LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 Issue: June 2023

Highlights

– *Russ Keller, Senior Economist*

GRF sources ended May with a positive variance of $328 million compared to the monthly estimate published by the Office of Budget and Management (OBM) in September 2022. Annual state income tax filings due in April were still being processed in May, which spurred a $242 million positive variance for that tax. However, the sales and use tax, the largest contributor to GRF tax revenues, was below estimate for the third consecutive month, albeit modestly. Federal grants bolstered nontax revenue in May by $43 million, as compared to the OBM estimate.

Despite forecasts for a recession, the economy has proven resilient in calendar year (CY) 2023, as consumers continue to spend and the labor market remains tight.

Through May 2023, GRF sources totaled $39.02 billion:

- Revenue from the personal income tax (PIT) was $585.3 million above estimate;
- Sales and use tax receipts were $127.9 million above estimate;
- GRF receipts from the commercial activity tax (CAT) were $82.8 million above estimate.

Through May 2023, GRF uses totaled $38.25 billion:

- Program expenditures were $1.45 billion below estimate, primarily due to GRF Medicaid spending that was $1.01 billion below estimate;
- Expenditures from all program categories were below estimates except for Debt Service, which was above estimate by $1.8 million.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of May 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 2, 2023)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$184,682	$183,400	$1,282	0.7%
Nonauto Sales and Use	$984,861	$1,002,500	-$17,639	-1.8%
Total Sales and Use	*$1,169,543*	*$1,185,900*	*-$16,357*	*-1.4%*
Personal Income	$1,001,550	$759,600	$241,950	31.9%
Commercial Activity Tax	$426,704	$415,000	$11,704	2.8%
Cigarette	$66,108	$73,600	-$7,492	-10.2%
Kilowatt-Hour Excise	$16,797	$19,500	-$2,703	-13.9%
Foreign Insurance	-$36,645	-$29,900	-$6,745	-22.6%
Domestic Insurance	$4,154	$15,400	-$11,246	-73.0%
Financial Institution	$27,339	$33,900	-$6,561	-19.4%
Public Utility	$46,547	$35,700	$10,847	30.4%
Natural Gas Consumption	$30,530	$31,900	-$1,370	-4.3%
Alcoholic Beverage	$7,205	$5,100	$2,105	41.3%
Liquor Gallonage	$4,505	$4,800	-$295	-6.1%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$7	$0	$7	---
Business and Property	$337	$100	$237	236.5%
Estate	$4	$0	$4	---
Total Tax Revenue	**$2,764,686**	**$2,550,600**	**$214,086**	**8.4%**
Nontax Revenue				
Earnings on Investments	$6	$0	$6	---
Licenses and Fees	$6,140	$5,590	$549	9.8%
Other Revenue	$72,136	$1,250	$70,887	5673.2%
Total Nontax Revenue	**$78,282**	**$6,840**	**$71,443**	**1044.6%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,842,968**	**$2,557,440**	**$285,528**	**11.2%**
Federal Grants	**$1,533,718**	**$1,491,036**	**$42,683**	**2.9%**
Total GRF Sources	**$4,376,686**	**$4,048,475**	**$328,211**	**8.1%**

*Estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2023 as of May 31, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 2, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$1,807,319	$1,779,700	$27,619	1.6%	$1,769,912	2.1%
Nonauto Sales and Use	$10,466,076	$10,365,800	$100,275	1.0%	$10,093,489	3.7%
Total Sales and Use	*$12,273,394*	*$12,145,500*	*$127,894*	*1.1%*	*$11,863,401*	*3.5%*
Personal Income	$9,833,628	$9,248,301	$585,328	6.3%	$9,719,264	1.2%
Commercial Activity Tax	$2,136,050	$2,053,300	$82,751	4.0%	$1,983,994	7.7%
Cigarette	$704,624	$747,800	-$43,176	-5.8%	$754,252	-6.6%
Kilowatt-Hour Excise	$263,766	$271,300	-$7,534	-2.8%	$274,856	-4.0%
Foreign Insurance	$363,586	$331,400	$32,186	9.7%	$316,073	15.0%
Domestic Insurance	$23,471	$33,700	-$10,230	-30.4%	$13,527	73.5%
Financial Institution	$211,887	$186,500	$25,387	13.6%	$173,405	22.2%
Public Utility	$177,785	$135,100	$42,685	31.6%	$148,232	19.9%
Natural Gas Consumption	$67,803	$69,000	-$1,197	-1.7%	$69,019	-1.8%
Alcoholic Beverage	$59,409	$57,100	$2,309	4.0%	$58,677	1.2%
Liquor Gallonage	$52,343	$52,900	-$557	-1.1%	$53,030	-1.3%
Petroleum Activity Tax	$11,367	$6,900	$4,467	64.7%	$6,474	75.6%
Corporate Franchise	$106	$0	$106	38985.1%	$702	-84.8%
Business and Property	$337	$100	$237	236.5%	$271	24.2%
Estate	$38	$0	$38	9911.2%	$58	-33.9%
Total Tax Revenue	**$26,179,596**	**$25,338,902**	**$840,694**	**3.3%**	**$25,435,234**	**2.9%**
Nontax Revenue						
Earnings on Investments	$197,901	$68,400	$129,501	189.3%	$34,634	471.4%
Licenses and Fees	$116,429	$99,122	$17,307	17.5%	$98,680	18.0%
Other Revenue	$224,632	$171,141	$53,491	31.3%	$400,288	-43.9%
Total Nontax Revenue	**$538,961**	**$338,663**	**$200,299**	**59.1%**	**$533,602**	**1.0%**
Transfers In	**$19,213**	**$5,000**	**$14,213**	**284.3%**	**$57,085**	**-66.3%**
Total State Sources	**$26,737,771**	**$25,682,565**	**$1,055,206**	**4.1%**	**$26,025,922**	**2.7%**
Federal Grants	**$12,282,823**	**$12,728,907**	**-$446,084**	**-3.5%**	**$10,841,944**	**13.3%**
Total GRF SOURCES	**$39,020,594**	**$38,411,472**	**$609,122**	**1.6%**	**$36,867,866**	**5.8%**

*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]

– Ruhaiza Ridzwan, Senior Economist

Overview

Strong PIT receipts dominated GRF revenue collections in May, recording a whopping $242.0 million (31.9%) variance above the OBM estimate for the month. The PIT overage in May was largely due to a delay in processing annual returns; revenue accompanying filings of returns was $68.7 million below estimate in April but $194.5 million above estimate in May.

Other tax sources were on net below estimate in May, so that the positive GRF tax revenue variance for the month amounted to $214.1 million (8.4%). CAT revenue from the final quarterly payment of the fiscal year was higher than expected by $11.7 million, or 2.8%. Regarding the other major GRF tax sources, auto sales tax revenue was slightly above estimate by $1.3 million (0.7%) after missing by 13.6% in April and 9.6% in March. Nonauto sales tax receipts fell short of estimate by $17.6 million (1.8%) in May, after missing the estimate by 3.7% in April. Cigarette and other tobacco products (OTP) tax revenue also fell short of estimate, by $7.5 million (10.2%). Among the remaining tax sources, the public utility excise tax and the alcoholic beverage tax were above estimates by $10.8 million and $2.1 million, respectively. Conversely, the domestic insurance tax, foreign insurance tax, financial institutions tax (FIT), kilowatt-hour tax (KWH), and natural gas consumption tax fell short of estimates by $11.2 million, $6.7 million, $6.6 million, $2.7 million, and $1.4 million, respectively.

With one month left in FY 2023, GRF tax revenue appears poised to finish the fiscal year with a surplus. Year to date (YTD) through May, GRF tax revenue was above estimate by $840.7 million (3.3%). About $585.3 million of the variance was due to the PIT. YTD, PIT monthly revenue has been considerably above estimates in each month, except in December and April. The sizable overage in May PIT revenue more than offset the April shortfall in PIT collections; combined PIT receipts in April and May surpassed the combined estimates for the two months by $119.6 million (5.3%). The sales and use tax added $127.9 million to the YTD positive variance while the CAT accounted for $82.8 million. The cigarette tax had a negative YTD variance of $43.2 million, partially offsetting the positive variances of the other major taxes. The most significant other YTD negative variance was for the domestic insurance tax ($10.2 million), but generally almost all annual receipts from the tax are expected in June. The KWH tax and natural gas consumption tax had negative variances of $7.5 million and $1.2 million, respectively. Most of the remaining tax sources were above estimates, including the public utility excise tax ($42.7 million), the foreign insurance tax ($32.2 million), the FIT ($25.4 million), the petroleum activity tax ($4.5 million), and the alcoholic beverage tax ($2.3 million).

[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.

As shown in Table 1, total GRF sources for May of $4.38 billion were $328.2 million (8.1%) above estimate. The positive variance was primarily due to GRF tax sources ($214.1 million, mentioned above) and other revenue ($70.9 million). The large variance for other revenue appears to be a result of a payment from the Federal Emergency Management Agency to the Ohio Department of Health (ODH). In addition, federal grants were above estimate by $42.7 million, mostly related to reimbursements for GRF Medicaid expenditures. Table 2 above shows YTD total GRF sources through May. YTD total GRF sources were $39.02 billion, including $26.18 billion from tax receipts, $12.28 billion from federal grants, and $539.0 million from nontax revenue. YTD total GRF sources were $609.1 million (1.6%) above estimate. GRF tax sources and nontax revenue were above estimates by $840.7 million (3.3%) and $200.3 million (59.1%), respectively. However, federal grants were $446.1 million (3.5%) below estimate.

Chart 1: Cumulative Variances of GRF Sources in FY 2023
(Variances from Estimates, $ in millions)

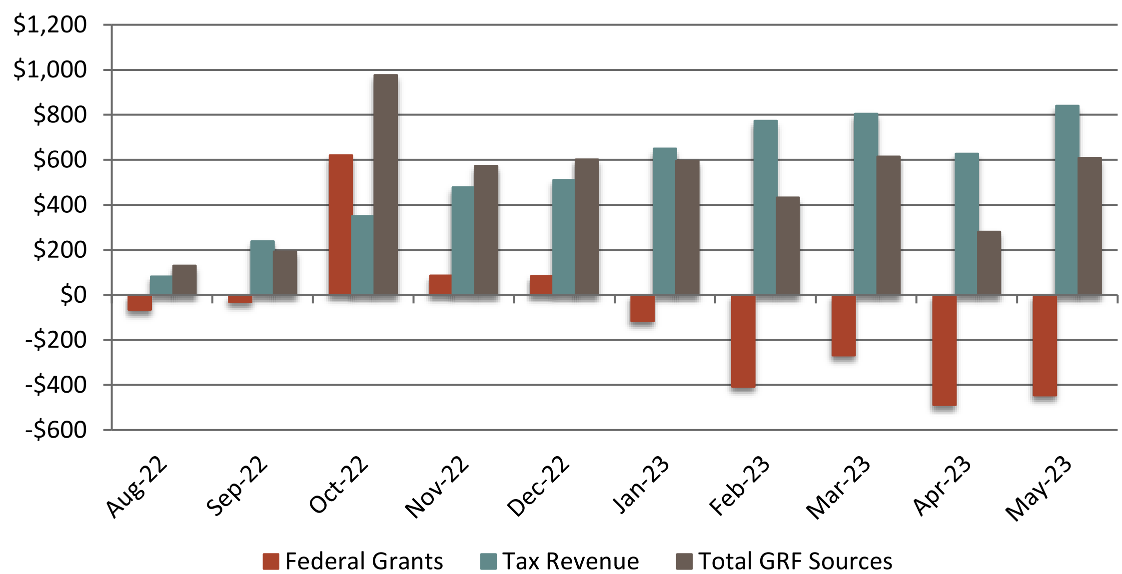


Chart 1 shows the cumulative variances at the end of each month of FY 2023 since August, for federal grants, tax revenue, and total GRF sources.

As shown in Table 2 above, FY 2023 total sources through May were $2.15 billion (5.8%) higher than the same period in FY 2022, primarily due to increases in federal grants ($1.44 billion) and total tax revenue ($744.4 million). Major tax revenue sources grew during the first 11 months of FY 2023 compared to the corresponding months in FY 2022, except for the cigarette tax. Revenue for the sales and use tax, the CAT, and the PIT increased by $410.0 million (3.5%), $152.1 million (7.7%), and $114.4 million (1.2%), respectively. On the other hand, cigarette tax revenue decreased by $49.6 million (6.6%). Revenue from the cigarette tax has decreased gradually during the past seven years, except during the pandemic in FY 2021. Revenue growth for nonmajor taxes was also strong, notably the foreign insurance tax ($47.5 million, 15.0%), the FIT ($38.5 million, 22.2%), the public utility excise tax ($29.6 million, 19.9%), the domestic insurance tax ($9.9 million, 73.5%), and the petroleum activity tax ($4.9 million, 75.6%). The revenue for the KWH tax and natural gas consumption tax decreased by $11.1 million (4.0%) and $1.2 million (1.8%), respectively. All funds revenue from the KWH tax decreased by $6.8 million

(1.3%) year over year, while revenue allocated to the Public Library Fund (PLF, Fund 7065) increased by $4.7 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.

The following sections provide more detail about revenue from the major taxes: the sales and use tax, the PIT, the CAT, and the cigarette and OTP tax.

Sales and Use Tax

GRF revenue from the sales and use tax in May totaled $1.17 billion, which was $16.4 million (1.4%) below estimate. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto.[2] The nonauto portion yielded a negative variance for the month while the auto portion had a positive variance. For the YTD through May, the GRF received a total of $12.27 billion from the sales and use tax, which was $127.9 million (1.1%) above the estimate. YTD revenue from the tax grew $410.0 million (3.5%) from the revenue received during the corresponding months in FY 2022. YTD, revenue from this tax was above estimate in most months this fiscal year, except in July (zero variance), December, March, April, and May.

Nonauto Sales and Use Tax

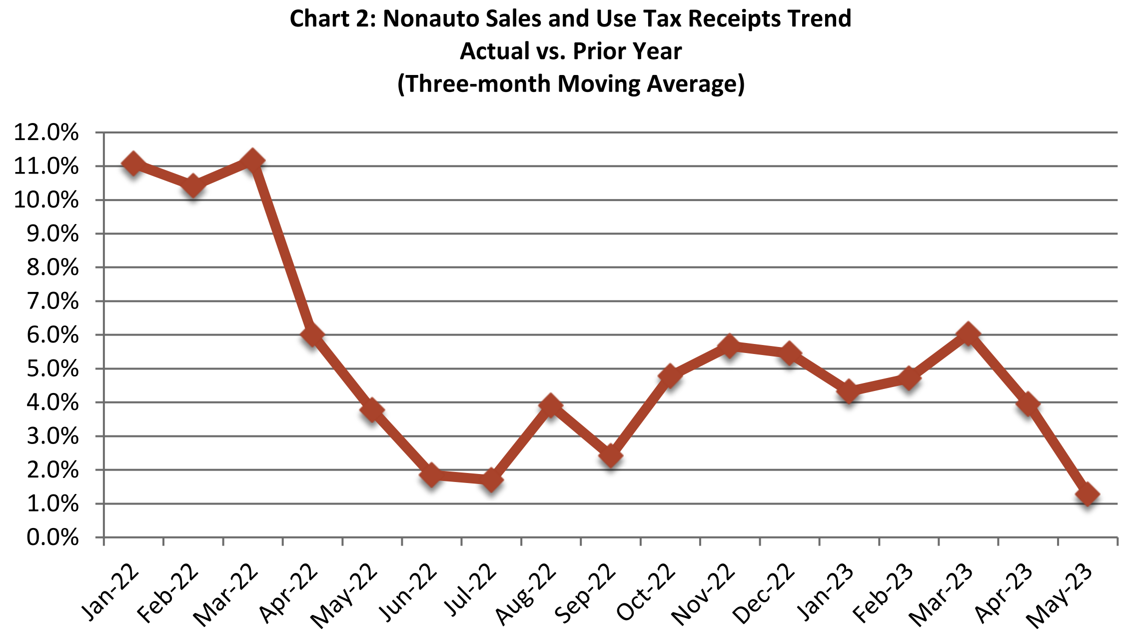
GRF receipts of the nonauto portion of the tax were $984.9 million in May, which was $17.6 million (1.8%) below estimate. YTD revenue was $10.47 billion, $100.3 million (1.0%) more than the estimate. May revenue was $11.1 million (1.1%) more than the revenue received in May 2022, while YTD revenue was $372.6 million (3.7%) more than the amount received during the first 11 months of FY 2022. Prior to May, revenue was above estimate every month since July except for September, December, and April.

Chart 2 shows year-over-year growth in revenue from the nonauto portion of the tax since January 2022. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. The slowdown shown in the chart in early CY 2022 was likely due in part to reductions in federal income support.[4] Growth has accelerated since the last few months of 2022, due at least in part to inflation boosting prices of taxable goods. Spending in the most recent months pulled down the three-month average for April and May. Retail sales nationally declined in both February and March but increased somewhat in April.

[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.

[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 March 2022 through May 2022 to revenue received during March 2023 through May 2023.

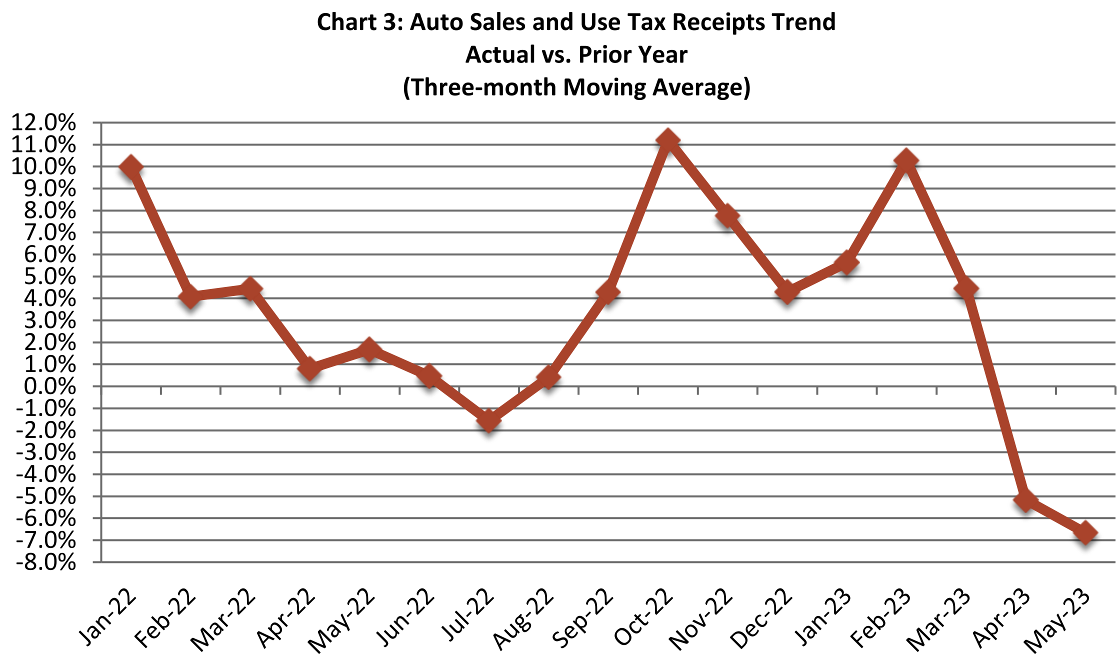
[4] In FY 2022, an unusual set of circumstances supported consumer spending on taxable goods: household incomes increased from prepandemic levels with assistance from federal income support programs and a low interest rate environment combined with rapidly appreciating home values enabled many homeowners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



Auto Sales and Use Tax

Receipts from the auto component of the sales and use tax for the month were $184.7 million, $1.3 million (0.7%) above estimate and $5.3 million (3.0%) more than revenue collected during May 2022. Revenue from the auto component of the tax finished a little above estimate for the month, following a sizable negative variance in April of $25.9 million (13.6%). YTD through May, revenue from the auto component of the tax totaled $1.81 billion, above estimate by $27.6 million (1.6%). YTD revenue grew by $37.4 million (2.1%) compared to the first 11 months of FY 2022.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections since January 2022. The earliest portion of the pattern is similar to that for the nonauto sales tax shown in Chart 2, in that it reflects strong growth at the outset of CY 2022 but a deceleration towards the end of the second calendar quarter, as interest rates started rising. Revenue growth accelerated earlier in FY 2023, due in part to sharply higher vehicle prices. Also, dealer supplies of vehicles were tight last year due to supply chain problems that started during the COVID-19 pandemic, but inventories and sales started to recover in recent months. National data on unit sales of light vehicles (cars and light trucks) show that they were up 8%% in the first quarter of this year compared to the same period in 2022. However, affordability has deteriorated as cars have become more expensive and interest rates rise. Consequently, the April and May data points in Chart 3 show year-over-year declines in revenue.



Personal Income Tax

GRF receipts from the PIT totaled $1.00 billion in May, $242.0 million (31.9%) above estimate. The overage was largely attributable to payments that accompanied annual return filings, which were $194.5 million (639.7%) above estimate. This appears to be due to a delay in processing such filings and payments, as payments with annual returns were $68.7 million below estimate in April. Total PIT receipts have been above estimate in every month in this fiscal year (other than a zero variance in July), except in April. YTD revenue was $9.83 billion through May. The strong showing in PIT revenue in other months more than offset the April shortfall in PIT collections, so that YTD revenue was $585.3 million (6.3%) above estimate and $114.4 million (1.2%) above revenue during the first 11 months of FY 2022.

YTD receipts from employer withholding have been the single largest driver of the positive variances. Such receipts totaled $10.16 billion YTD, $407.3 million (4.2%) above estimate and $711.3 million (7.5%) higher than withholding for the corresponding 11 months of FY 2022. Withholding receipts exceeded estimates by margins in the tens of millions during the first seven months of FY 2023, but the margin shrank in February ($11.2 million) and became negative in both March ($12.5 million) and April ($44.7 million). A positive variance returned in May ($11.2 million). As explained in more detail in the March through May issues of *Budget Footnotes*, some of the tax revenue classified under withholding earlier in FY 2023 was from a new voluntary tax enacted for pass-through entities by S.B. 246 of the 134th General Assembly. Due to this, recent months' growth in withholding receipts is at best a very rough proxy for growth in Ohio wages and salaries.

PIT revenue 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 May relative to estimates for those months of FY 2023 and compared to revenue received in the year-earlier period. FY 2023 YTD gross collections were $799.2 million (6.6%) above anticipated revenue. Nearly every component of gross collections exceeded their estimates, most notably employer withholding by $407.3 million, payments due with annual returns by $333.5 million, and estimated payments by $87.5 million. Trust payments were the lone exception, as they were $41.2 million below their 11-month estimate. YTD refunds were $202.4 million above projections and distributions to the LGF were $11.5 million higher than OBM's estimate, both of which reduced revenue available to the GRF. Subtracting $202.4 million and $11.5 million from the positive variance for gross collections yields the YTD GRF positive variance of $585.3 million.

FY 2023 Personal Income Tax Revenue Variance and Annual Change by Component				
	Variance from Estimate		Change from FY 2022	
Category	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$407.3	4.2%	$711.3	7.5%
Quarterly Estimated Payments	$87.5	10.6%	-$9.0	-1.0%
Trust Payments	-$41.2	-35.2%	-$52.6	-41.0%
Annual Return Payments	$333.5	25.6%	-$182.8	-10.1%
Miscellaneous Payments	$12.1	16.3%	-$17.2	-16.7%
Gross Collections	$799.2	6.6%	$449.7	3.6%
Less Refunds	$202.4	8.5%	$325.4	14.4%
Less LGF Distribution	$11.5	2.6%	$10.0	2.2%
GRF PIT Revenue	$585.3	6.3%	$114.4	1.2%

Gross collections grew by $449.7 million (3.6%) from the first 11 months of FY 2022 to the corresponding months this fiscal year. Growth in GRF revenue from the PIT was restrained by the 14.4% growth in refunds, though. Revenue from withholding grew by 7.5%, which was due in part to the classification issue mentioned above. But working in the opposite direction, withholding rates were reduced during September 2021, due to PIT reductions enacted in H.B. 110. The withholding rate reduction means that withholding growth for the first two months of this fiscal year came despite the 3% rate reduction.

Commercial Activity Tax

The final quarterly payment of the fiscal year by CAT taxpayers is due on the tenth day of May, and it provided $426.7 million in GRF revenue for the month, $11.7 million (2.8%) above estimate. The latest monthly performance brought the YTD positive variance for this tax source to $82.8 million (4.0%). YTD GRF receipts from CAT taxpayers through May totaled $2.14 billion, $152.1 million (7.7%) above revenues in FY 2022 through May. Variances under this tax have been mixed this fiscal year, with negative variances in August and February, as well as in March, but revenue exceeded estimates in the other months.

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

Cigarette and Other Tobacco Products Tax

The cigarette and OTP tax generated $66.1 million in GRF revenue in May, below estimate for the month by $7.5 million (10.2%). YTD revenue from the tax was $704.6 million through May, $43.2 million (5.8%) below estimate. The YTD total included $599.8 million derived from the sale of cigarettes and $104.8 million from the sale of OTP.

FY 2023 revenue through May fell by $49.6 million (6.6%) compared to FY 2022 revenue through May 2022. OTP sales increased by $4.8 million (4.8%) while receipts from cigarette sales decreased $54.4 million (8.3%). The increase in OTP revenue may be due in full to higher OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product, so revenue from that portion of the tax base grows with price increases.

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

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$597,377	$600,004	-$2,627	-0.4%
Higher Education	$207,911	$214,711	-$6,800	-3.2%
Other Education	$4,204	$3,951	$253	6.4%
Total Education	**$809,492**	**$818,666**	**-$9,174**	**-1.1%**
Medicaid	$2,299,418	$2,290,429	$8,989	0.4%
Health and Human Services	$92,010	$108,110	-$16,100	-14.9%
Total Health and Human Services	**$2,391,427**	**$2,398,539**	**-$7,112**	**-0.3%**
Justice and Public Protection	$191,852	$183,308	$8,545	4.7%
General Government	$34,550	$48,501	-$13,951	-28.8%
Total Government Operations	**$226,402**	**$231,808**	**-$5,406**	**-2.3%**
Property Tax Reimbursements	$482,740	$305,268	$177,472	58.1%
Debt Service	$22,508	$22,459	$49	0.2%
Total Other Expenditures	**$505,248**	**$327,727**	**$177,521**	**54.2%**
Total Program Expenditures	**$3,932,570**	**$3,776,740**	**$155,830**	**4.1%**
Transfers Out	**$1,195**	**$0**	**$1,195**	**---**
Total GRF Uses	**$3,933,765**	**$3,776,740**	**$157,025**	**4.2%**

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

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$8,107,964	$8,128,788	-$20,823	-0.3%	$7,869,798	3.0%
Higher Education	$2,260,527	$2,290,119	-$29,591	-1.3%	$2,229,931	1.4%
Other Education	$84,757	$85,115	-$357	-0.4%	$83,849	1.1%
Total Education	**$10,453,249**	**$10,504,021**	**-$50,772**	**-0.5%**	**$10,183,578**	**2.6%**
Medicaid	$17,692,648	$18,698,708	-$1,006,060	-5.4%	$15,670,867	12.9%
Health and Human Services	$1,516,628	$1,601,946	-$85,318	-5.3%	$1,400,868	8.3%
Total Health and Human Services	**$19,209,275**	**$20,300,654**	**-$1,091,379**	**-5.4%**	**$17,071,735**	**12.5%**
Justice and Public Protection	$2,508,246	$2,627,989	-$119,743	-4.6%	$2,459,497	2.0%
General Government	$525,195	$698,632	-$173,437	-24.8%	$470,629	11.6%
Total Government Operations	**$3,033,440**	**$3,326,621**	**-$293,180**	**-8.8%**	**$2,930,126**	**3.5%**
Property Tax Reimbursements	$1,813,534	$1,833,938	-$20,404	-1.1%	$1,813,772	0.0%
Debt Service	$1,469,270	$1,467,487	$1,783	0.1%	$1,387,134	5.9%
Total Other Expenditures	**$3,282,804**	**$3,301,424**	**-$18,621**	**-0.6%**	**$3,200,906**	**2.6%**
Total Program Expenditures	**$35,978,769**	**$37,432,720**	**-$1,453,952**	**-3.9%**	**$33,386,345**	**7.8%**
Transfers Out	**$2,268,365**	**$684,900**	**$1,583,465**	**231.2%**	**$3,074,144**	**-26.2%**
Total GRF Uses	**$38,247,134**	**$38,117,620**	**$129,514**	**0.3%**	**$36,460,489**	**4.9%**

*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 June 8, 2023)

	Month of May 2023				Year to Date through May 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,228,884	$2,218,655	$10,229	0.5%	$17,033,988	$17,953,112	-$919,124	-5.1%
Non-GRF	$906,907	$874,058	$32,849	3.8%	$12,806,533	$12,088,981	$717,552	5.9%
All Funds	$3,135,791	$3,092,713	$43,078	1.4%	$29,840,521	$30,042,093	-$201,572	-0.7%
Developmental Disabilities								
GRF	$61,740	$64,144	-$2,404	-3.7%	$559,287	$619,489	-$60,201	-9.7%
Non-GRF	$293,389	$251,384	$42,005	16.7%	$2,700,400	$2,747,270	-$46,871	-1.7%
All Funds	$355,129	$315,527	$39,601	12.6%	$3,259,687	$3,366,759	-$107,072	-3.2%
Job and Family Services								
GRF	$7,834	$6,840	$994	14.5%	$88,577	$115,382	-$26,805	-23.2%
Non-GRF	$13,297	$5,261	$8,037	152.8%	$153,955	$281,595	-$127,640	-45.3%
All Funds	$21,132	$12,101	$9,031	74.6%	$242,532	$396,977	-$154,445	-38.9%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$960	$790	$170	21.5%	$10,796	$10,726	$70	0.6%
Non-GRF	$5,812	$3,815	$1,997	52.3%	$40,448	$46,394	-$5,946	-12.8%
All Funds	$6,772	$4,605	$2,167	47.1%	$51,244	$57,120	-$5,876	-10.3%
All Departments:								
GRF	**$2,299,418**	**$2,290,429**	**$8,989**	**0.4%**	**$17,692,648**	**$18,698,708**	**-$1,006,060**	**-5.4%**
Non-GRF	**$1,219,405**	**$1,134,517**	**$84,888**	**7.5%**	**$15,701,335**	**$15,164,240**	**$537,095**	**3.5%**
All Funds	**$3,518,823**	**$3,424,946**	**$93,877**	**2.7%**	**$33,393,983**	**$33,862,949**	**-$468,966**	**-1.4%**

*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 June 8, 2023)

	Month of May 2023				Year to Date through May 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,508,102**	**$2,468,043**	**$40,059**	**1.6%**	**$22,720,997**	**$22,767,905**	**-$46,908**	**-0.2%**
CFC†	$691,710	$695,694	-$3,984	-0.6%	$6,804,713	$6,836,418	-$31,705	-0.5%
Group VIII	$633,863	$607,706	$26,157	4.3%	$6,256,445	$6,346,772	-$90,328	-1.4%
ABD†	$228,088	$223,872	$4,216	1.9%	$2,329,047	$2,375,065	-$46,018	-1.9%
ABD Kids	$64,743	$74,147	-$9,404	-12.7%	$690,832	$750,405	-$59,573	-7.9%
My Care	$238,595	$264,990	-$26,395	-10.0%	$2,623,889	$2,798,596	-$174,706	-6.2%
OhioRise	$33,880	$61,949	-$28,069	-45.3%	$227,449	$374,883	-$147,434	-39.3%
SPBM	$548,624	$455,686	$92,938	20.4%	$3,410,911	$2,884,266	$526,645	18.3%
Pay for Performance	$68,600	$84,000	-$15,400	-18.3%	$377,711	$401,500	-$23,789	-5.9%
Fee-For-Service	**$794,769**	**$736,546**	**$58,223**	**7.9%**	**$8,427,492**	**$8,483,892**	**-$56,400**	**-0.7%**
ODM Services	$456,377	$437,895	$18,482	4.2%	$4,583,443	$4,513,423	$70,020	1.6%
DDD Services	$338,392	$298,651	$39,742	13.3%	$3,159,631	$3,252,600	-$92,969	-2.9%
Hospital - HCAP	$0	$0	$0	---	$684,417	$717,869	-$33,452	-4.7%
Premium Assistance	**$127,245**	**$138,452**	**-$11,207**	**-8.1%**	**$1,319,139**	**$1,411,437**	**-$92,298**	**-6.5%**
Medicare Buy-In	$76,656	$85,166	-$8,510	-10.0%	$846,071	$898,747	-$52,676	-5.9%
Medicare Part D	$50,589	$53,286	-$2,697	-5.1%	$473,068	$512,690	-$39,622	-7.7%
Administration	**$88,706**	**$81,905**	**$6,801**	**8.3%**	**$926,355**	**$1,199,715**	**-$273,359**	**-22.8%**
Total	**$3,518,823**	**$3,424,946**	**$93,877**	**2.7%**	**$33,393,983**	**$33,862,949**	**-$468,966**	**-1.4%**

*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[5]

– *Michael Kerr, Budget Analyst*

– *Ivy Chen, Division Chief*

Overview

GRF program expenditures totaled $35.98 billion through May of FY 2023. These expenditures were $1.45 billion (3.9%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.27 billion and were $1.58 billion (231.2%) over estimate for the YTD, due primarily to a transfer of $727.0 million to the Budget Stabilization Fund (BSF) that was authorized in H.B. 45 of the 134th General Assembly and not included in the estimates and the timing of $837.2 million in transfers that were not estimated to occur until June. Total GRF uses for these 11 months were $38.25 billion, which was $129.5 million (0.3%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of May and YTD, respectively.

For May program expenditures, positive monthly variances in Property Tax Reimbursements ($177.5 million, 58.1%), GRF Medicaid ($9.0 million, 0.4%), and Justice and Public Protection ($8.5 million, 4.7%) were partially offset by negative monthly variances in Health and Human Services ($16.1 million, 14.9%), General Government ($14.0 million, 28.8%), Higher Education ($6.8 million, 3.2%), and Primary and Secondary Education ($2.6 million, 0.4%). The remaining categories had monthly variances of less than $300,000. Total program expenditures were $155.8 million (4.1%) over estimate for the month of May.

For YTD program expenditures, all categories, except for Debt Service, were under estimate, most significantly GRF Medicaid ($1.01 billion, 5.4%), General Government ($173.4 million, 24.8%), Justice and Public Protection ($119.7 million, 4.6%), and Health and Human Services ($85.3 million, 5.3%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were above their monthly estimate in May by $9.0 million (0.4%) but below their YTD estimate by $1.01 billion (5.4%) at the end of May. Non-GRF Medicaid expenditures were above their monthly estimate by $84.9 million (7.5%) and above their YTD estimate by $537.1 million (3.5%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $93.9 million (2.7%) above estimate in May but $469.0 million (1.4%) below the YTD estimate at the end of May.

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

[5] 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.

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 positive variance in May of \$43.1 million (1.4%) but a YTD all funds negative variance of \$201.6 million (0.7%) at the end of May. DODD had a May all funds positive variance of \$39.6 million (12.6%) but ended the month with YTD expenditures \$107.1 million (3.2%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for all four major payment categories at the end of May. In both percentage terms and absolute dollars, the Administration variance of \$273.4 million (22.8%) was the largest. The other categories with negative variances were Premium Assistance at \$92.3 million (6.5%), Fee-For-Service (FFS) at \$56.4 million (0.7%), and Managed Care at \$46.9 million (0.2%). The YTD Administration variance continues to reflect general underspending on administrative costs, particularly in the Ohio Department of Job and Family Services (ODJFS). Of the \$273.4 million YTD variance, \$154.4 million (56.5%) is accounted for by ODJFS. The Ohio Resilience through Integrated Systems and Excellence (OhioRISE) program continued its negative variance, reflecting continued less-than-forecasted spending as the enrollment of qualified youth is slower than anticipated. Both Medicare Buy-in and Medicare Part D have negative variances. The variance for Medicare Part D is a result of the continued elevated Federal Medical Assistance Percentage (FMAP) due to the COVID-19 public health emergency; this higher FMAP is scheduled to dissipate over the course of 2023.

From the beginning of the COVID-19 public health emergency (PHE) in March 2020 through the end of April 2023, caseloads increased by approximately 21,400 cases per month, on average. Beginning in April 2023, ODM began redeterminations of eligibility which had been suspended during the PHE as a condition of receiving increased financial assistance from the federal government. When ODM determines a recipient is no longer eligible, a grace period allows for the recipient to remain on the rolls until the end of the month. Thus May's caseload number was the first to reflect a decline from redeterminations. May's caseload number declined by approximately 39,300. This monthly negative caseload variance is expected to continue throughout the second half of the calendar year. This will reduce the positive yearly caseload variance as it did in May, with 157,686 cases (4.6%) above estimate.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The Ohio Department of Development (DEV) makes up 36.5% of the estimated expenditures from this category in FY 2023. Four other agencies make up another 32.6% of estimated expenditures: the Ohio Department of Transportation (ODOT, 8.9%), the Ohio Department of Natural Resources (ODNR, 8.6%), the Department of Taxation (TAX, 7.7%), and the Department of Agriculture (AGR, 7.4%). Twenty other agencies make up the remaining 30.9% of estimated spending.

This category was under estimate by \$14.0 million (28.8%) in May, increasing its negative YTD variance to \$173.4 million (24.8%). Most agencies in the category were under their YTD estimates. The largest appropriation line item (ALI) variances were for appropriations made in H.B. 687 of the 134th General Assembly to support Intel's megaproject development in central

Ohio. ALI 195459, Ohio Onshoring Incentive, in DEV's budget, was under its YTD estimate by $87.5 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 YTD 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 YTD estimate by $3.1 million. These variances are related to the timing of the projects. These appropriations may be encumbered or reappropriated to be spent in future fiscal years.

Another ALI in this category with a significant negative YTD variance is ALI 775470, Public Transportation – State, in ODOT's budget. This ALI has been under estimate for most months of this fiscal year culminating in a negative YTD variance at the end of May of $18.9 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 71.2% of the estimated expenditures for this category for FY 2023. Eleven other agencies make up the remaining 28.8% of estimated spending.

The negative YTD variance in this category decreased by $8.5 million in May to $119.7 million (4.6%). The largest YTD variances were in the Ohio Department of Public Safety (ODPS), DRC, and the Office of the Ohio Public Defender (OPD). Most other agencies in this category also had negative YTD variances.

ODPS was under its YTD estimate by $59.2 million. This negative variance increased by $1.1 million in May. The YTD variance for ODPS was driven by ALI 761408, Highway Patrol Operating Expenses, which was under estimate for the YTD by $38.9 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 and April saw the second payment of $11.0 million. The ALI provides GRF support for the highway patrol's operating expenditures that are in addition to the funds collected for this purpose from various taxes, fees, and fines related to the registration and operation of vehicles on public highways. Most of the other ALIs in the ODPS budget were also under the YTD estimate.

DRC ended May with a negative YTD variance of $44.5 million, due mainly to negative YTD variances of $17.5 million in ALI 505321, Institution Medical Services, and $14.1 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.

OPD was under its YTD estimate by $13.4 million, due mainly to a negative YTD variance of $12.0 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 54.1% of the estimated expenditures for this category for FY 2023, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.6% and ODH at 8.4%. Eight other agencies make up the remaining 7.9% of estimated spending.

This category's negative YTD variance rose by $16.1 million in May to $85.3 million (5.3%). All but one of the agencies in this category were under estimate for the YTD. The three agencies with the largest negative YTD variances were ODJFS ($38.5 million), ODH ($18.8 million), and OhioMHAS ($14.9 million). The negative monthly variance in May was mainly due to a negative variance of $12.2 million in ODJFS.

Significant variances for ALIs in the ODJFS budget include:

- ALI 600410, TANF State Maintenance of Effort, had a negative YTD variance of $11.5 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.
- ALI 600535, Early Care and Education, had a positive monthly variance of $1.6 million, which decreased this ALI's negative YTD variance to $8.9 million. This ALI is used to pay for publicly funded child care services.
- ALI 600413, Child Care State/Maintenance of Effort, had a negative YTD variance of $6.8 million. This ALI is used for publicly funded child care services.
- ALI 600450, Program Operations, had a negative monthly variance of $16.3 million, which decreased the positive YTD variance for this ALI to $1.3 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS. H.B. 45 of the 134th General Assembly increased the FY 2023 appropriation for this ALI by $30.6 million.
- ALI 600521, Family Assistance - Local, had a negative monthly variance of $3.6 million, which resulted in a negative YTD variance for this ALI of $2.7 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 the Supplemental Nutrition Assistance Program.
- ALI 600523, Children and Families Subsidy, had a positive variance of $3.4 million in May, decreasing this ALI's negative YTD variance to $1.6 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.

The majority of ALIs in ODH's budget were under estimate for the YTD. The largest negative YTD variance was $4.0 million in ALI 440459, Help Me Grow. This ALI is used for a family support program offered to pregnant women and new parents.

Most ALIs in OhioMHAS's budget were under the YTD estimate, including:

- ALI 336422, Criminal Justice Services, which was under the YTD 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.

- ALI 336504, Community Innovations, which was under the YTD estimate by $3.6 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 336510, Residential State Supplement, which was under the YTD estimate by $3.4 million. This ALI provides financial assistance and case management to adults with disabilities who reside in approved living facilities.
- ALI 336423, Addiction Services Partnership with Corrections, which was under the YTD estimate by $3.1 million. This ALI funds programming and treatment services inside of correctional facilities.

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 under its monthly estimate in May by $2.6 million, increasing its negative YTD variance to $20.8 million (0.3%). Most ALI's had negative variances for both the month and the YTD. The largest ALI in this category, however, had significant positive variances.

ALI 200550, Foundation Funding – All Students, had a positive May variance of $2.7 million, which increased its positive YTD variance to $27.0 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 83.9% of total estimated spending in the category. Expenditures from this ALI are governed by a variety of formulas and data and can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in this ALI.

ALIs with significant negative YTD variances are:

- ALI 200437, Student Assessment, with a negative YTD variance of $17.4 million. This ALI is used for contracts to administer the state's student assessment system.
- ALI 200502, Pupil Transportation, with a negative YTD variance of $9.1 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 YTD variance of $6.7 million. This ALI is used to provide grants for low-income students in early childhood education programs.
- ALI 200540, Special Education Enhancements, with a negative YTD variance of $4.0 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 May, this category had a positive variance of $177.5 million (58.1%) decreasing its negative YTD variance to $20.4 million (1.1%).

Transfers Out

Transfers out of the GRF were over the monthly estimate in May by $1.2 million and over the YTD estimate by $1.58 billion (231.2%). The May variance was due to a transfer of $1.2 million to the Local Government Audit Support Fund (Fund 5VP0), which was authorized by H.B. 110 of the 134th General Assembly but not included in the estimates.

The YTD variance is partly due to transfers authorized by the capital appropriations bill of the 134th General Assembly, H.B. 687. The estimates reflect $1.10 billion of transfers authorized by H.B. 687 occurring all in June. However, transfers totaling $837.2 million have already taken place. 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).

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

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

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

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

Issue Updates

$44.9 Million in Tax Revenue Received from First Four Months of Legalized Sports Betting

– Lin Kong, LSC Fellow

The state received approximately $44.9 million from the sports gaming tax in the first four months of legalized sports gaming. On January 1, 2023, sports betting was legalized statewide in Ohio. Expected to generate substantial funding for education in the state, revenue from the first four months of the 10% tax on sports betting receipts has been officially reported by the Ohio Casino Control Commission. Through April, a total of $3.01 billion in wagers were placed at online and retail sports betting sites. After paying out winnings, this resulted in $440.4 million in revenue from online sports gaming and $8.8 million in revenue from retail sports gaming, totaling $449.2 million in taxable revenue. Sports gaming revenue is taxed at 10%, thus the state received approximately $44.9 million from the sports gaming tax through the end of April. This number does not include the considerable funds the state has received from sports gaming licensing fees, which totaled roughly $37.6 million through the end of April.[6] The table below shows sports gaming tax revenue received each month in this first quarter.

Monthly Sports Betting Tax Revenue (First Four Months of 2023)		
Month	**Total Taxable Revenue**	**Tax Revenue**
January	$209.3 million	$20.9 million
February	$81.0 million	$8.1 million
March	$95.2 million	$9.5 million
April	$63.8 million	$6.4 million
Total	**$449.2 million**	**$44.9 million**

Even through just four months of legalized betting, monthly tax revenue has varied quite significantly. The relatively large amount of taxable revenue in January is likely due in part to the amount of promotional credits issued to customers in the first month of gaming. Promotional credits in January totaled $319.9 million, compared to $59.1 million in February, $44.4 million in March, and $24.2 million in April. Promotional credits are not currently a deductible expense for purposes of calculating taxable revenue. In addition, certain sporting events, and sports, are widely known to generate a higher volume of betting nationally. Given the infancy of the sports gaming market and its apparent volatility, LBO has found it difficult to calculate a reliable

[6] This $37.6 million in licensing fee revenue includes licensing fees paid before the sports betting market opened at the start of 2023. H.B. 29 of the 134th General Assembly, the act that legalized sports gaming, became effective on March 23, 2022. Potential proprietors and vendors were required to pay the appropriate license fees prior to legalized betting if they wanted to offer sports betting when it became legal.

estimate of the full-year revenue from the sports gaming tax in 2023. LBO staff have analyzed the month-to-month revenue variation in Pennsylvania and New York, which have had legalized sports betting for a longer time period. Comparing the actual first quarter tax revenue yield to seasonal patterns in those states, LBO staff have generated a rough estimate that the state could receive $100 million to $135 million in sports betting tax revenue in CY 2023, but there is a very significant possibility that actual sports tax revenue for the year falls out of this range depending on the betting traffic of future sporting events.

Revenue from the sports betting tax and license fees (including any money gained from voided wagers and penalties) is initially deposited into the Sports Gaming Revenue Fund (SGRF). The funds in the SGRF are distributed as follows: 98% go to the Sports Gaming Profits Education Fund (SGPEF) and 2% go to the Problem Sports Gaming Fund (PSGF). Half of the money in the SGPEF must be used to support K-12 interscholastic athletics and other extracurricular activities, and the other half must be used for the support of public and nonpublic K-12 education. Money in the PSGF funds programs that combat sports gambling addiction.

Transportation Review Advisory Council Approves $391.9 Million in New Project Funding

– Terry Steele, Senior Budget Analyst

On March 29, 2023, the Transportation Review Advisory Council (TRAC) voted to approve $391.9 million in new funding commitments for 27 projects under ODOT's Major/New Construction Program. This funding includes $167.4 million for project development and $224.5 million for construction. The Major/New Construction Program consists of highway projects that add capacity or reduce congestion to the state's highway system and have project costs exceeding $12.0 million. The newly approved funding, combined with prior TRAC awards, results in total allocations of $952.4 million during the FY 2023-FY 2026 period. A list of newly approved projects can be found on ODOT's website: transportation.ohio.gov.

The table below shows the total allocation of this new funding according to specific tiers. Tier I projects are those recommended for construction during the indicated four-year FY 2023-FY 2026 construction period. Tier II projects are those recommended for additional environmental, design, or right-of-way development activities prior to construction and that received funding under Tier I. Tier III projects have received prior funding under Tier I and are scheduled for completion over the long term in multiple phases. New Projects include those where allocations to either Tier I or Tier II have not been finalized.

Approved TRAC Project Funding Commitments ($ in millions) – April 2023	
Tier I	$226.6 million
Tier II	$26.6 million
Tier III	$49.0 million
New Projects	$89.7 million
Total	**$391.9 million**

Major/New Construction projects are funded through the Highway Operating Fund (Fund 7002). This fund is comprised of three primary revenue sources: (1) FHWA Highway Trust Fund distributions, (2) ODOT's portion of Ohio motor fuel tax (MFT) revenue, and (3) proceeds from bonds issued by the state and backed by future federal Highway Trust Fund and MFT revenues.

OFCC Awards $110.6 Million in Ohio K-12 School Safety Grants to Approximately 1,570 Schools in Second Half of FY 2023

– Jason Glover, Budget Analyst

In April 2023, the Ohio Facilities Construction Commission (OFCC) awarded a total of $42.1 million in Ohio K-12 School Safety grants to more than 600 schools, bringing the total grant awards and number of schools funded under the program in the second half of FY 2023 to $110.6 million and about 1,570 schools.[7] With the April 2023 fifth round of funding, OFCC has awarded a total of more than $215.4 million in grants to approximately 2,800 schools through FY 2023. The $215.4 million total for grants awarded under the program includes approximately $210.6 million in federal American Rescue Plan Act (ARPA) funds appropriated for the program in H.B. 687 and H.B. 45, both of the 134th General Assembly.[8] Under the program, OFCC makes competitive grants of up to $100,000 to public and chartered, nonpublic schools for physical security enhancement, equipment, or inspection and screening equipment to improve the overall physical security and safety of their buildings. Grants are awarded according to guidelines adopted by OFCC after consultation with ODE and ODPS's Division of Ohio Homeland Security. School buildings that previously received a school safety grant or have had their facilities constructed or renovated under any school facilities assistance programs in the last five years are prohibited from receiving a grant under this program.

Grant amounts per school ranged from about $1,400 to the maximum $100,000. The table below summarizes the grant recipients and total awards by school type. As the table shows, 1,403 traditional schools (located within 536 school districts) received the bulk of funds, at $96.4 million. A total of 97 chartered nonpublic schools received about $8.7 million, followed by 40 community schools at about $3.2 million, 18 JVSDs at about $1.5 million, and ten educational service centers (ESCs) at about $850,000. The full list of awards and recipients for each round can be accessed by conducting a keyword "school safety grants" search on OFCC's website: ofcc.ohio.gov.

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[7] In February 2023, OFCC awarded $68.5 million in the fourth round of grants to 944 schools.

[8] S.B. 310 of the 133rd General Assembly provided approximately $4.9 million for the first round of grants under the program.

School Safety Grant Awards, Second Half of FY 2023		
Type of School	Number of Schools	Total Awards
Traditional School	1,403	$96,416,990
Chartered Nonpublic	97	$8,657,217
Community School	40	$3,193,595
JVSD	18	$1,452,932
ESC	10	$851,199
Total	**1,568**	**$110,571,933**

Controlling Board Approves Reallocating $52.4 Million in Unused Federal Emergency Assistance to Non-Public Schools Funds

– Andrew C. Ephlin, Budget Analyst

On May 22, 2023, the Controlling Board approved an ODE request that permits ODE to reallocate $52.4 million in unused federal Emergency Assistance to Non-Public Schools (EANS) funds for other purposes in accordance with federal law. EANS funds were provided under various federal COVID-19 relief acts to assist nonpublic schools with the costs of responding to the COVID-19 pandemic. Under federal law, any EANS funds that were unused by certain dates were returned to the Governor and revert to the broader purposes available under the Governor's Emergency Education Relief (GEER) Fund.[9] A total of $53.4 million out of Ohio's EANS allocations of $310.1 million reverted to the GEER Fund. At the request of the Governor, ODE's Controlling Board request reallocates $52.4 million of the reverted funds to provide support to nonpublic schools and increase access to high-dosage tutoring programs. ODE excluded the remaining $1 million in reverted funds from its request, as the House-passed version of H.B. 33, the pending main operating budget for FY 2024 and FY 2025, sets aside that amount for a transportation pilot program.

ODE will use half of the $52.4 million, or $26.2 million, to continue support for nonpublic schools through a program similar to EANS. The funds will be made available under two sets of eligibility criteria. Nonpublic schools that were not eligible for EANS funds, either because they received a federal Paycheck Protection Program (PPP) loan or their student population did not meet a low-income threshold, are eligible for the reverted funds. These schools may use the funds for additional activities beyond what was allowed with EANS funds, including the wide variety of eligible activities for Elementary and Secondary School Emergency Education Relief (ESSER) funds. All other nonpublic schools, including those that received EANS funds and demonstrate additional needs due to the pandemic, also may receive the funds. However, these schools may use the money only to support literacy efforts aligned to the science of reading and

[9] The approved uses are described in the U.S. Department of Education (USDOE) GEER II Fact Sheet, which can be found by conducting a keyword "Governor's Emergency Education Relief" search on the USDOE's website: oese.ed.gov.

Ohio's Plan to Raise Literacy Achievement. Nonpublic schools wishing to participate must apply to ODE, which will contract with ESCs to provide services (federal law prohibits nonpublic schools from directly receiving the money). ODE will allocate funds on a weighted basis that will take into account a school's enrollment, poverty, the amount of funding requested, eligibility for EANS funds, and data regarding the impact of the pandemic.

ODE will use the other $26.2 million to support access to high-quality tutoring programs for students to accelerate learning in the subjects of English language arts, mathematics, science, and social studies. ODE will contract with six approved vendors of high-quality tutoring programs to offer tutoring services to public and nonpublic schools across the state at no charge to the schools. The six approved vendors are the same as those on the list of high-quality tutoring programs that ODE developed pursuant to a provision in H.B. 583 of the 134th General Assembly. Any literacy or reading tutoring provided with the reverted funds must be aligned with Ohio's Plan to Raise Literacy Achievement.

Department of Development Awards $23.3 Million in First Round of the Ohio Arts Economic Relief Grant Program

– Shannon Pleiman, Senior Budget Analyst

On May 12, 2023, DEV announced the recipients under the first round of funding for the Ohio Arts Economic Relief Grant Program totaling approximately $23.3 million. A total of 139 performing arts organizations and cultural arts museums located in 35 counties will receive grants of between $376 and $1.5 million, the maximum allowable award. The list of grant recipients (PDF) can be found on DEV's website: development.ohio.gov.

H.B. 45 of the 134th General Assembly created the program and appropriated $50.0 million in ARPA funding for it under Fund 5CV3, ALI 1956E9, ARPA Arts Grant Program. Grants can be used for (1) employee compensation (excluding bonuses), (2) employee recruitment, rehiring, and training expenses, (3) rent or mortgage payments, (4) operating costs, and (5) capital expenditures needed as a result of the COVID-19 pandemic. Grants were awarded on a first-come, first-served basis to organizations with operating budgets of at least $25,000 in FY 2022, with priority to applicants that did not receive economic relief grants overseen by the Ohio Arts Council and funded by the federal Coronavirus Aid, Relief, and Economic Security Act. The grants awarded by DEV are equal to 10% of the applicant's CY 2022 operating expenses and not exceeding the applicant's cumulative decrease in gross revenue in CY 2020 and CY 2021 when compared to CY 2019. A second round of grants under the program is anticipated and will cover eligible costs incurred by arts organizations in the 2023 calendar year.

Controlling Board Approves Spending for Great Lakes Water Quality Projects

– Robert Meeker, Budget Analyst

On March 20, 2023, the Controlling Board approved a $925,000 increase in the Lake Erie Commission's (LEC) FY 2023 appropriation for federal Fund 3EP0, ALI 780603, LEC Federal Grants, to distribute two federal grants for Great Lakes Restoration Initiative projects.[10]

In January 2023, LEC received a $75,000 grant from the U.S. Environmental Protection Agency (USEPA) to perform ecological sampling in areas along the Black River Area of Concern (AOC), which includes the French Creek watershed, for the potential removal and the eventual delisting of this AOC. AOCs were designated as such in the 1980s. The United States and Canada designated 43 highly degraded shoreline areas along the Great Lakes, four of which were in Ohio. The designation garnered focus on comprehensive cleanup and restoration efforts involving federal agencies, the Great Lakes states, tribes, municipalities, and other partners. Over time, several AOCs in the Great Lakes area have been delisted, meaning that they have met certain restoration targets. The Ashtabula River AOC was delisted in August 2021, leaving three remaining active AOCs in Ohio: Maumee AOC, Cuyahoga River AOC, and Black River AOC.

In May 2023, LEC received $880,088 in funding from USEPA to improve forecasting of cyanobacterial blooms (i.e., harmful algae blooms or HABs) in Lake Erie including: (1) when such blooms produce microcystins, which are toxins produced by cyanobacteria that are harmful to humans and animals, and (2) when extracellular microcystins may be present. The release of microcystins in an algal bloom occurs mostly during cell death or cell rupture. However, extracellular microcystins are capable of releasing toxins into the water without cell rupture or death making them harder to treat. LEC will administer this grant as a pass-through grant, partnering with the Ohio State University and the University of Toledo.

Department of Development Awards Nearly $2.2 Million in Assistance to Minority- and Women-Owned Businesses

– Jared Cape, Budget Analyst

On April 25, 2023, DEV awarded nearly $2.2 million in loans and bonds through the Women's Business Enterprise Loan Program and Ohio Minority Business Bonding Program. These loan programs aim to grow and expand minority- and women-owned Ohio businesses. Under this announcement, DEV approved almost $1.2 million in Women's Business Enterprise Loans to five companies and $1.0 million in an Ohio Minority Business Bond to one company. As of FY 2023, more than $3.4 million in loan funds remains available through the Women's Business Enterprise Loan Program, and more than $8.5 million in bonding remains available in the Ohio Minority Business Bonding Program.

The Women's Business Enterprise Loan Program offers loans with below-market interest rates of up to 3%. To qualify, businesses must be 51% owned and controlled by women or be certified by the state of Ohio as a women-owned business enterprise. The minimum loan amount is $45,000 and the maximum is $500,000. Loans for equipment and machinery must be repaid

[10] FAL 66.469 Geographic Programs – Great Lakes Restoration.

within ten years, while loans for owner-occupied real estate purchases and improvements must be repaid within 15 years. Under the program, the state provides a maximum of 75% of the funds requested. Private lenders must provide 15%, and the borrower must contribute 10% equity. The Women's Business Enterprise Loan Program is supported by federal funding Ohio received under the U.S. Treasury Department's State Small Business Credit Initiative.

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

Controlling Board Approves $177,100 Ohio Cyber Reserve Training Contract

– Shaina Morris, Budget Analyst

On April 24, 2023, the Controlling Board approved the Adjutant General's (ADJ) $177,100 contract request on behalf of the Ohio Cyber Reserve (OhCR). The contract with SANS Institute, a Maryland-based company, is to provide global information assurance training. The training courses will teach OhCR members how to execute penetration testing and find system weak points, thereby enabling the OhCR to better support Ohio municipalities. According to ADJ, the two courses that will be provided by SANS will also help to meet the new U.S. Department of Defense requirements and improve capabilities for Incident Response missions (i.e., process by which an entity responds to a cyberattack or data breach). Through these two training courses, the OhCR will also improve the ability to conduct in-house training, thus sharing that knowledge across the organization's members. This contract is for the first phase of a three-phase training development curriculum and will be effective through June 30, 2024, with options to renew for two more years.

OhCR was created under S.B. 52 of the 133rd General Assembly as a volunteer force under the command of ADJ. The OhCR was created to assist Ohio's municipal entities to improve their cyber security capabilities, educate students and workforce personnel, and conduct Incident Response missions for municipalities when attacked. Since its original establishment in 2019, OhCR has grown to over 100 members.

Ohio Entities Receive $6.0 Million to Combat HIV Epidemic

– Jacquelyn Schroeder, Senior Budget Analyst

On April 27, 2023, the U.S. Health Resources and Services Administration (HRSA) announced that three Ohio agencies would receive a total of $6.0 million in awards for the "Ending the HIV Epidemic in the U.S." (EHE) initiative. ODH, the Columbus Transitional Grant Area

(TGA),[11] and the Cleveland-Lorain-Elyria TGA[12] will each receive $2.0 million for the initiative and will serve Hamilton, Franklin, and Cuyahoga counties, respectively. These counties are EHE focus areas and were selected because of their HIV transmission levels.[13] The initiative will provide these areas with an infusion of resources, expertise, and technology to implement locally tailored EHE plans. The funding will link individuals who are either newly diagnosed, or are diagnosed but currently not in care, to HIV essential care, support, and treatment services. The goal of the initiative is to reduce the number of new HIV infections by 75% by 2025 and by at least 90% by 2030. In order to do so, the initiative focuses on four key strategies: (1) diagnosing all individuals with HIV as soon as possible, (2) treating individuals with HIV rapidly and effectively to reach sustained viral suppression (where HIV can no longer be transmitted), (3) preventing new HIV transmissions using proven interventions, including preexposure prophylaxis and syringe services programs, and (4) responding quickly to potential HIV outbreaks.

The HRSA HIV/AIDS Bureau awarded a total of $147.0 million to 49 EHE recipients to provide services to individuals with HIV and to provide workforce training and technical assistance. Several rounds of funding have been previously awarded for the EHE initiative since February 2020. Previous EHE awards totaled approximately $400.0 million. HIV remains a significant public health issue as 38,000 Americans are newly diagnosed with HIV each year. Risk of HIV resurgence in the U.S. is due to several factors, including trends in injection and other drug use; lack of access to HIV prevention, testing, and treatment; and lack of awareness that HIV remains a public health threat.

HHS Awards $1.2 Million to Ohio through Pilot Diaper Distribution Program

– Michael Kerr, Budget Analyst

On May 2, 2023, the U.S. Department of Health and Human Services (HHS) announced an award of $1.2 million for Ohio through an expansion of the Diaper Distribution Demonstration and Research Pilot Program.[14] The program supports diaper distribution to low-income families in conjunction with wraparound support services, including educational support, job training, Early Head Start, and housing services. Ohio's award will be provided directly to the Ohio Community Action Training Organization (OCATO), part of the Ohio Association of Community Action Agencies. OCATO will work with the following three Community Action Agency/diaper bank partnerships located in Mahoning, Hamilton, and Fairfield counties, respectively: Mahoning Youngstown Community Action Partnership with Project MKC's diaper bank, Community Action Agency Cincinnati-Hamilton County with Sweet Cheeks Diaper Bank, and Lancaster-Fairfield Community Action with Bottoms Up Diaper Bank. Ohio currently has nine diaper banks that support 6,873 infants and toddlers every month, distributing over four million diapers on an annual basis.

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[11] Funds will be administered by Columbus Public Health.

[12] Funds will be administered by the Cuyahoga County Board of Health.

[13] EHE focus areas. EHE focus areas include 50 local areas that account for more than half of new HIV diagnoses, along with seven states with a substantial rural burden.

[14] More about the program and the announcement (PDF) is available by conducting a keyword "diaper distribution" search on the HHS website: hhs.gov.

Tracking the Economy

– Ross Miller, Chief Economist

Overview

Uncertainty about macroeconomic policy conducted at the federal level was relieved on June 2. U.S. Treasury officials anticipated that the national debt would reach the statutory debt limit in early June, which would have necessitated sharp cuts in federal spending. An agreement was reached to raise the debt limit, and Congress passed the bill that embodies the agreement on June 2. The agreement includes restraints on federal nonmilitary spending in federal fiscal years 2024 and 2025. Federal military spending is also limited but is allowed to grow during the two years. Such restraints will have effects on the economy but certainly less dramatic than the effects that would have resulted from a failure to raise the debt limit.

Uncertainty remains about monetary policy. The Federal Reserve (Fed), the nation's central bank, has been increasing the federal funds rate,[15] most recently to a range of 5.0% to 5.25% at its May 2-3 meeting, in order to reduce inflation while attempting to avoid a so-called "hard landing," i.e., a recession. Congress has given the Fed a "dual mandate," to conduct monetary policy so as to maintain price stability and to achieve maximum employment. At times like the present, there can be considerable tension between those goals. Inflation has responded to Fed policy as well as other influences, with the year-over-year inflation rate measured by the consumer price index declining from a peak of 9.1% in June 2022 to 4.9% in April. There was little change in this measure from March to April, though, and the rate of increase remains well above the Fed's 2% target.

As the Fed has pursued its policy goal, some strains have emerged in the banking sector, including the widely publicized failure of Silicon Valley Bank, due to suspected poor management of the risks related to a rising interest rate environment. But the minutes of the Fed's May 2-3 meeting characterized the banking industry as "sound and resilient."

Against this backdrop, U.S. economic growth has continued, if more slowly. Inflation adjusted gross domestic product (real GDP) grew at an annual rate of 1.3% in the first quarter, revised upward from the original 1.1% estimate. U.S. retail sales declined in both February and March but rose in April. And nonfarm payroll employment has continued to grow, rising 339,000 nationally in May.

In Ohio, nonfarm payroll employment increased by 18,100 (0.3%) in April. Ohio's unemployment rate fell to 3.7% for the month, a record low. The Fed's Beige Book, published on May 31 based on data collected through May 22, reported little change in aggregate business activity in the Cleveland District,[16] though with some variation across business sectors.

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

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

The National Economy

Total nonfarm payroll employment nationwide grew by 339,000 in May, continuing a growth trend shown in Chart 4. The country's average unemployment rate increased to 3.7%, up from 3.4% in April. Chart 5 shows recent trends in national unemployment rates.

The 0.3 percentage point increase in the unemployment rate was from a 3.4% April rate that was the lowest since 1969 (apart from January 2023, also 3.4%). Unemployment as a percent of the labor force has varied between 3.4% and 3.7% since March 2022. In the latest month, 6.1 million people were counted as unemployed. Of these, 1.2 million were classified as long-term unemployed, i.e., they had been unemployed for more than six months.

The U.S. Bureau of Labor Statistics (BLS) described the 339,000 increase in total nonfarm payrolls in May as "in line with" the average monthly increase of 341,000 in the previous 12 months. Employment rose in most industries in May, increasing 257,000 in private service providing industries (most notably in health care and social assistance, by 74,600, and in professional and business services, by 64,000), 56,000 in government, and 26,000 in goods producing industries. The increase in goods producing industries was almost entirely accounted for by construction, as nondurable goods manufacturing employment declined by 5,000, more than offsetting a slight increase in durable goods manufacturing employment. In addition to the solid growth in May, BLS revised upward the payroll employment increases previously reported for March and April by 52,000 and 41,000, respectively. Average hourly earnings rose 4.3% during the latest 12 months.

The number of job openings nationwide increased to 10.1 million in April, up from 9.7 million in March. The March figure was the fewest in any month since April 2021, but both numbers were far above levels in earlier decades, in a series that starts in 2000. There were about 1.7 job openings per unemployed person in April. Layoffs and discharges decreased to 1.6 million in April, down from over 1.8 million in March. Both the January and March numbers were higher than any monthly number since December 2020, though way below the 22 million laid off in March and April 2020, in the depths of the pandemic-driven recession. Quits, voluntary terminations of their jobs by employees, an indicator of confidence in their ability to find other employment, fell slightly in April to 3.8 million, the same figure as March after rounding. Quits have trended downward since April 2022.

U.S. real GDP rose at a 1.3% annual rate in the 2023 first quarter. This second estimate of GDP growth was revised up from an initial estimate of 1.1% growth, due to the availability of more complete data. The increase in the estimate was primarily due to a revision upward in private inventory investment; despite the revision upward, inventory investment still served as the most significant drag on economic growth for the quarter. Consumer spending grew by an annualized 3.8%, the fastest rate since the second quarter of 2021. Most other GDP components contributed to growth, except residential fixed investment and business investment in equipment.

U.S. industrial production rose 0.5% in April, led by the manufacturing component, which grew 1.0% that month. Output of utilities decreased 3.1%, but month-to-month changes in utility output depend heavily on weather conditions. Industrial production has been somewhat stagnant during the last year, with the full index up just 0.2% for the year ending in April, with the growth entirely due to mining, which grew 5.6% for the year. The manufacturing component of the index was down 0.9% since April 2022.

The consumer price index for all urban consumers (CPI-U) rose 0.4% in April to 4.9% higher than a year earlier. Gasoline prices rose 3.0% for the month but were still 12.2% lower than a year earlier. The CPI-U excluding food and energy rose 0.4% in April to 5.5% higher than a year earlier. CPI-U changes from a year earlier are shown in Chart 6. The Federal Reserve's monetary policy actions, intended to reduce inflation to its target rate of 2%, are a factor in the decline in year-over-year price increases shown in the chart, but the significant progress shown in prior months slowed in April. The minutes of the Fed's May 2-3 meeting report that "participants concurred that they remained highly attentive to inflation risks."

The personal consumption expenditures price index rose 0.4% in April to 4.4% higher than a year earlier. Excluding food and energy, the price index was 4.7% higher than a year ago, well above the central bank target of 2% inflation.

U.S. retail sales were up 0.4% in April. These survey results are adjusted for seasonality and trading day differences but are not adjusted for inflation. Retail sales had decreased in both February and March, but the April figure was still 1.6% above April 2022, and combined retail sales for the three months ending in April were 3.1% higher than sales during the corresponding months of 2022.

The Ohio Economy

Total nonfarm payroll employment in Ohio rose 18,100 (0.3%) in April after seasonal adjustment, to 1.5% higher than a year earlier. Statewide average unemployment as a share of the labor force fell to 3.7%. Employment and unemployment in Ohio are shown compared with national figures in Chart 4 and Chart 5.

Growth in payroll employment was broadly based, with jobs in goods producing industries increasing by 2,500 (0.3%) for the month and jobs in private service providing industries increasing by 15,900 (0.4%); government employment declined slightly in April. The sectors driving growth in service providing jobs were leisure and hospitality (6,200), professional and business services (3,400), and educational and health services (2,800). The construction sector accounted for 1,600 of the increase in goods producing employment.

Ohio nonfarm payroll employment grew 84,000 (1.5%) over the year ending in April. Goods producing jobs increased by 18,000 (1.9%), including manufacturing which accounted for 9,400 of those jobs, while employment in private service providing industries increased by 61,300 (1.6%), and government jobs increased by 4,700, about half of which were at the federal level. Employment contracted in the trade sector, in both retail (-9,800) and wholesale (-1,400) trade. Employment increased in the educational and health services (27,700) and leisure and hospitality (27,300) sectors, along with several others. Ohio's employment growth continues to trail that nationwide, which grew 2.7% in the year to April.

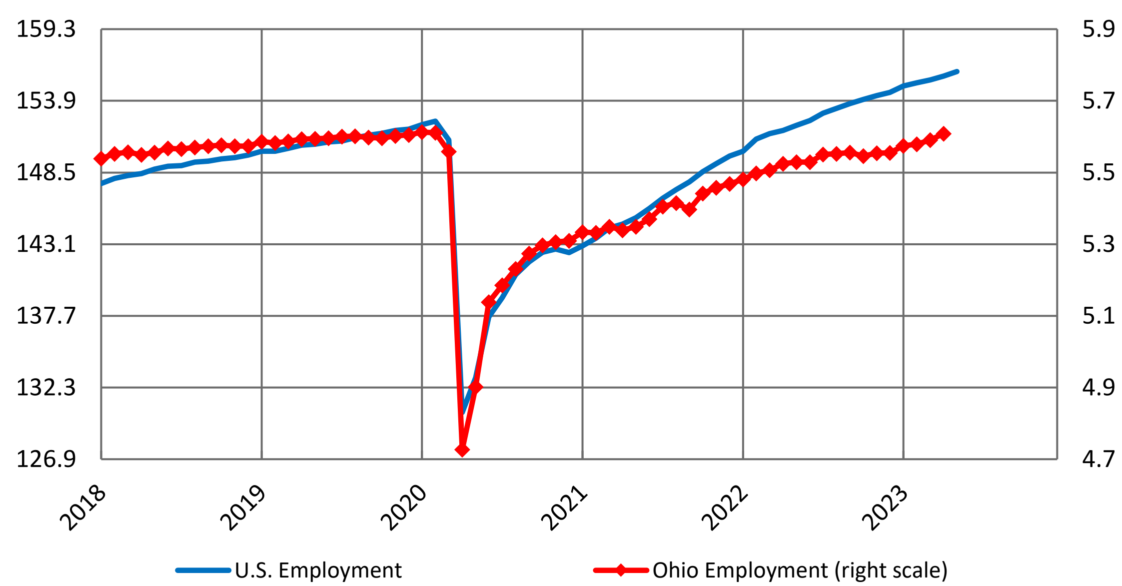
Similarly the state's 3.7% unemployment rate was higher than the national rate of 3.4% in April. But Ohio's rate hit a record low in April on records going back to 1976. While very welcome for workers, this low unemployment rate is in part due to a reduction in labor force participation since the pandemic. The labor force, defined as persons employed or actively seeking work, was about 148,500 smaller in April than it was in January 2020. When workers leave the labor force, whether because of family responsibilities, illness or disability, returning to school, retirement, or other reasons, they are not counted among the unemployed. The labor force participation rate was 61.8% in April, down from 63.6% in January 2020.

Job openings in Ohio, 339,000 in March, continued to exceed the number of persons unemployed in the state (211,200 in April). The number of job openings, seasonally adjusted, ticked up in March but has trended downward since a peak in June 2022. For context, the number reached even 250,000 in only a handful of months prior to 2018 and reached 300,000 only three times prior to March 2021. These statistics, considered alongside those about the reduced labor force in the preceding paragraph and the historically low unemployment rate, point to very tight labor markets in Ohio. But the Fed's Beige Book released on May 31 includes reports from some Fed contacts in the Cleveland District that they were holding wages steady because hiring had become less difficult.

The Beige Book section on the Cleveland District reported stable employment and noted that most business contacts reported that they expected to hold headcounts steady in coming months. The section reported little change in aggregate business activity, though it noted some variation across business sectors. Similarly, consumer spending was little changed, with some variation by sector. It also noted that contacts in banking reported declines in commercial and consumer lending.

The Ohio real estate market remained soft through April, as indicated by Ohio Realtors data. Closings on home sales (units sold) were 16.7% lower than in the first four months of 2022. Unit sales fell 9.6% in all of 2022, after surging ahead 11.9% in 2021. The average selling price over the first four months of this year was $252,000, 3.5% higher than the corresponding months of 2022.

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



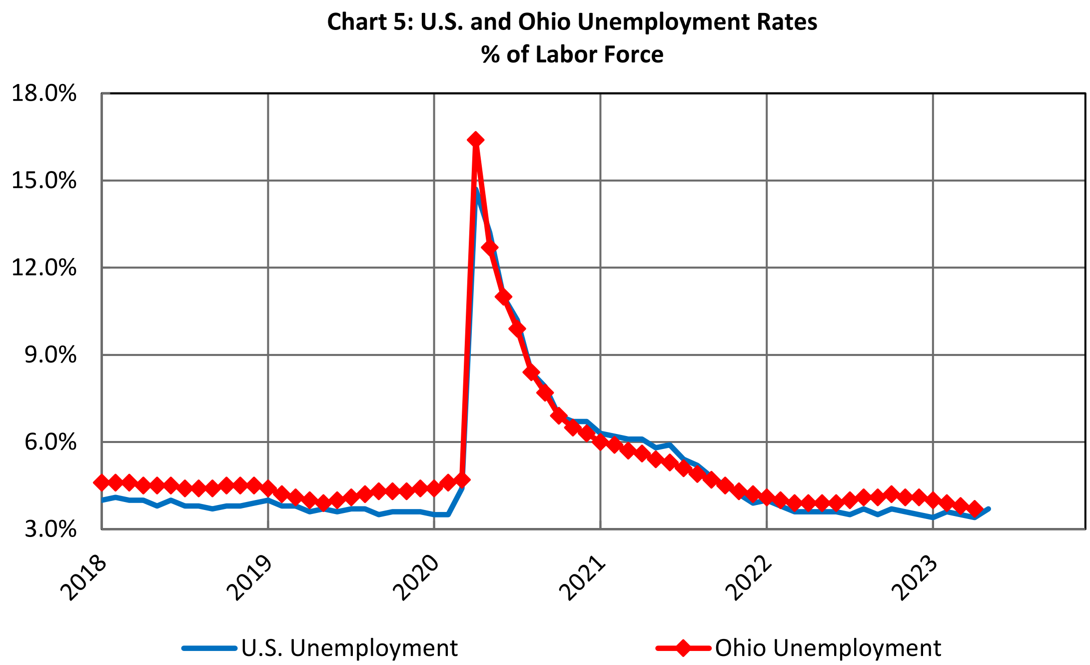


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
U.S. Unemployment
Ohio Unemployment

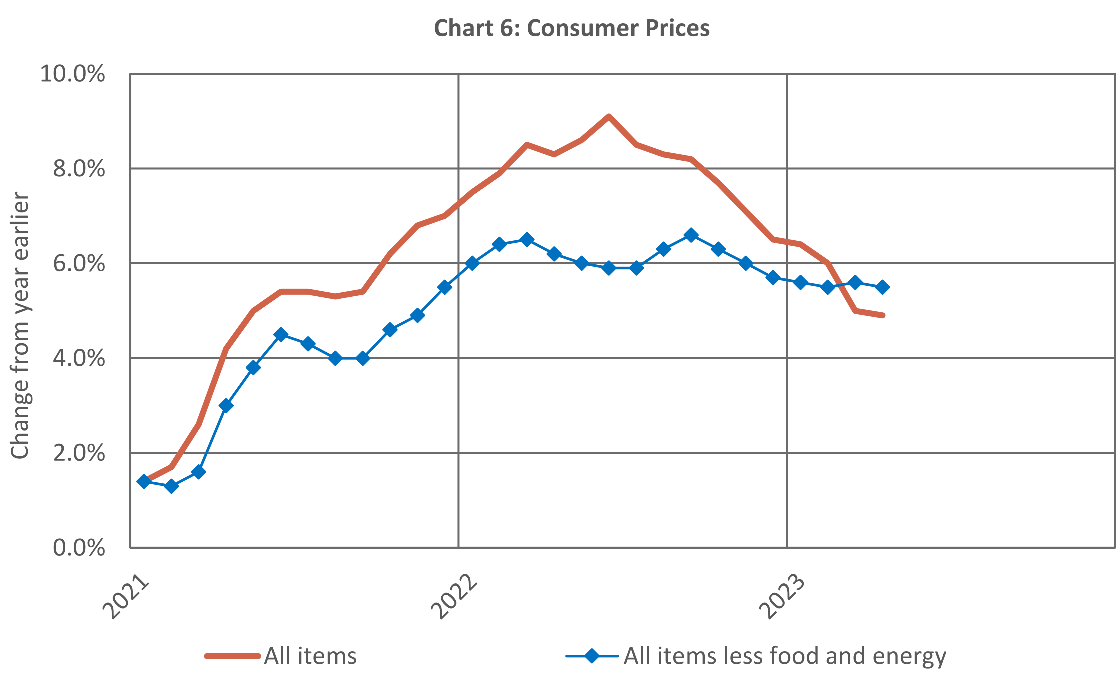


Chart 6: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy