used for publicly funded child care services.
- ALI 600562, Adoption Grant Program, had a positive FY 2023 variance of $5.4 million. This ALI is used to provide one-time grants to adoptive parents and was authorized by supplemental budget bill H.B. 45 of the 134th General Assembly.
- ALI 600523, Children and Families Subsidy, had a positive variance of $6.6 million in June, resulting in a positive FY 2023 variance of $5.0 million. This ALI provides the State Child Protection Allocation, which is distributed to each county public children services agency (PCSA) to partially reimburse their incurred costs.

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 June by $4.3 million, decreasing its negative yearly variance to $16.6 million (0.2%). Most ALIs had negative variances for both the month and the fiscal year. The largest ALI in this category, however, had a significant positive variance.

ALI 200550, Foundation Funding – All Students, had a positive FY 2023 variance of $27.5 million. 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.

ALIs with significant negative FY 2023 variances are:

- ALI 200437, Student Assessment, with a negative FY 2023 variance of $11.6 million. This ALI is used for contracts to administer the state's student assessment system.
- ALI 200502, Pupil Transportation, with a negative FY 2023 variance of $9.9 million. This ALI supports formula-derived funding for pupil transportation by schools, including funding for special education transportation.
- ALI 200408, Early Childhood Education, with a negative FY 2023 variance of $8.8 million. This ALI is used to provide grants for low-income students in early childhood education programs.

- ALI 200478, Industry-Recognized Credentials High School Students, with a negative FY 2023 variance of $3.0 million. This ALI is used to provide payments to school districts and other public schools whose students earn an industry-recognized credential or receive an equivalent certification.
- ALI 200540, Special Education Enhancements, with a negative FY 2023 variance of $2.4 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.

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 June, this category had a negative variance of $12.5 million (62.3%) increasing its negative FY 2023 variance to $32.9 million (1.8%).

Transfers Out

Transfers out of the GRF were under the monthly estimate in June by $1.08 billion (98%) and over the yearly estimate by $499.8 million (27.9%). The June variance is primarily due to the estimated timing of 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, no transfers were made in June and transfers totaling $837.2 million occurred in months prior to June. These transfers are:

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $180.0 million to support the Parks and Recreation Improvement Fund (Fund 7035);
- $150.0 million to the School Building Program Assistance Fund (Fund 7032);
- $100.0 million to the Adult Correctional Building Fund (Fund 7027);
- $63.5 million to support the Capital Information Technology Projects Fund (Fund 7091);
- $60.0 million to the Third Frontier Research and Development Taxable Bond Fund (Fund 7014);
- $40.0 million to support the Higher Education Improvement Taxable Fund (Fund 7024);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056); and
- $6.3 million to the Clean Ohio Agricultural Easement Fund (Fund 7057).

Two transfers authorized by H.B. 45 of the 134th General Assembly that were not included in the estimates offset the negative FY 2023 variance in capital transfers to result in the positive yearly variance:

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

The FY 2023 variance in transfers out can be further explained by the following:

- Transfers totaling $9.1 million to the Major IT Purchases Fund (Fund 4N60) in November and June, when estimates reflect a transfer of $5.2 million in October;
- A transfer of $7.2 million to the Oaks Support Organization Fund (Fund 5EBO) in June, when estimates reflect a transfer of $2.0 million in August;
- 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.

Encumbrances

As of June 30, 2023, state agencies encumbered a total of $1.63 billion in GRF appropriations for expenditure in FY 2024. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they lapse. An agency may encumber appropriations for purposes other than operating expenses beyond the five-month period if approval is obtained from the Director of Budget and Management. Encumbrances for some grant and aid payments are encumbered for several months or sometimes years.

The table below summarizes the encumbrances by the fiscal year of the original appropriation. As seen from the table, the majority of the encumbrances were originally appropriated in FY 2023. However, small encumbrances remain from as early as FY 2011.

FY 2023 Year-End Encumbrances by Fiscal Year for Which Appropriations Were Originally Made		
Fiscal Year	Amount ($ in thousands)	Percentage of Total
2011-2019	$1,430	0.1%
2020	$23,988	1.5%
2021	$36,022	2.2%
2022	$148,109	9.1%
2023	$1,423,967	87.2%
Total	**$1,633,516**	**100.0%**

The encumbrance amounts vary greatly from agency to agency. As shown in the next table, 41.9% of the total was encumbered by one agency, DEV, which had an encumbrance of $685.2 million at the end of the fiscal year. ODM is second with an encumbrance of $182.2 million (11.2%), ODOT is third with an encumbrance of $171.7 million (10.5%); and ODJFS is fourth with an encumbrance of $134.8 million (8.3%). The next three agencies with the largest encumbrances are DRC at $109.5 million (6.7%), ODE at $108.1 million (6.6%), and the Department of Higher Education(DHE) at $64.4 million (3.9%). Forty other agencies encumbered the remaining $177.5 million (10.9%).

FY 2023 Year-End Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Development	$685,232	41.9%
Medicaid	$182,179	11.2%
Transportation	$171,735	10.5%
Job and Family Services	$134,872	8.3%
Rehabilitation and Correction	$109,529	6.7%
Education	$108,059	6.6%
Higher Education	$64,379	3.9%
Other	$177,531	10.9%
Total	**$1,633,516**	**100.0%**

Department of Development

DEV encumbered $685.2 million for expenditure in FY 2024. Of that amount, $600.0 million was in ALI 195459, Ohio Onshoring Incentive. This amount is the full appropriation for this ALI. The appropriation originated in H.B. 687 of the 134th General Assembly and is to be used to support Intel's megaproject development in central Ohio. Given the long-term nature of the project, this encumbrance may be spent over the next few years. Another ALI related to the Intel project, ALI 195456, Local Roads, had the second largest encumbrance at $46.2 million. The next largest encumbrance was in ALI 195503, Local Development Projects, with an encumbrance of $10.9 million. ALI 195503 is earmarked for various development programs.

Ohio Department of Medicaid

ODM encumbered a total of $182.2 million for expenditure in FY 2024, including $117.3 million in ALI 651526, Medicare Part D; $32.6 million in ALI 651525, Medicaid/Health Care Services; and $32.2 million in ALI 651425, Medicaid Program Support – State. ALI 651526 is used for payments to the federal government related to prescription drugs for individuals eligible for both Medicare and Medicaid. ALI 651525 is the primary GRF funding source for Ohio Medicaid. Funds encumbered in this ALI will be used for subsidy payments to Medicaid providers. Funds encumbered in ALI 651425 will be used to pay ODM's outstanding personal services and contract expenses for administering the Medicaid program in Ohio.

Ohio Department of Transportation

ODOT encumbered $171.7 million for expenditure in FY 2024. The largest encumbrance was $106.8 million for ALI 775471, State Road Improvements. This ALI provides supplemental funding for road improvement projects. In addition, ALI 775470, Public Transportation – State, which is used primarily for competitive grants for public transit systems across the state, had an encumbrance of $51.6 million. The third largest encumbrance was $9.0 million in ALI 777471, Airport Improvements – State, to provide grants to public airports in Ohio for pavement maintenance and obstruction removal.

Ohio Department of Job and Family Services

ODJFS encumbered $134.9 million for expenditure in FY 2024. Encumbrances in four ALIs account for $110.6 million (82.0%) of the total. These ALIs are: (1) 600450, Program Operations, at $36.6 million, (2) 600523, Children and Families Subsidy, at $34.7 million, (3) 655523, Medicaid Program Support – Local Transportation, at $22.9 million, and (4) 655522, Medicaid Program Support – Local, at $16.4 million.

Funds encumbered in ALI 600450 will be used for a variety of administrative costs. Funds encumbered in ALI 600523 will be used mainly for assistance to county PCSAs. Funds encumbered in ALIs 655523 and 655522 will mainly be used for the remaining state share of Medicaid subsidies to county departments of job and family services. ALI 655523 pays the state's share of Medicaid costs for local transportation services, and ALI 655522 pays the state's share of Medicaid costs for local administrative services.

Department of Rehabilitation and Correction

DRC encumbered $109.5 million for expenditure in FY 2024, of which $68.4 million (62.4%) occurred in ALI 501321, Institutional Operations, and another $37.5 million (34.3%) in ALI 505321, Institution Medical Services. Funds were encumbered in 501321 for a mix of purchased personal services, supplies, maintenance, repairs, equipment, materials, and other expenditures at DRC and institutions. Funds encumbered in 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Ohio Department of Education

ODE encumbered $108.1 million for expenditure in FY 2024. Three ALIs with significant encumbrances are: (1) 200550, Foundation Funding – All Students, at $44.1 million, (2) 200437, Student Assessment, at $23.7 million, and (3) 200408, Early Childhood Education, at $15.5 million. These three ALIs account for $83.3 million (77.1%) of ODE's total encumbrances. The remaining $24.8 million was encumbered in various other ALIs.

Funds encumbered in ALI 200550 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Funds encumbered in ALI 200437 will be used to pay contractors for costs related to the state's standardized tests. Funds encumbered in ALI 200408 will be used to pay providers for early childhood education services to children from lower income families.

Department of Higher Education

DHE encumbered $64.4 million for expenditure in FY 2024. The majority of the total was encumbered in ALIs 235438, Choose Ohio First Scholarship, ($56.5 million) and 235599, National Guard Scholarship Program, ($3.4 million) to pay the state's obligations to scholarship recipients.

Issue Updates

FY 2023 Operating and Capital Expenditures Total $93 Billion

– Melaney Carter, Director

In FY 2023, the state of Ohio incurred a total of $93.38 billion in operating and capital expenditures. As seen from the following table, $87.77 billion (94.0%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $4.19 billion (4.5%) and $1.09 billion (1.2%), respectively. The remaining $321.8 million (0.3%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

FY 2023 Operating and Capital Expenditures by Budget		
Budget	**Amount**	**% of Total**
Main Operating	$87,768,744,668	94.0%
Transportation	$4,194,006,841	4.5%
Capital	$1,094,639,572	1.2%
Workers' Compensation	$321,817,608	0.3%
Total	**$93,379,208,690**	100.0%

The next table shows FY 2023 expenditures by the account category used in the state's accounting system. As seen from the table, Subsidies and Shared Revenue is the largest spending area. In FY 2023, 86.0% ($32.49 billion) of total GRF expenditures were distributed as subsidies. These include payments to Medicaid service providers, schools, colleges and universities, local governments, and various other entities. Across all funds, this category's expenditures totaled $65.10 billion (69.7%).

The vast majority of the expenditures incurred under the Capital Item category – $3.68 billion (3.9%) across all funds – supported the construction and maintenance of roads and bridges in the state as well as the construction and renovation of public K-12 schools and colleges and universities. Capital Item expenditures are mainly funded by bond proceeds. FY 2023 debt service payments totaled $395.2 million (1.0%) for the GRF and $1.86 billion (2.0%) across all funds.

For FY 2023, state payroll costs (including both salaries and fringe benefits) amounted to $5.49 billion (5.9%) across all funds, of which $2.55 billion was supported by the GRF. In addition to Payroll, spending that is commonly referred to as the state government's operating expenses also includes expenditures incurred under the Purchased Personal Services, Supplies and Maintenance, and Equipment categories. For FY 2023, the state government's operating expenses totaled $9.94 billion across all funds, of which $3.68 billion came from the GRF. In percentage terms, these amounts represent 10.6% and 9.7% of the respective totals.

FY 2023 Operating and Capital Expenditures by Account Category				
Account Category	**GRF Only**	**% of Total**	**All Funds**	**% of Total**
500 - Payroll	$2,547,137,254	6.7%	$5,491,944,376	5.9%
510 - Purchased Personal Services	$472,741,165	1.3%	$2,036,699,278	2.2%
520 - Supplies and Maintenance	$628,803,180	1.7%	$2,230,735,202	2.4%
530 - Equipment	$33,568,942	0.1%	$179,096,106	0.2%
550 - Subsidies Shared Revenue	$32,487,509,637	86.0%	$65,099,209,249	69.7%
560 - Goods and Services for Resale	$0	0.0%	$113,792,713	0.1%
570 - Capital Items	$33,648,167	0.1%	$3,677,485,922	3.9%
590 - Judgments, Settlements and Bonds	$12,972,390	0.0%	$25,137,973	0.0%
591 - Debt Service	$395,214,699	1.0%	$1,856,648,075	2.0%
595 - Transfers and Non-Expense	$1,170,145,577	3.1%	$12,668,459,795	13.6%
Total	**$37,781,741,011**	**100.0%**	**$93,379,208,690**	**100.0%**

ODOT Awards Nearly $54.6 Million in New Traffic Safety Project Funding

– Jared Cape, Budget Analyst

On June 9, 2023, ODOT announced nearly $54.6 million in awards for transportation safety projects aimed at preventing pedestrian-involved crashes and roadway departure accidents through the Highway Safety Improvement Program (HSIP). Overall, 30 counties received awards for 38 projects, ranging from $5.0 million to $50,000. Of these awards, 28 projects totaling approximately $32.4 million address pedestrian-involved crashes and ten projects totaling approximately $22.2 million address roadway departure accidents. These projects are slated for award funding between FY 2024 and FY 2028. For more information about project location, see the list of award recipients and projects.

ODOT reviews HSIP formal proposals twice a year. This funding is available for all stages of development and typically requires a 10% local match. Certain safety improvements, such as upgrading signs, signals, pavement markings, and guardrails do not require a local match. Communities may also be eligible for a lower match requirement if they fall within an area of economic distress. Projects receive priority based on a demonstrated need and long-term crash trends. To qualify, a location must be the site of a minimum of three crashes per year and 30% of those crashes must involve an injury or fatality. An abbreviated application process occurs four times a year for simple projects that cost less than $500,000, address locations with a minimum of three crashes, and can be completed within two years. For more information, see the HSIP program application page on ODOT's website: transportation.ohio.gov.

Controlling Board Approves $4.0 Million Ohio State Highway Patrol Aviation Equipment Grant

– Maggie West, Senior Budget Analyst

On May 8, 2023, the Controlling Board approved ODPS's request to release $4.0 million from GRF ALI 768425, Justice Program Services, as a statewide aviation equipment grant to the Ohio State Highway Patrol (OSHP) to assist local communities in reducing and preventing crime. OSHP will use this funding to expand the service areas and capabilities of its Aviation Section by purchasing an Intelligence, Surveillance, and Reconnaissance (ISR) system for its helicopters and installing a fixed receiver package in Carey, Ohio, in order to better serve the north central portion of the state.

OSHP's Aviation Section, which consists of 11 uniformed flight crew personnel members, three helicopters, and 13 airplanes, assists local law enforcement agencies statewide, upon request, by providing a live surveillance feed during high-risk operations at no cost to the requesting agency. The current video surveillance system relies upon line of sight and proximity to two locations (Columbus and Akron) in order to stream the video feed. As a result, certain areas of the state may not currently have access to live video feed or more advanced scene monitoring options.

Funding for this grant is authorized in H.B. 110, which requires the Office of Criminal Justice Services to distribute up to $4.0 million in FY 2022 and FY 2023 to state and local law enforcement agencies to assist local communities in reducing and preventing crime through the use of promising or proven crime reduction strategies. The use of these grants includes overtime, equipment, technical assistance, and analytical support to implement crime reduction strategies. Disbursement of these grants requires Controlling Board approval.

Missing Children Clearinghouse Report Shows Increase in Number of Children Reported Missing in 2022

– Jessica Murphy, Budget Analyst

On May 25, 2023, the Attorney General's Office released the Ohio Missing Children Clearinghouse Report for 2022. According to the report, 15,555 children were reported missing in 2022, compared to 14,027 in 2021. The 2022 total represents an increase of 10.9%, or 1,528 children, from 2021. Of those reported missing in 2022, 96.0%, or 14,940 children, were recovered safely by year's end. As shown in the table below, the majority of the children reported missing in 2022 fall between the ages of 13 and 17 (89.9%, or 13,990 children).

The Ohio Missing Children's Clearinghouse was established in 1993 and is operated by the Bureau of Criminal Investigation's Missing Persons Unit. The Clearinghouse acts as a central repository for statistics received on missing persons in Ohio whose cases have been entered into the National Crime Information Center (NCIC) database by law enforcement agencies. Law enforcement agencies have the option of noting the circumstances of the disappearance, if known.

About half of all missing person reports filed with NCIC contain this information. Some of these circumstances include runaway, abduction by noncustodial parent, and abduction by stranger.

Ohio's Amber Alert system launched in 2003 and serves as a tool to help locate missing persons. In 2022, Ohio law enforcement issued eight Amber Alerts involving 11 children through the Ohio Amber Alert Plan. All 11 of the children were recovered safely. Additionally, four Endangered Missing Children Alerts were issued, involving five children. Of those five children, all were recovered safely. The complete report can be found on the Attorney General's website under Publications and then by selecting Reports: ohioattorneygeneral.gov.

Ohio Missing Children's Clearinghouse Statistics, CY 2018 to CY 2022					
Category	**2018**	**2019**	**2020***	**2021****	**2022**
Total Missing Children Reported	**19,879**	**18,638**	**16,332**	**14,027**	**15,555**
Females	10,643	9,606	8,396	7,521	8,224
Males	9,236	9,032	7,935	6,504	7,331
Age 0 to 5	177	132	158	166	178
Age 6 to 12	1,237	1,214	1,038	1,008	1,387
Age 13 to 17	18,465	17,292	15,136	12,853	13,990
Recovered	19,510 (98.1%)	18,246 (97.9%)	15,881 (97.2%)	13,606 (97.0%)	14,940 (96.0%)
Amber Alerts Issued	10	3	7	14	8

* In one instance, the sex was unknown.

**In two instances, the sex was unknown.

Controlling Board Approves $5.0 Million for East Palestine Emergency Support Program

– Shannon Pleiman, Senior Budget Analyst

On June 12, 2023, the Controlling Board approved a DEV request to approve spending of $5.0 million in FY 2024 to administer the East Palestine Emergency Support Program that will assist businesses impacted by the East Palestine train derailment. DEV will administer the program, which will provide loans to assist eligible businesses with ongoing expenses and recovery efforts associated with the train derailment. The appropriation is supported by a cash transfer from the Controlling Board Emergency Purposes/Contingencies Fund (Fund 5KM0) to the State Special Projects Fund (Fund 4F20).

Under the program, loans are interest-free and can range from $10,000 to $1.0 million per business. Loans may have a term of up to 15 years and the amount cannot exceed the business' CY 2022 gross revenue. Loans can be used for payroll, employee benefits, rent or mortgage payments, utility expenses, worker protection related to the train derailment, and inventory replacement expenses. Eligible businesses include active for-profit entities and nonprofits located in the state within a two-mile radius of East Palestine and operational on or prior to December 1, 2022. Businesses must be in good standing with the Secretary of State, Department of Taxation, and any other governmental entity charged with regulating the business.

According to DEV, loans will be issued on a first-come, first-serve basis. Loan applications will be available in the next month. More information about the program can be found on the DEV website: development.ohio.gov.

Interagency Workgroup Submits Proposal for Statewide Apprenticeship Program for High School Students

– Daniel Hummel, Budget Analyst

On June 1, 2023, ODE, DHE, and ODJFS jointly submitted a proposal for a statewide apprenticeship program for high school students pursuant to a requirement in S.B. 135 of the 134th General Assembly. S.B. 135 required the interagency workgroup to consider certain topics in developing the proposal, including eligibility requirements, processes for securing and approving apprenticeships, and fiscal considerations such as a method of determining actual costs and payments to businesses and funding for schools for pre-apprenticeship and apprenticeship programs.[8] The proposal contains a series of 34 recommendations to improve pre-apprenticeships and registered apprenticeships by addressing barriers, streamlining processes, and providing additional funding. Among the various elements in the proposal, the workgroup recommends:

- Establishing 14 years of age as the minimum to participate in pre-apprenticeships, providing flexibility in the number of work hours expected of participants, and prioritizing a student's educational needs when designing programs.
- Avoiding statewide restrictions based on grade point average (GPA) but permitting schools to locally set a minimum GPA and additional appropriate criteria to participate.
- Leveraging the OhioMeansJobs.com website in various ways to increase accessibility and awareness of pre-apprenticeship and apprenticeship opportunities and to create a database of state and local support services for schools and students to address barriers to participation, such as a lack of access to transportation to and from the worksite.
- Creating an electronic portal for use by all stakeholders, including employers, schools, career-technical planning districts (CTPDs), and students or parents, to streamline operations. The portal would be used by employers to submit apprenticeship program operating plans for ODJFS approval and to collaborate with schools, CTPDs, and business advisory councils on the development of pre-apprenticeship programs. It would also be used by students to apply for participation and other stakeholders for data collection and improved program monitoring and evaluation.

[8] Pre-apprenticeships are work-based learning experiences in certain occupations or industries that prepare students for formal registered apprenticeship programs.

- Increasing reimbursement to employers, including up to $2,000 per eligible apprentice with a cap of $30,000 per employer per fiscal year. The proposal notes that state appropriations would be needed for program administration and payments to employers.
- Significantly increasing the industry-recognized credential reimbursement to schools for each Ohio State Apprenticeship Council-recognized pre-apprenticeship program certificate earned by students from the current level of $50.
- Establishing per-pupil funding through CTPDs for apprenticeship programs, similar to the current career awareness and exploration funds CTPDs receive. A CTPD would direct the new funding to individual districts and schools to hire staff to implement the programs.
- Engaging schools and employers with local institutions of higher education when designing pre-apprenticeship programs in an effort to increase opportunities for a student to earn college credit for learning gained through the program. Each institution would continue to determine whether such learning is appropriate for college credit.

The complete Proposal for Statewide Apprenticeship Program for High School Students (PDF) is available on LSC's Publications website, lsc.ohio.gov/publications, by clicking on "Monthly Agency Reports" and then the report for June 2023.

Medicaid Spousal Allowances Increase

– Brandon Minster, Economist

On July 1, 2023, the Minimum Monthly Maintenance Needs Allowance (MMMNA) under the Medicaid Program will be increased from the current $2,289 to $2,465. The MMMNA is the portion of a couple's assets that a "community" spouse[9] gets to keep when his or her spouse receives Medicaid long-term care services, including nursing facility services or home and community-based services.[10] If the community spouse's monthly income is below the MMMNA, income can be transferred from the spouse enrolled on Medicaid until the community spouse's income reaches $2,465. In addition to the MMMNA, the Medicaid Program also has an allowance for housing costs called the Excess Shelter Allowance (ESA). The ESA will also be increased on July 1 from $687 to $740 per month. If the community spouse's shelter costs exceed the ESA of $740, then the MMMNA can be increased even more. However, the income cannot exceed $3,716, which is the Maximum Monthly Maintenance Needs Allowance for 2023.[11]

Medicaid is a joint entitlement program administered by the states and funded by both the state and federal governments. Each July, the MMMNA and ESA allowances are adjusted for inflation. These allowances are based on federal poverty levels. As such, contiguous states have the same allowances, while Alaska and Hawaii have higher allowances. These rules are collectively called the "Spousal Impoverishment Rule" (SIR). SIR components seek to keep

[9] A person who is not receiving Medicaid for long-term care services and is married to an institutionalized spouse.

[10] The spouse's income who receives Medicaid typically goes to the institution to contribute to his or her care. Medicaid pays the remaining amount.

[11] The maximum was $3,435 in FY 2022.

Medicaid costs low by identifying those with means to pay while making sure that those who need coverage can qualify without placing an excessive financial burden on a community spouse.

Montgomery County Receives $750,000 in Federal Mobile Response Grants

– Suveksha Bhujel, Economist

On May 25, 2023, the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA) awarded $750,000 to the Alcohol, Drug Addiction and Mental Health Services Board in Montgomery County. The funds will be used to enhance existing, or to create new, mobile crisis response teams in high-need communities. These response teams will help divert individuals who are experiencing mental health crises from local law enforcement involvement. Any mobile crisis response teams created or enhanced are required to: provide 24/7 coverage in high-need communities, target responses within one hour of dispatch, utilize two providers per response, incorporate telehealth services to increase access to licensed professionals in rural areas, provide stabilization services in the community when appropriate, respond without law enforcement unless their inclusion is warranted, and minimize involuntary transport by law enforcement as much as possible. Additionally, grant recipients will be required to provide post-crisis follow-up services to the individuals they treat, develop and implement protocols for coordination with law enforcement, and provide crisis training to providers and first responders.

In total, SAMSHA awarded about $9.3 million to communities in 13 states, including Ohio. The grants are intended to help communities in which mobile crisis response services are either nonexistent or inconsistent. Currently, mental health crises in these communities often are handled by first responders not always adequately trained to diffuse these situations. Eligible applicants were states, local political subdivisions, tribal organizations, and public or private nonprofits. The maximum award amount was $750,000 per year. Funding may be available for up to four years depending on a grantee's progress meeting project goals and objectives.

STEM Committee Designates Three New STEM Schools for the 2023-2024 School Year

– Andrew Ephlin, Budget Analyst

In May 2023, the ODE STEM Committee designated three new schools as STEM schools for the 2023-2024 school year: (1) Indian Hill Primary School, (2) Indian Hill Elementary School, both of which are schools of the Indian Hill Exempted Village School District in Hamilton County, and (3) Hawkins STEMM Academy, an elementary school of the Toledo City School District in Lucas County. A STEM or STEAM (science, technology, engineering, art, and mathematics) school designation is available to a public school governed by either a traditional school board or an independent governing board meeting certain requirements (see below). Similarly, a STEM or STEAM school equivalent designation may be given to a community school or chartered nonpublic school.

Designated schools are invited into the Ohio STEM Learning Network (OSLN), a public-private partnership managed by Battelle. OSLN supports designated schools and applicants through seven regional hubs that provide training for educators and other resources in STEM education and cultivate partnerships with stakeholder organizations in the area to improve STEM programming. To receive a STEM designation, a school must exhibit both a working partnership with public and private entities, including higher education and business organizations, and show evidence that the school will offer a rigorous, diverse, integrated, and project-based curriculum to students that emphasizes the role of science, technology, engineering, and mathematics as well as including the arts, humanities, personalized learning, and teamwork skills. A STEAM school must follow those requirements as well as include an arts organization in their partnership and show that the curriculum will integrate art and design into STEM subjects.

Including the three newly designated schools, there will be a total of 79 STEM and STEAM schools across the state, of which 50 (63%) are governed by traditional school boards, eight (10%) by independent boards, and 21 (27%) are STEM or STEAM school equivalents. Ohio's northeast region is home to the largest number of STEM or STEAM schools and equivalents, with 36 (46%) schools, followed by the southwest (16 schools, 20%) and central (13 schools, 16%) regions. Eight (10%) schools are located in the northwest region and six (8%) are located in the southeast part of the state. For a complete list of STEM and STEAM schools, see ODE's Ohio STEM and STEAM Designated Schools (PDF), which may be accessed by conducting a keyword "STEM school designation" search on the ODE website at: education.ohio.gov.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

The U.S. economy continued to expand in the first half of 2023, but with the Federal Reserve, the nation's central bank, working to reduce inflation, recent economic indicators have been somewhat mixed. The national unemployment rate decreased slightly to 3.6% in June. Job openings declined in May after increasing in April. Both hiring and total separations changed little. U.S. inflation adjusted gross domestic product (real GDP) grew at a 2.0% annual rate in this year's first quarter after increasing at a 2.6% annual rate in the fourth quarter of 2022. Industrial output fell 0.2% in May, after increases in March and April.

Inflation eased in May but remained elevated. The all-item consumer price index (CPI) increased 0.1% in May and was up 4.0% from a year earlier. Prices of gasoline and most consumer energy commodities fell in May. Prices of food increased. Excluding food and energy, the CPI rose 0.4% to 5.3% higher than a year earlier. Unit sales of light motor vehicles (autos and light trucks, including SUVs) increased in June, and sales in the first six months of 2023 were 13% higher than in the corresponding period in 2022.

The Federal Open Market Committee (FOMC) chose to pause its rate hikes at its June 13-14 meeting after a series of rate hikes since early 2022. It opted to hold the federal funds rate[12] target steady at 5.0%-5.25% as it waits to gauge the effect of its monetary policy on the economy. The next FOMC meeting will be held on July 25 and 26. Based on the CME Fed Watch Tool, the probability that the FOMC would resume its rate hikes with a 25 basis point increase at its July meeting (i.e., increase the federal funds rate target to 5.25%-5.50%) was forecasted at 97.3% as of July 6, 2023.

Ohio's unemployment rate in May reached its lowest level based on the U.S. Bureau of Labor Statistics' recorded data since 1976. Ohio's total nonfarm payroll employment rose by 6,600 in May, following larger increases in March and April. Ohio's real GDP increased 1.3% at a seasonally adjusted annual rate in the first quarter of 2023. The statewide housing market was down in the first five months of this year compared to the same period a year earlier, but the average sales price through May was up compared to a year earlier.

The National Economy

In June, the U.S. economy added 209,000 jobs and the national unemployment rate decreased slightly to 3.6%. Unemployment rates have fluctuated in a narrow range between 3.4% and 3.7% nationally since March 2022. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5. Growth of U.S. nonfarm payroll employment so far in 2023 averaged 278,000 employees per month, slower growth than the 399,000 monthly average in the entire year of 2022. The U.S. Bureau of Labor Statistics revised downward its estimates of total employment in April and May, and the revised figures were

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

included in the YTD 278,000 average cited above. For the month, there were job gains in government, including both local and state government levels; in health care, including both hospitals and nursing and residential care facilities; in social assistance, mostly in individual and family services; and in construction. Over the past year, employment increases were widespread among goods-producing and service-providing industries and government.

The number of people counted as unemployed nationally was 6.0 million in June, a decline from 6.1 million in May. Of these, 1.1 million had been without jobs and actively looking for work for six months or more, a number lower than in both the previous month and a year earlier. The number of people working part-time for economic reasons was 4.2 million in June, an increase of 452,000 from May. The labor force participation rate, the share of the population that is either employed or actively seeking work, remained at 62.6% (since March), and the employment-population ratio, at 60.3%, was unchanged from the previous month. The labor force participation rate has been gradually rising since the beginning of the COVID-19 pandemic, before which it was 63.3%.

Job openings declined to 9.8 million in May after having increased to 10.3 million in April. Decreases in job openings were primarily reported in health care and social assistance, finance and insurance, and other services. Numerous job openings were reported in educational services, state and local government education, and federal government. For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) changed little compared to the previous month. The number of people choosing to quit rose to 4.0 million (2.6%), mostly in health care and social assistance and in construction. Employees are more likely to quit jobs if they are confident they can find other or better positions.

U.S. real GDP grew at a 2.0% annual rate in this year's first quarter according to the third estimate published by the U.S. Bureau of Economic Analysis (BEA). The third estimate was revised upward from the BEA's second estimate of a 1.3% annual rate. Growth in the first quarter was driven by consumer spending, exports, nonresidential fixed investment in structures, and government spending at both the federal level and the state and local level. Growth was restrained by residential fixed investment and fixed investment in equipment. Real GDP rose at a 2.6% annual rate in the fourth quarter of 2022. For the entire year of 2022, real GDP grew by 2.1%.

Industrial output nationwide fell 0.2% in May, after increases in March and April. Total industrial output in May was 0.2% higher than a year earlier. Manufacturing output gained 0.1% for the month. However, mining production, fell 0.4% in May, attributed to declines in oil and gas well drilling activities, and utility output fell 1.8% as electricity production decreased.

The CPI increased 0.1% in May, seasonally adjusted, following a 0.4% increase in April. Compared to a year ago, the CPI increased 4.0% before seasonal adjustment. The increase in May was largely due to increases in prices for shelter and for used cars and trucks. The food index rose 0.2% in May, while the energy index decreased 3.6%. The CPI core index (all items excluding food and energy) increased 0.4% in May, after increasing at the same pace in the previous two months. Compared to May 2022, the food index was up 6.7%, the core index was up 5.3%, and the energy index declined 11.7%. Chart 6 below shows percentage increases from the prior year in the CPI since the beginning of 2021. Inflation by this measure peaked in June of 2022 and has trended downward since.

The producer price index for final demand (PPI) decreased 0.3% in May, seasonally adjusted, after a 0.2% increase in April and a decrease of 0.4% in March. The decrease in May was driven by a 1.6% decrease in prices for final demand goods, the largest decline since July 2022. The decrease in goods prices was largely due to decreases in prices of foods and energy. The index for final demand services rose 0.2% in May, following an increase of 0.3% in April. The index for final demand less food, energy, and trade services was unchanged from April.

Personal income, not adjusted for inflation, increased 0.4% in May largely driven by increases in private wages and salaries and Medicaid payments. A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index rose 0.1% in May and was 3.8% higher than a year earlier. Excluding food and energy, the price index increased 0.3% in May and was up 4.6% over the year. Real personal consumption expenditures decreased by less than 0.1% for the month, after a 0.2% increase in April.

In June, sales of light motor vehicles were up to a seasonally adjusted annual rate of 15.7 million units, from a 15.1 million unit rate in May. Through the first six months of 2023, a total of 7.7 million light motor vehicles were sold, 13% more than the 6.8 million units sold in the corresponding period in 2022.

Housing starts in the U.S. rose 21.7% in May, seasonally adjusted, an increase of just 5.7% compared to a year earlier. Building permits for new housing units in the U.S. increased by 5.2% from April to May but declined by 12.7% from the preceding year. Midwest housing starts jumped 66.9% for the month and were 24.2% higher compared with the prior May. Building permits for new housing units in the Midwest went up 7.5% for May but decreased by 19.7% from a year earlier. New home sales rose 12.2% nationally in May, seasonally adjusted, and increased 20.0% from a year earlier. In the Midwest, the number of new houses sold in May went up 4.1% from April and increased by 40.0% from a year earlier. Long-term borrowing costs for home loans have increased to the highest level so far this year. The average 30-year mortgage rate climbed to 6.81% in the first week of July but were still lower than the peak rate of around 7.08% in the months of October and November of last year.

The Ohio Economy

In May, Ohio's total nonfarm payroll employment continued to increase while the unemployment rate decreased to 3.6% from 3.7% in April. Ohio's unemployment rate in May was the lowest recorded based on available data since 1976. Ohio's unemployment rate was 3.9% in May of last year. The number of unemployed Ohio workers was 207,000 in May, 4,000 less than in April and 16,000 less than in May of last year. The state's unemployment rate in May was lower than the U.S. unemployment rate for the first time since September 2021. The U.S. unemployment rate was 3.7% in May, having ticked up from 3.4% in April, and was up from 3.6% in May of last year.

Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 6,600 or 0.1% in May from the revised total in April, following increases over the past six consecutive months since November 2022. In May, employment in private service-producing industries, goods-producing industries, and government increased by 5,400, 500, and 700, respectively. Job gains were particularly large in private educational and health services and trade, transportation, and utilities. Job gains in those business sectors and some others were partially offset by losses in sectors including professional and business services, financial activities, and durable goods manufacturing.

Compared to May of last year, the state's nonfarm payroll employment was 85,400, or 1.5% higher. Employment in private service-producing industries, goods-producing industries, and government employment increased by 63,800, 18,200, and 3,400, respectively. Year-over-year employment gains were essentially in all industries, largely in private educational and health services (32,300), leisure and hospitality (27,000), other services (15,800), and durable goods manufacturing (9,200). Job losses were in professional and business services (8,800), information (1,900), retail and wholesale trade (5,100), and local government (400).

Among Ohio metropolitan areas, payroll employment growth in the year ended in May was strongest in Cincinnati at 2.8%. The unemployment rate in May in the Cincinnati area was low at 3.1%. The Ohio metropolitan area with the lowest unemployment rate in May was Columbus at 3.0%. Payroll employment growth in the latest 12 months in Columbus, at 1.4%, exceeded that in most other areas of the state. The area with the weakest employment change was Lima, where the number of payroll jobs fell 1.5% in the latest 12 months, but the unemployment rate there was still just 3.7%. The unemployment rate in the Weirton-Steubenville metropolitan area in May was highest in the state at 4.3% and payroll employment in that area also fell in the past 12 months, by 1.2%. Metropolitan area employment and unemployment rates are not seasonally adjusted.

Ohio's real GDP increased 1.3% at a seasonally adjusted annual rate in the first quarter of 2023, less than the 2.0% increase in real GDP for the 50 states and the District of Columbia.[13] Ohio's growth in the first quarter was ranked 32nd among the 50 states. The industry group contributing the most to Ohio's growth was health care and social assistance, followed by agriculture, forestry, fishing, and hunting, and then retail trade. Ohio's current-dollar GDP, not adjusted for inflation, reached $852.9 billion at an annual rate in the first quarter of 2023, contributing about 3.2% of U.S. GDP.

Ohio's personal income grew 6.5%, at an annual rate, in the first quarter of 2023, after 4.0% growth in the fourth quarter of 2022. Personal income growth in Ohio was led by net earnings,[14] which accounted for 3.4 percentage points (i.e., a little over half) of the income growth. The rest of the income growth came from investment earnings and transfer receipts (largely payments from government). Among economic sectors, the leading contributors to Ohio's personal income growth in the first quarter were health care and social assistance, state and local government, and professional, scientific, and technical services. Nationwide, personal income grew 5.1% in the first quarter of 2023, up from 5.0% in the fourth quarter of 2022. For the entire year of 2022, Ohio's personal income grew 1.6%, below the nationwide growth rate for the period of 2.4%. Ohio's growth in 2022 ranked 39th in the nation (from highest growth to lowest).

The number of existing homes sold in Ohio decreased by 16.0% compared to May of last year, according to the Ohio Realtors. From January through May of this year, existing home sales

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[13] GDP for the 50 states plus the District of Columbia differs from GDP because GDP by state for the nation excludes U.S. military and federal civilian activity located overseas, which cannot be attributed to a particular state.

[14] Net earnings is earnings by place of work – the sum of wages and salaries, supplements to wages and salaries, and proprietors' income – less contributions for government social insurance plus an adjustment to convert earnings by place-of-work to a place-of-residence basis.

was 16.5% lower than the corresponding period in 2022. The statewide sales price of homes sold in January through May 2023 averaged $259,231, or 3.0% higher than the corresponding period a year ago.

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

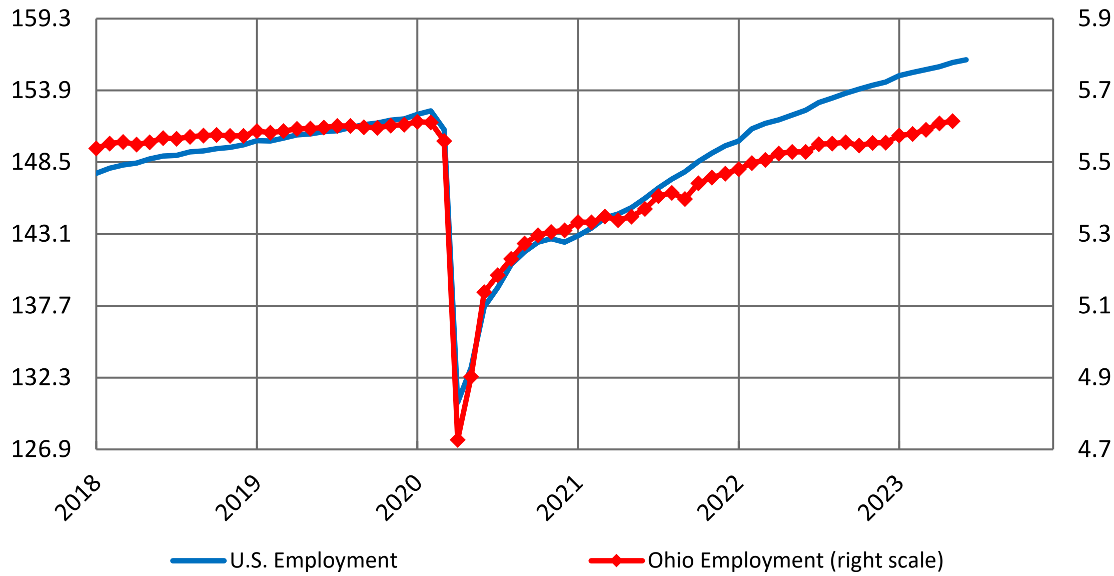
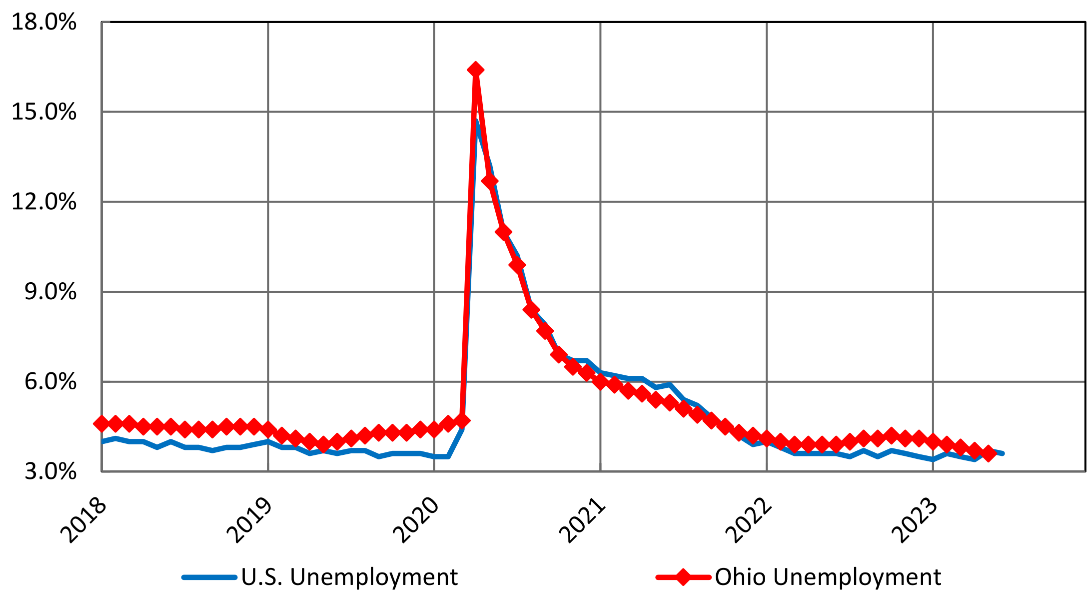


Chart 5: U.S. and Ohio Unemployment Rates % of Labor Force



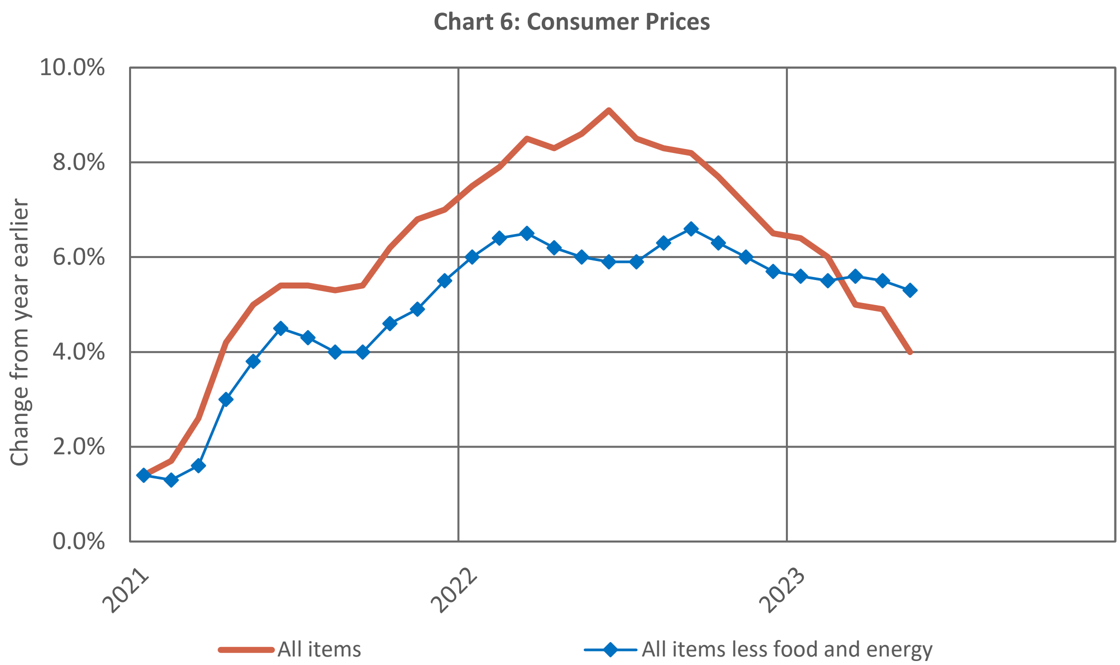


Chart 6: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy