LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 Issue: March 2023

Highlights

– Ross Miller, Chief Economist

February GRF tax receipts were $124 million above the estimate published by the Office of Budget and Management (OBM). The sales and use tax was $67 million over estimate, while the personal income tax (PIT) was $36 million over. The commercial activity tax (CAT) generated $429 million for the month, $7 million below estimate. A large ($17 million) positive variance for the financial institution tax (FIT) more than offset a $3 million negative variance for January, so the first payment this fiscal year (due January 31, some of which shows up in February) was well above estimate. Year-to-date (YTD) GRF tax revenue through February was $774 million above estimate.

On the other side of the ledger, February GRF Medicaid expenditures were $373 million below estimate, accounting for nearly 93% of the $401 million negative variance for the month across all GRF uses.

Shortly before publication of this issue of *Budget Footnotes*, Ohio announced that nonagricultural wage and salary employment increased 14,800 in January and statewide unemployment as a percent of the labor force declined to 4.0%.

Through February 2023, GRF sources totaled $27.98 billion:

- Revenue from the sales and use tax was $213.0 million above estimate;
- PIT receipts were $433.5 million above estimate.

Through February 2023, GRF uses totaled $28.30 billion:

- Program expenditures were $967.8 million below estimate, including GRF Medicaid spending, which was $582.1 million below estimate;
- Expenditures from all other program categories were below estimate except for Debt Service, which was above estimate by $2.2 million;
- Among program categories for which expenditures were below estimate, the largest variances (aside from Medicaid) were for General Government ($160.3 million) and Justice and Public Protection ($134.9 million).

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$140,342	$127,000	$13,342	10.5%
Nonauto Sales and Use	$793,048	$738,900	$54,148	7.3%
Total Sales and Use	*$933,390*	*$865,900*	*$67,490*	*7.8%*
Personal Income	$318,960	$282,700	$36,260	12.8%
Commercial Activity Tax	$429,371	$436,800	-$7,429	-1.7%
Cigarette	$58,432	$60,900	-$2,468	-4.1%
Kilowatt-Hour Excise	$25,857	$27,500	-$1,643	-6.0%
Foreign Insurance	$137,909	$135,100	$2,809	2.1%
Domestic Insurance	$1,119	$0	$1,119	---
Financial Institution	$72,076	$55,100	$16,976	30.8%
Public Utility	$39,321	$29,900	$9,421	31.5%
Natural Gas Consumption	$17,316	$14,500	$2,816	19.4%
Alcoholic Beverage	$3,306	$4,500	-$1,194	-26.5%
Liquor Gallonage	$4,135	$4,200	-$65	-1.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$23	$0	$23	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,041,215**	**$1,917,100**	**$124,115**	**6.5%**
Nontax Revenue				
Earnings on Investments	$6	$0	$6	---
Licenses and Fees	$6,236	$8,392	-$2,157	-25.7%
Other Revenue	$463	$1,250	-$786	-62.9%
Total Nontax Revenue	**$6,705**	**$9,642**	**-$2,937**	**-30.5%**
Transfers In	**$5,400**	**$0**	**$5,400**	**---**
Total State Sources	**$2,053,320**	**$1,926,742**	**$126,578**	**6.6%**
Federal Grants	**$338,697**	**$629,129**	**-$290,432**	**-46.2%**
Total GRF Sources	**$2,392,016**	**$2,555,871**	**-$163,854**	**-6.4%**

*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 February 28, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 1, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$1,291,131	$1,221,200	$69,932	5.7%	$1,216,823	6.1%
Nonauto Sales and Use	$7,631,736	$7,488,700	$143,036	1.9%	$7,295,036	4.6%
Total Sales and Use	*$8,922,868*	*$8,709,900*	*$212,968*	*2.4%*	*$8,511,859*	*4.8%*
Personal Income	$6,796,059	$6,362,601	$433,458	6.8%	$6,370,718	6.7%
Commercial Activity Tax	$1,596,851	$1,529,400	$67,451	4.4%	$1,462,459	9.2%
Cigarette	$512,630	$539,300	-$26,670	-4.9%	$545,852	-6.1%
Kilowatt-Hour Excise	$194,473	$198,300	-$3,827	-1.9%	$205,091	-5.2%
Foreign Insurance	$335,485	$312,800	$22,685	7.3%	$310,851	7.9%
Domestic Insurance	$18,740	$19,000	-$261	-1.4%	$2,311	711.0%
Financial Institution	$122,024	$88,200	$33,824	38.3%	$64,048	90.5%
Public Utility	$126,815	$96,700	$30,115	31.1%	$103,484	22.5%
Natural Gas Consumption	$37,196	$34,300	$2,896	8.4%	$34,898	6.6%
Alcoholic Beverage	$41,211	$42,000	-$789	-1.9%	$42,399	-2.8%
Liquor Gallonage	$38,984	$38,800	$184	0.5%	$39,282	-0.8%
Petroleum Activity Tax	$6,032	$4,000	$2,032	50.8%	$3,628	66.3%
Corporate Franchise	$65	$100	-$35	-34.9%	$644	-89.9%
Business and Property	$0	$0	$0	---	$0	---
Estate	$33	$0	$33	8596.5%	$7	368.2%
Total Tax Revenue	**$18,749,467**	**$17,975,402**	**$774,064**	**4.3%**	**$17,697,530**	**5.9%**
Nontax Revenue						
Earnings on Investments	$113,389	$44,100	$69,289	157.1%	$20,963	440.9%
Licenses and Fees	$23,840	$24,127	-$287	-1.2%	$24,371	-2.2%
Other Revenue	$150,966	$167,392	-$16,426	-9.8%	$391,923	-61.5%
Total Nontax Revenue	**$288,195**	**$235,619**	**$52,576**	**22.3%**	**$437,257**	**-34.1%**
Transfers In	**$18,535**	**$5,000**	**$13,535**	**270.7%**	**$52,350**	**-64.6%**
Total State Sources	**$19,056,196**	**$18,216,021**	**$840,175**	**4.6%**	**$18,187,137**	**4.8%**
Federal Grants	**$8,924,921**	**$9,332,386**	**-$407,465**	**-4.4%**	**$7,583,433**	**17.7%**
Total GRF SOURCES	**$27,981,118**	**$27,548,407**	**$432,711**	**1.6%**	**$25,770,570**	**8.6%**

*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 sources in February totaled $2.39 billion, an amount $163.9 million (6.4%) below the estimate published by OBM. This negative variance was mainly due to a shortfall of $290.4 million (46.2%) from federal grants. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Total GRF revenue consists of GRF state source revenue and federal grants. State source revenue includes tax revenue, which is the largest single revenue category, nontax revenue, and transfers in from other state funds. February GRF tax revenue amounted to $2.04 billion, which was $124.1 million (6.5%) above estimate.

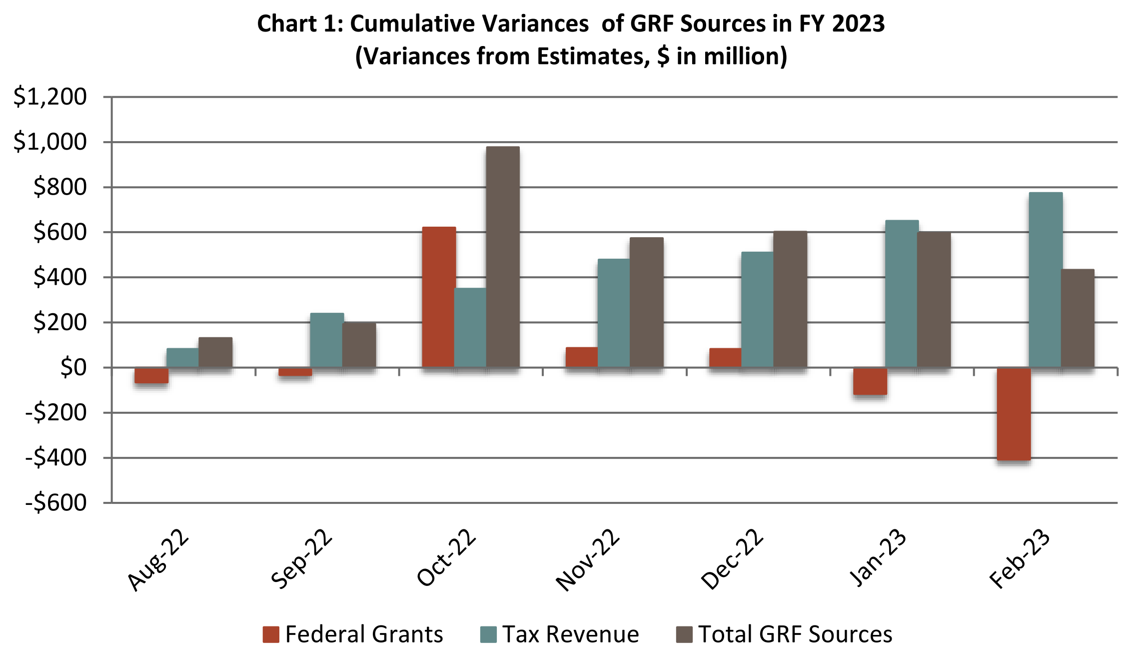
For the YTD through February, GRF sources amounted to $27.98 billion, which was $432.7 million (1.6%) above estimate. Revenue categories were generally above their YTD estimates except federal grants, which were below estimate by $407.5 million. Negative variances for federal grants tend to be good for the budget as a whole, since they typically mean that Medicaid spending is below estimate, and YTD GRF Medicaid spending was below estimate by $582.1 million through February. Tables 1 and 2, which precede this *Revenues* section, show GRF sources for February 2023 and YTD through the first eight months of FY 2023, respectively.

GRF tax revenue has exceeded the OBM estimate every month this year except for July.[2] YTD GRF tax revenue through February amounted to $18.75 billion, $774.1 million (4.3%) above estimate. Positive variances have been driven by the major taxes, i.e., the PIT, the sales and use tax, and the CAT. YTD receipts from those taxes were $433.5 million, $213.0 million, and $67.5 million above their respective estimates. The fourth largest tax revenue source is the cigarette and other tobacco products (OTP) tax; revenue from that tax source was $26.7 million less than the estimate through February. More details about revenue from the four largest tax sources are provided in separate sections below. Other notable positive YTD variances include the FIT ($33.8 million), the public utility excise tax ($30.1 million), and the foreign insurance tax ($22.7 million). A payment date for the FIT is January 31, and some payments may not be recorded in state records until February. For January-February combined, the FIT had a positive $13.5 million variance. The largest negative variance (apart from the cigarette tax) was for the kilowatt-hour (KWH) tax ($3.8 million).

Among GRF revenue sources other than federal grants and taxes, the most notable YTD variances were a $69.3 million positive variance for earnings on investments, due to higher than expected interest rates, a $16.4 million negative variance for other revenue, and a $13.5 million positive variance for transfers in. Chart 1, below, shows cumulative YTD variances of GRF sources.

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

[2] OBM's July estimates were based on the actual revenue, making the July variances zero.



As shown in Table 2, most revenue sources grew from the first eight months of FY 2022 to the corresponding months of FY 2023. Revenue from the PIT grew $425.3 million (6.7%) despite a withholding rate reduction implemented in early FY 2022. Revenue growth was also strong for the sales and use tax, at $411.0 million (4.8%) and the CAT ($134.4 million, 9.2%). Revenue from these taxes tends to receive a boost from inflation, which has been high for the last year. Other taxes that grew by notable amounts include the FIT ($58.0 million, 90.5%), the foreign insurance tax ($24.6 million, 7.9%), the public utility excise tax ($23.3 million, 22.5%), and the domestic insurance tax ($16.4 million, 711.0%). Notable revenue declines among tax sources were the cigarette and OTP tax (-$33.2 million, -6.1%) and the KWH tax (-$10.6 million, -5.2%). The cigarette and OTP tax has declined steadily for years except for a brief revenue spike early in the pandemic. All funds revenue from the KWH tax fell ($2.7 million, 0.7%) year-over-year, while revenue allocated to the Public Library Fund (PLF, Fund 7065) rose $8.2 million. Half of the amount due to Fund 7065 each month is debited against the KWH tax for accounting purposes.

Sales and Use Tax

February GRF receipts from the sales and use tax amounted to $933.4 million, which was $67.5 million (7.8%) above estimate. For FY 2023 through the end of February, revenue from the tax amounted to $8.92 billion, $213.0 million (2.4%) above estimate. YTD revenue grew by $411.0 million (4.8%) compared to the corresponding months in FY 2022. Revenue from this tax was above estimate every month so far this fiscal year except July (zero variance) and December.

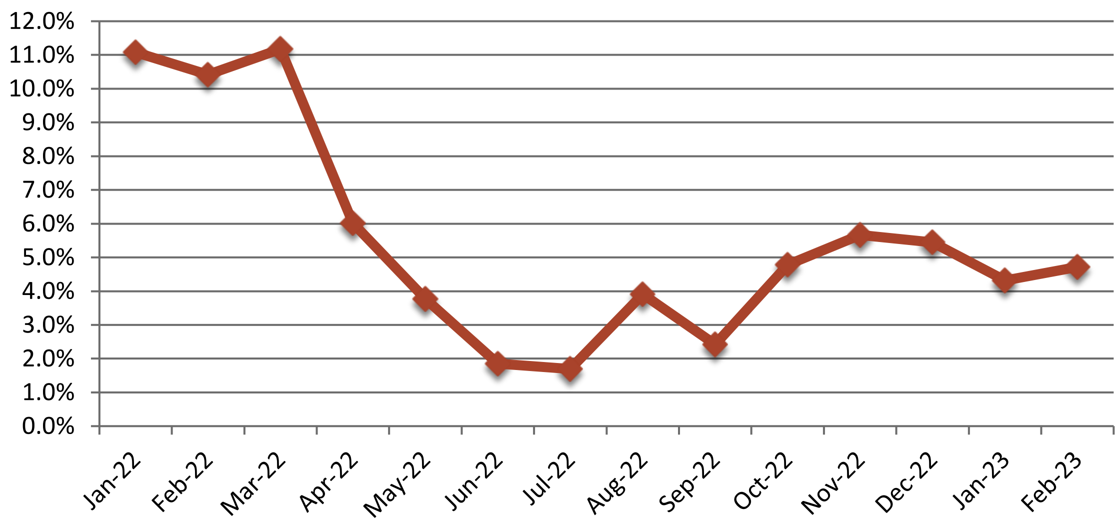
For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. Both components of the tax were above their respective estimates in February and for the fiscal year-to-date.

Nonauto Sales and Use Tax

February GRF receipts of $793.0 million from the nonauto component of the tax were $54.1 million (7.3%) above the OBM estimate and $75.6 million (10.5%) above revenue in February 2022. For FY 2023 through February, this component generated $7.63 billion in GRF receipts, $143.0 million (1.9%) above estimate. Revenue grew $336.7 million (4.6%) compared to the corresponding months of FY 2022.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections 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. Growth exceeded 11%, on average, in the first calendar quarter of 2022, and then slowed to about 2%, on average, in the second. The growth slowdown was likely due in part to reductions in federal income support.[4] Growth in recent months has accelerated somewhat, due at least in part to inflation boosting prices of taxable goods.

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



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[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 December 2021 through February 2022 to revenue received during December 2022 through February 2023.

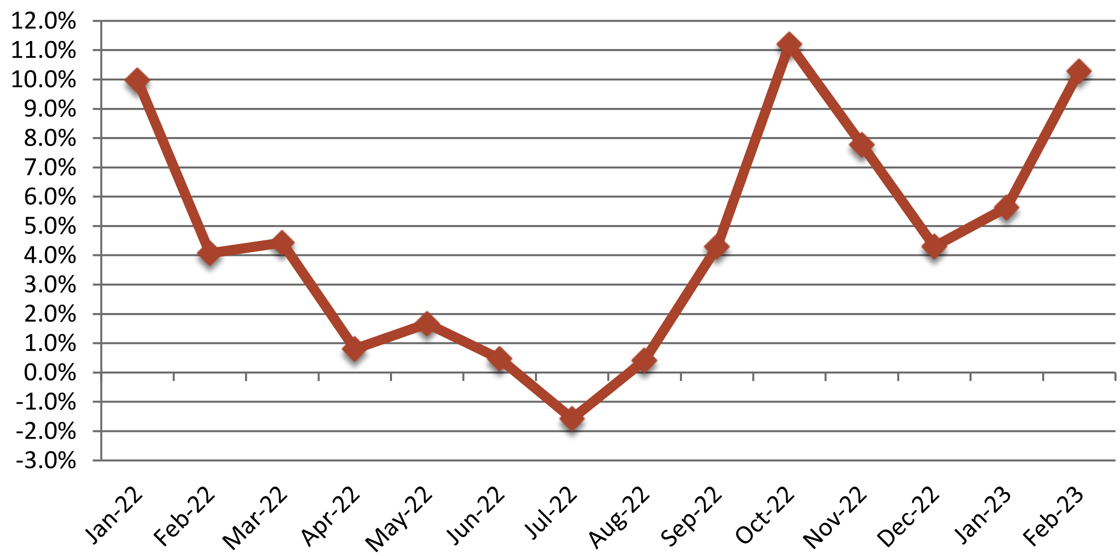
[4] In FY 2022, an unusual set of circumstances supported consumer spending on taxable goods: household incomes increased from prepandemic levels with assistance from federal income support programs and a low interest rate environment combined with rapidly appreciating home values enabled many homeowners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

Auto Sales and Use Tax

February receipts from the auto component of the sales and use tax were $140.3 million, $13.3 million (10.5%) above estimate, and $16.5 million (13.4%) more than revenue collected during the month a year ago. YTD through February, revenue amounting to $1.29 billion exceeded the estimate by $69.9 million (5.7%). YTD revenue grew by $74.3 million (6.1%) compared to the first eight 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, in that it reflects strong growth at the outset of calendar year (CY) 2022 but a deceleration towards the end of the second calendar quarter, as interest rates started rising. Revenue growth has accelerated in FY 2023, due to sharply higher vehicle prices as well as modest easing in tight vehicle supply.

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



Personal Income Tax

GRF revenue from the PIT exceeded estimate each month since August. February GRF revenue of $319.0 million exceeded the estimate by $36.3 million (12.8%) and grew by $17.0 million (5.6%) from February 2022. YTD revenue through February amounted to $6.80 billion, which was $433.5 million (6.8%) above estimate and $425.3 million (6.7%) above revenue received during the first eight months of FY 2022.

Much of the variance so far this year has been due to strong receipts from employer withholding. Withholding receipts exceeded the estimate for the month of January by $209.0 million (21.8%) and for February by $11.2 million (1.3%). For the first eight months of FY 2023, withholding grew 10.4% relative to a year earlier. This strong growth occurred despite a reduction in withholding rates effective September 2021, after tax rates were reduced by H.B. 110 (the operating budget act). However, a new source of receipts classified as withholding accounts for part of the strong growth. These receipts were from pass-through entities (PTEs) paying the "voluntary" tax enacted in S.B. 246 of the 134th General Assembly.

A Department of Taxation (TAX) official indicated that a payment coupon for the new form (Form 4738) was finalized in mid-January and that prior guidance was for taxpayers to use the payment coupon for an older form (Form 1140, for PTE withholding) for their estimated payments. Payments submitted with the older form are categorized as withholding. As a result, January's monthly withholding collections included Form 4738 payments, as did those for December. With the new coupon, payments with annual returns are included in the Annual Returns category and estimated payments are in the Estimated Payments category. Although that treatment has been constant since the new forms became available in January, the Department does not know the extent to which taxpayers have switched to using the new form since it became available.

In addition to employer withholding, gross collections under the PIT include quarterly estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. To arrive at GRF revenue from the tax, refunds are subtracted from gross collections, and some of the revenue is transferred to the Local Government Fund (LGF). The primary driver of GRF revenue from the PIT is employer withholding; that component of revenue accounted for about 76% of FY 2022 gross collections from the tax.

The table below provides details on revenue from each component of the PIT through February 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 $636.9 million (8.2%) above anticipated revenue. All components of gross collections exceeded their estimates, most notably employer withholding, by $453.3 million (but see discussion above), payments due with annual returns, by $132.6 million, and estimated payments, by $31.4 million. YTD refunds were $192.6 million above projections, and distributions to the LGF were $10.9 million higher than OBM's estimate, both of which reduced revenue available to the GRF. Subtracting $192.6 million and $10.9 million from the positive variance of $636.9 million for gross collections yields the YTD GRF positive variance of $433.5 million.

[5] Taxpayers who expect to be underwithheld by more than $500 make quarterly estimated payments. Quarterly estimated payments are generally due in April, June, and September of an individual's tax year and January of the following year.

FY 2023 Personal Income Tax Revenue Variance and Annual Change, Fiscal Year through February				
Category	Variance from Estimate		Change from FY 2022	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$453.3	6.6%	$692.3	10.4%
Quarterly Estimated Payments	$31.4	4.8%	-$24.6	-3.4%
Trust Payments	$10.0	32.5%	$9.2	29.5%
Annual Return Payments	$132.6	112.8%	$27.0	12.1%
Miscellaneous Payments	$9.7	22.9%	-$7.2	-12.2%
Gross Collections	**$636.9**	**8.2%**	**$696.8**	**9.1%**
Less Refunds	$192.6	18.4%	$254.9	25.9%
Less LGF Distribution	$10.9	3.3%	$16.5	5.1%
GRF PIT Revenue	**$433.5**	**6.8%**	**$425.3**	**6.7%**

As noted above, YTD GRF revenue grew 6.7% from the corresponding period in FY 2022. Gross collections grew $696.8 million (9.1%), driven primarily by withholding receipts, which grew $692.3 million. Payments with annual returns were $27.0 million above those in FY 2022, providing another notable boost. Growth in GRF revenue from the tax was restrained, though, by growth of $254.9 million (25.9%) in refunds. As noted above, year-over-year growth in withholding receipts was limited by the 3.0% reduction in withholding rates effective September 1, 2021, in response to tax rate cuts for nonbusiness income enacted in H.B. 110. Starting in September 2022, however, year-over-year comparisons are unaffected by withholding rate changes.

Commercial Activity Tax

CAT GRF revenue of $429.4 million in February was $7.4 million (1.7%) below estimate. The latest monthly performance brought the YTD positive variance for this tax source to $67.5 million (4.4%). YTD GRF receipts from CAT taxpayers through February were $1.60 billion, $134.4 million (9.2%) above revenues in FY 2022 through February.

Through February, gross collections totaled $1.96 billion, an increase of $173.0 million (9.7%) relative to gross collections in FY 2022 through February. Refunds were $67.6 million, a decrease of $0.1 million (0.2%) from FY 2022.[6] Revenue credited to the Revenue Enhancement Fund (Fund 2280) was $12.6 million. Money in this fund helps defray costs of TAX to administer the CAT and other taxes.

[6] A number of Ohio's business tax credits can be claimed against more than one type of tax, but many are claimed against the CAT, which is imposed on the privilege of doing business in Ohio.

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%). YTD distributions to Fund 7047 and Fund 7081 were $244.2 million and $37.6 million, respectively. 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.[7]

Cigarette and Other Tobacco Products Tax

The cigarette and OTP tax generated $58.4 million in GRF revenue in February, below estimate for the month by $2.5 million (4.1%). YTD revenue from the tax was $512.6 million through February, $26.7 million (4.9%) below estimate. The YTD total included $434.4 million derived from the sale of cigarettes and $78.2 million from the sale of OTP.

FY 2023 revenue through February fell by $33.2 million (6.1%) compared to FY 2022 revenue through February 2022. OTP sales increased by $5.1 million (6.9%) while receipts from cigarette sales decreased $38.3 million (8.1%). The increase in OTP revenue appears to 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.[8]

On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace. The COVID-19 pandemic temporarily upended historical trends in the first half of FY 2021, as revenue from cigarette sales increased during that time. However, cigarette tax receipts appear to have reverted to the prepandemic trend in FY 2022 and FY 2023. The tax on cigarettes is based on unit sales rather than value.

[7] Ohio Administrative Knowledge System (OAKS) reports run March 6, 2023, showed cash balances of $703.1 million in Fund 7047 and $164.8 million in Fund 7081.

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

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$763,853	$770,742	-$6,889	-0.9%
Higher Education	$231,366	$234,159	-$2,793	-1.2%
Other Education	$5,821	$6,305	-$485	-7.7%
Total Education	**$1,001,041**	**$1,011,207**	**-$10,166**	**-1.0%**
Medicaid	$606,813	$979,322	-$372,510	-38.0%
Health and Human Services	$127,515	$132,789	-$5,274	-4.0%
Total Health and Human Services	**$734,328**	**$1,112,112**	**-$377,784**	**-34.0%**
Justice and Public Protection	$189,883	$186,116	$3,766	2.0%
General Government	$31,735	$48,007	-$16,272	-33.9%
Total Government Operations	**$221,617**	**$234,123**	**-$12,506**	**-5.3%**
Property Tax Reimbursements	-$22	$0	-$22	---
Debt Service	$100,588	$100,917	-$329	-0.3%
Total Other Expenditures	**$100,566**	**$100,917**	**-$351**	**-0.3%**
Total Program Expenditures	**$2,057,552**	**$2,458,359**	**-$400,807**	**-16.3%**
Transfers Out	**$7**	**$0**	**$7**	**---**
Total GRF Uses	**$2,057,559**	**$2,458,359**	**-$400,800**	**-16.3%**

*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 February 28, 2023
($ in thousands)
(Actual based on OAKS reports run March 3, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$6,195,108	$6,212,903	-$17,795	-0.3%	$6,189,202	0.1%
Higher Education	$1,650,403	$1,674,538	-$24,135	-1.4%	$1,621,535	1.8%
Other Education	$67,357	$67,590	-$234	-0.3%	$67,768	-0.6%
Total Education	**$7,912,868**	**$7,955,031**	**-$42,163**	**-0.5%**	**$7,878,505**	**0.4%**
Medicaid	$12,928,105	$13,510,175	-$582,071	-4.3%	$10,958,615	18.0%
Health and Human Services	$1,166,993	$1,198,637	-$31,644	-2.6%	$1,018,306	14.6%
Total Health and Human Services	**$14,095,098**	**$14,708,813**	**-$613,715**	**-4.2%**	**$11,976,922**	**17.7%**
Justice and Public Protection	$1,832,156	$1,967,090	-$134,934	-6.9%	$1,808,144	1.3%
General Government	$369,855	$530,205	-$160,349	-30.2%	$345,027	7.2%
Total Government Operations	**$2,202,012**	**$2,497,295**	**-$295,284**	**-11.8%**	**$2,153,171**	**2.3%**
Property Tax Reimbursements	$912,139	$931,000	-$18,861	-2.0%	$913,053	-0.1%
Debt Service	$1,205,273	$1,203,078	$2,194	0.2%	$1,116,118	8.0%
Total Other Expenditures	**$2,117,412**	**$2,134,078**	**-$16,667**	**-0.8%**	**$2,029,170**	**4.3%**
Total Program Expenditures	**$26,327,389**	**$27,295,218**	**-$967,829**	**-3.5%**	**$24,037,768**	**9.5%**
Transfers Out	**$1,975,666**	**$684,900**	**$1,290,766**	**188.5%**	**$2,979,663**	**-33.7%**
Total GRF Uses	**$28,303,055**	**$27,980,118**	**$322,937**	**1.2%**	**$27,017,431**	**4.8%**

*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 March 6, 2023)

	Month of February 2023				Year to Date through February 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$548,208	$907,304	-$359,096	-39.6%	$12,453,593	$12,983,649	-$530,056	-4.1%
Non-GRF	$1,865,431	$1,636,738	$228,693	14.0%	$8,829,548	$8,538,745	$290,803	3.4%
All Funds	$2,413,639	$2,544,042	-$130,403	-5.1%	$21,283,141	$21,522,394	-$239,253	-1.1%
Developmental Disabilities								
GRF	$51,701	$64,733	-$13,032	-20.1%	$400,316	$424,327	-$24,011	-5.7%
Non-GRF	$237,763	$203,430	$34,333	16.9%	$1,924,581	$1,950,837	-$26,256	-1.3%
All Funds	$289,464	$268,163	$21,301	7.9%	$2,324,897	$2,375,164	-$50,267	-2.1%
Job and Family Services								
GRF	$6,254	$6,532	-$279	-4.3%	$66,216	$94,048	-$27,832	-29.6%
Non-GRF	$14,252	$15,453	-$1,201	-7.8%	$114,051	$245,019	-$130,968	-53.5%
All Funds	$20,506	$21,986	-$1,480	-6.7%	$180,266	$339,067	-$158,800	-46.8%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$650	$753	-$103	-13.7%	$7,980	$8,151	-$171	-2.1%
Non-GRF	$2,445	$3,099	-$654	-21.1%	$24,218	$33,288	-$9,070	-27.2%
All Funds	$3,094	$3,852	-$757	-19.7%	$32,198	$41,439	-$9,241	-22.3%
All Departments:								
GRF	**$606,813**	**$979,322**	**-$372,510**	**-38.0%**	**$12,928,105**	**$13,510,175**	**-$582,071**	**-4.3%**
Non-GRF	**$2,119,891**	**$1,858,720**	**$261,171**	**14.1%**	**$10,892,398**	**$10,767,889**	**$124,509**	**1.2%**
All Funds	**$2,726,704**	**$2,838,043**	**-$111,339**	**-3.9%**	**$23,820,502**	**$24,278,064**	**-$457,562**	**-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 March 6, 2023)

	Month of February 2023				Year to Date through February 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,875,452**	**$1,982,818**	**-$107,366**	**-5.4%**	**$15,882,647**	**$16,041,244**	**-$158,597**	**-1.0%**
CFC†	$498,751	$566,110	-$67,359	-11.9%	$4,854,007	$4,898,533	-$44,526	-0.9%
Group VIII	$510,436	$515,498	-$5,062	-1.0%	$4,466,322	$4,632,725	-$166,403	-3.6%
ABD†	$170,082	$179,032	-$8,950	-5.0%	$1,700,857	$1,748,391	-$47,534	-2.7%
ABD Kids	$42,660	$60,306	-$17,645	-29.3%	$506,172	$541,699	-$35,527	-6.6%
My Care	$216,443	$259,494	-$43,051	-16.6%	$1,911,841	$2,009,060	-$97,218	-4.8%
OhioRise	$22,668	$43,548	-$20,879	-47.9%	$137,729	$207,051	-$69,322	-33.5%
SPBM	$414,412	$358,831	$55,581	15.5%	$1,996,607	$1,686,285	$310,322	18.4%
Pay for Performance	$0	$0	$0	---	$309,111	$317,500	-$8,389	-2.6%
Fee-For-Service	**$643,367**	**$618,321**	**$25,046**	**4.1%**	**$6,322,307**	**$6,310,421**	**$11,886**	**0.2%**
ODM Services	$358,294	$367,035	-$8,740	-2.4%	$3,372,144	$3,301,209	$70,934	2.1%
DDD Services	$285,073	$251,287	$33,786	13.4%	$2,265,746	$2,291,343	-$25,597	-1.1%
Hospital - HCAP	$0	$0	$0	---	$684,417	$717,869	-$33,452	-4.7%
Premium Assistance	**$120,435**	**$137,373**	**-$16,938**	**-12.3%**	**$948,653**	**$997,208**	**-$48,555**	**-4.9%**
Medicare Buy-In	$76,206	$84,673	-$8,467	-10.0%	$615,722	$643,850	-$28,128	-4.4%
Medicare Part D	$44,229	$52,700	-$8,471	-16.1%	$332,931	$353,358	-$20,427	-5.8%
Administration	**$87,449**	**$99,530**	**-$12,080**	**-12.1%**	**$666,896**	**$929,191**	**-$262,296**	**-28.2%**
Total	**$2,726,704**	**$2,838,043**	**-$111,339**	**-3.9%**	**$23,820,502**	**$24,278,064**	**-$457,562**	**-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[9]

– Melaney Carter, Director

– Ivy Chen, Division Chief

Overview

GRF program expenditures totaled $26.33 billion in the first eight months of FY 2023. These expenditures were $967.8 million (3.5%) below OBM's estimates. GRF uses also include transfers out, which totaled $1.98 billion and were $1.29 billion (188.5%) over estimate for the YTD, due primarily to $734.5 million in transfers that were authorized in H.B. 45 of the 134th General Assembly and not included in the estimates, and the timing of $553.8 million in transfers that were not estimated to occur until June. Total GRF uses for these eight months were $28.30 billion, which was $322.9 million (1.2%) above estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of February and YTD, respectively.

For February program expenditures, negative monthly variances in GRF Medicaid ($372.5 million, 38.0%), General Government ($16.3 million, 33.9%), Primary and Secondary Education ($6.9 million, 0.9%), Health and Human Services ($5.3 million, 4.0%), and Higher Education ($2.8 million, 1.2%) were slightly offset by a positive monthly variance in Justice and Public Protection ($3.8 million, 2.0%). The remaining categories had negative monthly variances of less than $1.0 million. Total program expenditures were $400.8 million (16.3%) under estimate for the month of February.

For YTD program expenditures, all categories, except for Debt Service, were under estimate, most significantly GRF Medicaid ($582.1 million, 4.3%), General Government ($160.3 million, 30.2%), and Justice and Public Protection ($134.9 million, 6.9%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were below their monthly estimate in February by $372.5 million (38.0%) and below their YTD estimate by $582.1 million (4.3%) at the end of February. Non-GRF Medicaid expenditures were above their monthly estimate by $261.2 million (14.1%) and above their YTD estimate by $124.5 million (1.2%). February's positive non-GRF variance and negative GRF variance reflect a continuation of the trend by state Medicaid agencies to transfer spending away from the GRF and towards special-purpose funds. Including both the GRF and non-GRF, all funds Medicaid expenditures were $111.3 million (3.9%) below estimate in February and $457.6 million (1.9%) below the YTD estimate at the end of February.

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

[9] 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.

"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 February of $130.4 million (5.1%) and a YTD all funds negative variance of $239.3 million (1.1%) at the end of February. DODD had a February all funds positive variance of $21.3 million (7.9%) but ended the month with YTD expenditures $50.3 million (2.1%) 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 three of the four major payment categories at the end of February. In both percentage terms and absolute dollars, the Administration variance of $262.3 million (28.2%) was the largest. The other categories with negative variances were Managed Care at $158.6 million (1.0%) and Premium Assistance at $48.6 million (4.9%). The Fee-For-Service (FFS) category had a positive variance of $11.9 million (0.2%), as this month FFS included additional payments for infant delivery services. The YTD Administration variance continues to reflect general underspending on administrative costs, particularly in the Ohio Department of Job and Family Services (ODJFS). The subcategory variance for the Ohio Resilience through Integrated Systems and Excellence (OhioRISE) program reflects continued less-than-forecasted spending as the enrollment of qualified youth is slower than anticipated.

From the beginning of the COVID-19 pandemic in March 2020 through the end of February 2023, caseloads have increased by approximately 21,450 cases per month, on average. According to ODM, nearly all of the caseload variance has been due to the suspension of routine redeterminations of eligibility required as a condition of receiving increased financial assistance from the federal government and an increase in the number of new applications and approvals due to the economic impacts of the COVID-19 pandemic. Recently, states have received approval to restart eligibility redeterminations. ODM will begin any associated disenrollments during the spring of this year. This should lead to negative caseload variances throughout the second half of the calendar year. Until that time, the recent trend of positive caseload variances is expected to continue, as it did in February, with 90,422 cases (2.6%) above estimate.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The 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 Department of Natural Resources (8.7%), TAX (7.8%), and the Department of Agriculture (AGR, 7.1%). Twenty other agencies make up the remaining 30.9% of estimated spending.

This category was under estimate by $16.3 million (33.9%) in February, increasing its negative YTD variance to $160.3 million (30.2%). 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 134^{th} General Assembly to support Intel's megaproject development in central Ohio. ALI 195456, Local Roads, in DEV's budget, was under its YTD estimate by $74.9 million. The estimates had the entire $95 million appropriation for this ALI being expended in January. Nothing was actually expended from this ALI in January; $20.1 million, however, was expended in November. ALI 195459, Ohio Onshoring Incentive, also in DEV's budget was under its YTD estimate by $50.0 million. The estimates have expenditures of $12.5 million each month from November through the end of the fiscal year, but no payments have yet been made. Finally, ALI 775471, State Road Improvements, in ODOT's budget is under its YTD estimate by $4.8 million. These variances are timing related and should diminish as the projects move forward. 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 February of $10.3 million.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounts for 71.0% of the estimated expenditures for this category for FY 2023. Eleven other agencies make up the remaining 29.0% of estimated spending.

The negative YTD variance in this category fell by $3.8 million in February to $134.9 million (6.9%). The largest YTD variances were in the Ohio Department of Public Safety (ODPS), DRC, and the Office of the Ohio Public Defender (OPD). The positive February variance is mainly from a positive variance of $3.9 million for the Court of Claims (CLA), which increased CLA's positive YTD variance to $4.9 million. Most other agencies in this category have negative YTD variances.

CLA's positive monthly and YTD variance is a result of positive variances in ALI 015402, Wrongful Imprisonment Compensation. As its name implies, this ALI is used to pay wrongful imprisonment claims. It starts each fiscal year with estimated spending of zero and is funded, as needed, by Controlling Board transfers of cash and appropriation from Fund 5KM0 ALI 911614, Controlling Board Emergency Purposes/Contingencies.

ODPS was under its YTD estimate by $66.3 million; $49.9 million of that variance was due to ALI 761408, Highway Patrol Operating Expenses. This amount is almost the entire $50.0 million appropriation for this ALI for FY 2023. The estimates were for the entire amount to be expended in December, but this did not happen. This is a timing issue, this amount is expected to be expended later in the fiscal year. February saw the first payment from the ALI of $75,000. The ALI provides GRF support for the highway patrol's operating expenditures that are in addition to the funds collected for this purpose from various taxes, fees, and fines related to the registration and operation of vehicles on public highways. Most of the other ALIs in the ODPS budget were also under estimate.

DRC ended February with a negative YTD variance of $46.5 million, due mainly to negative YTD variances of $19.6 million in ALI 505321, Institution Medical Services, and $14.4 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.

OPD was under its YTD estimate by $13.2 million, due mainly to a negative YTD variance of $11.8 million in ALI 019501, County Reimbursement. This ALI 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 8.5%. Eight other agencies make up the remaining 8.4% of estimated spending.

This category's negative YTD variance rose by $5.3 million in February to $31.6 million (2.6%). All agencies were under estimate for the YTD with the exception of ODJFS, which was over its YTD estimate by $13.2 million. The two agencies with the largest negative YTD variances were OhioMHAS ($16.6 million) and ODH ($15.8 million).

Significant variances for ALIs in the ODJFS budget include:

- A positive monthly variance of $2.9 million in ALI 600450, Program Operations, which increased the positive YTD variance for this ALI to $12.4 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.
- A negative monthly variance of $2.0 million in ALI 600535, Early Care and Education, which decreased the positive YTD variance for this ALI to $10.0 million. This ALI is used to pay for publicly funded child care services.
- A negative monthly variance of $2.8 million in ALI 600523, Family and Children Services, which lowered the YTD positive variance to $1.2 million. This ALI is used primarily to support county public children services agencies.
- A positive monthly variance of $1.6 million in ALI 600410, TANF State Maintenance of Effort, which resulted in a positive YTD variance for this ALI of $0.8 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

The majority of ALIs in ODH's budget were under estimate for the YTD. The largest negative YTD variance was $3.3 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 336504, Community Innovations, and ALI 336422, Criminal Justice Services, which were under estimate by $5.0 million and $4.1 million, respectively. ALI 336504 is used for a variety of community programs that support OhioMHAS's mission. ALI 336422 is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system.

Primary and Secondary Education

This program category contains all GRF spending by the Ohio Department of Education (ODE), except for property tax reimbursement and Medicaid spending. This category was under its monthly estimate in February by $6.9 million, increasing its negative YTD variance to $17.8 million (0.3%). The negative February variance was spread out over many of the ALIs in ODE's budget. The negative YTD variance is also spread out over many ALIs, but is partially offset by a positive YTD variance in ALI 200550, Foundation Funding – All Students, which was over its YTD estimate by $12.3 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. Expenditures from this ALI are governed by a variety of formulas and data and can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in this ALI.

The ALI's with the most significant negative YTD variances are:

- ALI 200540, Special Education Enhancements, with a negative YTD variance of $8.5 million. This ALI is used primarily for preschool special education services and school-age special education services provided by county boards of developmental disabilities and institutions.
- ALI 200408, Early Childhood Education, with a negative YTD variance of $7.9 million. This ALI is used to provide grants for low-income students in early childhood education programs.
- ALI 200437, Student Assessment, with a negative YTD variance of $6.7 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 $3.2 million. This ALI supports formula-derived funding for pupil transportation by schools, including funding for special education transportation.

Transfers Out

Transfers out of the GRF were over the YTD estimate by $1.29 billion (188.5%). A number of transfers have resulted in this positive variance. Most significantly, there was a transfer of $727.0 million in January into the Budget Stabilization Fund (BSF). This transfer was authorized by H.B. 45 of the 134th General Assembly and was not included in the estimates. A transfer of $7.5 million into the Electronic Pollbooks Fund (Fund 5ZE0) was also authorized by H.B. 45 and also contributed to the YTD variance.

In addition to the variances caused by unplanned H.B. 45 transfers, the YTD variance is primarily due to transfers to support capital appropriations. H.B. 687 of the 134th General Assembly authorizes a total of $1.5 billion in transfers out of the GRF to support capital projects during the FY 2023-FY 2024 capital biennium.[10] The estimates have $1.1 billion of these transfers occurring in June, so this timing-related variance will not resolve until the end of the fiscal year. The following transfers out of the GRF to support capital projects, totaling $553.8 million, have been made so far this fiscal year:

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $150.0 million to the School Building Program Assistance Fund (Fund 7032);
- $100.0 million to the Adult Correctional Building Fund (Fund 7027);

[10] Additional transfers may be made unless disapproved by either the Speaker of the House of Representatives or the President of the Senate.

- $60.0 million to the Third Frontier Research and Development Taxable Bond Fund (Fund 7014);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056);
- $6.3 million to the Clean Ohio Agricultural Easement Fund (Fund 7057).

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

Brent Spence Bridge Corridor Project Awarded $1.6 Billion in Federal Grant Funding

– Jared Cape, Budget Analyst

On December 29, 2022, ODOT and the Kentucky Transportation Cabinet (KTC) were jointly awarded just over $1.6 billion in federal funding for the Brent Spence Bridge Corridor Project. Of this amount, approximately $1.4 billion was awarded through the Bridge Investment Program created by the Infrastructure Investment and Jobs Act (IIJA), and $250 million was through the Multimodal Projects Discretionary Grant Program. The entire project, entailing the construction of a new companion bridge and reconstruction of several miles of I-71 and I-75 approaching the bridge, is estimated to cost approximately $3.6 billion, with each state paying for its share of work on the approaches on each side of the Ohio River. Ohio's share of the estimated cost of the project is $2.0 billion, while Kentucky's share is estimated to be $1.6 billion. A request for proposals was posted on February 17. ODOT plans to break ground on the project around November 2023 and reach substantial completion in 2029. To learn more about the project and award, visit the press release, available on ODOT's website, or the project page, available at: brentspencebridgecorridor.com.

Attribution: Brent Spence Bridge Corridor website. Project view from Kentucky looking north.

ODJFS Receives $48 Million Federal Kindergarten Readiness Grant

– Wendy Risner, Division Chief

On January 18, 2023, ODJFS received a $48 million federal Preschool Development Grant Birth to Five (PDGB-5). These funds will support a needs assessment, strategic planning, family engagement, quality improvement, workforce compensation and supports, and direct services for young children. Specifically, ODJFS will use funds to increase the following: the number of individuals in the early childhood workforce, as well as the length of time that these individuals stay in the profession; the number of children served by the early childhood care and education system, including children with disabilities, those involved in the child welfare system, and English language learners; the number of early childhood care and education programs in rural areas; the number of families utilizing other human services benefits, such as publicly funded childcare or food assistance; and the number of quality rated childcare programs. ODJFS will partner with various other state departments including ODE to administer this grant.

The grant was awarded by the U.S. Department of Health and Human Services (HHS). Approximately $266 million was made available to states. There were two kinds of PDGB-5 grants awarded – one-year planning grants and three-year renewal grants. ODJFS was awarded a three-year renewal grant. Awards for the three-year renewal grant were capped at $16 million per year for three years. Ohio received the maximum grant award. ODJFS received an initial PDGB-5 grant of about $10.5 million in CY 2019. These funds were used for a variety of activities such as conducting a comprehensive statewide birth through five needs assessment and developing and implementing a comprehensive strategic plan to facilitate collaboration and coordination among early childhood care and education providers to help prepare low-income and disadvantaged children to enter kindergarten. ODJFS will use the funds just awarded to update the comprehensive birth through five needs assessment and to implement the activities described above to enhance the state's early childhood system.

ODE Publishes K-4 Literacy Report for the 2021-2022 School Year

– Andrew C. Ephlin, Budget Analyst

In January 2023, ODE published its annual literacy report for grades kindergarten through fourth for the 2021-2022 school year. ODE reports the majority of students in each grade were on track to reading at grade level, based on the reading diagnostic assessments administered to students in grades K-3 and Ohio's state test for English language arts (ELA). These results are shown in the last two columns of the table below. Also shown, for comparison, are the percentages in last year's literacy report for the 2020-2021 school year.

Students Reading at or Above Grade Level				
	2020-2021 School Year		2021-2022 School Year	
Grade Level and Test Type*	% at Grade Level	% Not at Grade Level	% at Grade Level	% Not at Grade Level
Kindergarten Diagnostic	61.8%	38.2%	60.2%	39.8%
Grade 1 Diagnostic	64.5%	35.5%	61.7%	38.3%
Grade 2 Diagnostic	60.6%	39.4%	55.3%	44.7%
Grade 3 Diagnostic	60.2%	39.8%	56.1%	43.9%
Grade 3 State ELA Test	51.9%	48.1%	59.8%	40.2%
Grade 4 State ELA Test	56.0%	44.0%	62.5%	37.5%

*The diagnostic tests are administered at the beginning of the school year. The Grade 3 State ELA Test is administered in the fall and spring and the results reflect the highest score a student received on either administration. The Grade 4 State ELA Test is administered in the spring.

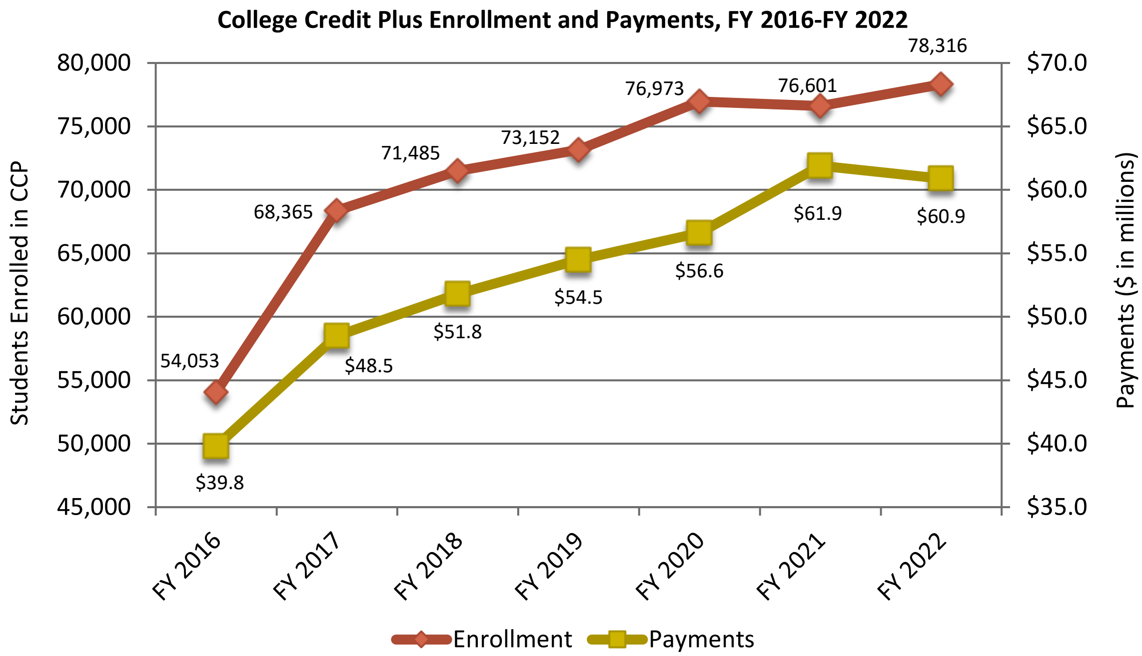
The report shows a decline from the prior year in the percentage scoring at grade level on the diagnostic tests. Specifically, the percentages declined by 1.6, 2.8, 5.3, and 4.1 percentage points for grades K through 3, respectively. On the state ELA tests, however, the percentage of students scoring at grade level increased by 7.9 and 6.5 percentage points for grades 3 and 4, respectively.

In addition to students reading at or below grade level, the report states that 30% of students in grades K-3 who were on a reading improvement and monitoring plan (RIMP) from the prior year progressed to grade-level reading in the 2021-2022 school year. This percentage is the same one reported for the 2020-2021 school year and remains lower than in the years prior to the COVID-19 pandemic. The most frequent types of intervention services for students on a RIMP varied by grade level. For example, students on a RIMP in kindergarten and first grade were more likely to receive explicit intervention in phonemic awareness, while those on a RIMP in second and third grades were more likely to receive explicit intervention in decoding and comprehension, respectively. The full K-4 Literacy Annual Report (PDF) for the 2021-2022 school year can be accessed by conducting a keyword "annual reports" search on ODE's website: education.ohio.gov.

78,300 Students Participate in College Credit Plus Program in FY 2022

– Jason Glover, Budget Analyst

In January 2023, ODE and the Ohio Department of Higher Education (ODHE) released their annual report on the College Credit Plus (CCP) Program, which allows qualified public, nonpublic, and home-instructed students in grades 7-12 to take college courses for both college and high school credit.[11] The Year 7 Report, covering FY 2022 (the 2021-2022 academic year), shows that approximately 78,300 students participated in the CCP Program, an increase of 2.2% from the 76,600 students enrolled in FY 2021. The report suggests the increase in enrollment in FY 2022 is due to the recovery from COVID-19-related effects in the prior year. Prior to the decrease in FY 2021, CCP enrollment had increased each year since FY 2016 (the first year of CCP operation), as seen in the chart below. CCP enrollment has increased 45% from the approximately 54,000 students who took CCP classes in FY 2016.



In FY 2022, over 92% of participants passed their CCP courses and, thus, received college credit. According to the report, 44% of participating students were seniors, 30% were juniors, and 16% were freshmen and sophomores. The remaining participants were home school or private school students for which a grade level was not reported (9%) or were in seventh or eighth grade (1%). Most participants took one or two college courses through the program.

Under CCP, funding for public students is deducted from the state aid allocated to the educating district or school. Funding for nonpublic and home-instructed students is paid directly by the state through certain GRF and non-GRF appropriations. As seen in the chart above, despite an increase in enrollment, the amount paid to colleges under the program decreased by approximately $1.0 million (1.6%), from $61.9 million in FY 2021 to $60.9 million in FY 2022. The decrease in payment amounts is likely due to the return to a more traditional method of CCP course delivery. Each delivery method has default payment rates that must be used unless an alternative payment structure has been agreed upon between the school district or school and college. The leading delivery method in FY 2022, accounting for 40.3% of the CCP course enrollments, was courses taught at a high school by high school teachers. Generally, this delivery method has lower payments than other methods of CCP delivery (default payment rate of $41.64

[11] See the CCP Annual Report, 2021-2022, Year 7 (PDF), which, along with additional details on the CCP program, is available on ODHE's website: highered.ohio.gov/CCP.

per credit hour). The return to a more traditional course delivery method in FY 2022 follows FY 2021, where the inverse occurred. That fiscal year enrollment declined, but payments increased due to a substantially higher rate of online courses taken by CCP students as a result of the COVID-19 pandemic. Online CCP courses represented 40.7% of the total in FY 2021, up 18.1 percentage points from 22.6% in FY 2020. Online CCP courses, like CCP courses taken on a college campus, are funded at the highest default payment rate ($166.55 per credit hour). In FY 2022, CCP courses delivered online represented 36.2% of the total, a decline of 4.5 percentage points from FY 2021.

Controlling Board Approves $244,000 Safer Ohio School Tip Line Contract

– Maggie West, Senior Budget Analyst

On January 23, 2023, the Controlling Board approved a $244,375 contract request from the Ohio School Safety Center (OSSC), located within ODPS. The contract with Sprigeo, Inc., a California company, is for services and support for the Safer Ohio School Tip Line, including full call center support, a web-based case management dashboard, a mobile app, and training resources for users. The tip line allows students and adults to anonymously share information with school officials and law enforcement regarding threats to student safety. It accepts both calls and text messages 24-hours per day, seven days a week, and is a free resource available to all Ohio schools. OSSC contracted for these services because it does not have the resources to monitor the tip line and share information, when appropriate, with local schools and law enforcement as directed.

OSSC was created by Executive Order 2019-21D on August 21, 2019, to assist Ohio schools and first responders in “preventing, preparing for, and responding to threats and acts of violence, including self-harm, through a holistic, solutions-based approach to improving school safety.” At the time of its creation, OSSC was primarily responsible for maintaining the tip line and fielding calls. Over the past two years, duties have expanded. The main areas of focus of OSSC currently include prevention and mitigation, preparedness, response, and recovery. OSSC is housed within ODPS under the Division of Homeland Security. Funding is appropriated from GRF appropriation items 769501, School Safety, and 769412, Mobile Training Team. For FY 2023, those amounts total $2.7 million and $6.0 million, respectively. OSSC has 53 assigned positions allocated for its operation, of which 26 are currently filled. The remainder are in the process of coming online.

National Endowment for the Arts Awards $615,000 to Ohio Artists

– Shaina Morris, Budget Analyst

On January 10, 2023, the Ohio Arts Council announced federal grant awards totaling $615,000 to Ohio artists and organizations. The grant funding is awarded directly from the National Endowment for the Arts (NEA) as part of a first round of funding for federal fiscal year 2023. Nationwide, the federal agency has recommended 1,569 grants totaling an estimated $34 million. From this total, Ohio arts organizations and artists will receive 37 direct grants ranging from $10,000 to $40,000 from the NEA.

The majority of the Ohio awards were distributed through NEA's Arts Projects program, its principal grants programs for organizations. These competitive awards recognize an Ohio artist's body of work in a variety of disciplines including dance, design, folk and traditional arts, literary arts, music, museums, media arts, opera, and theatre. Other NEA award categories include Challenge America, which offers support primarily to small and mid-sized organizations for projects that extend the reach of the arts to populations that have limited access to them due to geography, ethnicity, economics, or disability and NEA Research Grants to study and analyze the value and impact of the arts. The table below lists the number of NEA awards granted to Ohio artists by discipline.

FY 2023 Ohio NEA Grant Awards by Discipline			
Discipline	Number of Recipients	Average Award	Total Awarded
Grants for Arts Projects	28	$18,214	$510,000
Challenge America	7	$10,000	$70,000
Literature Fellowships	2	$17,500	$35,000
Total	**37**	**$16,622**	**$615,000**

Report Details Economic Impact of Ohio's Grape and Wine Industries in CY 2022

– Jared Cape, Budget Analyst

On January 20, 2023, the Ohio Grape Industries Committee (OGIC) under AGR released an economic impact study estimating that $6.7 billion of economic activity was supported by Ohio's grape and wine industries in 2022. Additionally, the study estimates that approximately 40,500 jobs, totaling more than $1.9 billion in wages, are supported by the grape and wine trades statewide. Ohio has 323 wineries and 21 grape juice, jam, and jelly producers. The state annually produces more than 1.2 million gallons of wine and is ranked seventh in the nation for economic output from wine industries. More details on grape and wine production, retailing, and tourism activity can be found in the economic impact study, available on AGR's website: agri.ohio.gov/home/news-and-events.

OGIC was established in 1981 and consists of nine members. These include the AGR Director, Chief of the AGR Marketing Division, the Superintendent of the Division of Liquor Control in the Department of Commerce, the viticulture extension specialist of the Ohio Agricultural Research and Development Center, and five members from the grape industry appointed by the AGR Director. OGIC provides marketing, research, extension, and production resources for Ohio's expanding grape and wine industries. The Committee receives funding from a $0.05 per gallon excise tax paid on all wines sold in Ohio and deposited into the Ohio Grape Industries Fund (Fund 4960).

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

The U.S. economy continued to expand in recent months, despite increasing interest rates and prices. The nation's unemployment rate rose to 3.6%. Personal income rose in January, enhanced by higher wages and salaries. Retail sales were up, but inflation-adjusted spending on gasoline, housing, and utilities declined. U.S. inflation-adjusted gross domestic product (real GDP) rose in the fourth quarter of 2022 at a 2.7% annual rate, down from a 3.2% annual rate in the third quarter. The nation's industrial production barely changed in January.

In January, Ohio's total nonfarm payroll employment increased by 14,800 (0.3%) from the revised total in December, following a slight increase in December. The state's unemployment rate was 4.0%, a decrease from 4.1% in December 2022. Ohio's housing market cooled off in January. Economic activity in the region contracted slightly.

The National Economy

The U.S. economy added 311,000 nonfarm payroll jobs in February, after seasonal adjustment. The nation's monthly unemployment rate increased from 3.4% in January to 3.6% in February. Chart 4 displays U.S. nonfarm payroll employment, and Chart 5 shows unemployment.

February's employment gains were largely in service sectors, with sizable increases in the leisure and hospitality, retail trade, government, and health care sectors. The number of workers employed in the information and the transportation and warehousing sectors decreased. Construction jobs increased, likely due to unseasonably warm weather in February, employment in mining and logging unchanged, and manufacturing employment declined slightly.

Unemployment increased by 242,000 persons in February to 5.9 million. The number of persons considered as unemployed for over 26 weeks decreased by 54,000 in February, to approximately 1.1 million, down from 1.7 million in February of last year. The number of employed persons who were working part time for noneconomic reasons, such as having childcare problems or personal obligations, decreased by 227,000 in February to 21.9 million, an increase from 20.7 million in February of last year. The seasonally adjusted labor force participation rate changed little.

In January, the number of job openings declined to 10.8 million from 11.2 million at the end of December 2022. The number of job openings in January remained well above the number of unemployed workers. Job opening decreases in construction, accommodation and food services, and finance and insurance outpaced job openings increases in transportation, warehousing, and utilities, and in nondurable goods manufacturing. Hiring and separations were little changed.

The U.S. total industrial production index was at 103.0 in January, barely changed from 102.9 in December, following declines in December and November. Manufacturing output rose 1.0% for the month, after decreases in the previous two months. Motor vehicles and parts production increased 0.5% in January, also following decreases in November and December. Mining output increased 2.0%, following decreases in the prior two months. Utility output plunged 9.9%; the decrease was due to unseasonably cold weather in December and unseasonably warm weather in January, with the latter decreasing demand for heating.

U.S. real GDP rose at a 2.7% annual rate in the fourth quarter of 2022, according to the U.S. Bureau of Economic Analysis's (BEA's) second estimate, following an increase of a 3.2% annual rate in the third quarter. The growth was slightly slower than the BEA's initial estimate of a 2.9% annual rate, but based on more complete information. The fourth quarter's growth reflects expansions in private inventory investment, consumer spending, nonresidential fixed investment, and spending at both the federal and state and local government levels. Residential fixed investment decreased sharply. Both exports and imports of goods decreased. For the entire year of 2022, real GDP expanded 2.1%, following a 5.9% increase in 2021. Growth in 2022 was largely spurred by consumer spending, exports, and private inventory investment. In 2022, consumers spent more on services but less on goods.

Personal income, not adjusted for inflation, rose 0.6% in January, boosted by higher wages and salaries in both private service-producing industries and goods-producing industries, and an 8.7% cost-of-living adjustment for Social Security recipients. The price index for consumer spending also rose 0.6% in January and was 5.4% higher than a year earlier; excluding food and energy, the price index increased somewhat less, by 4.7% over the year. Real personal consumption expenditures increased 1.1% for the month, after a 0.3% decrease in December. In January, sales of light motor vehicles were up at a seasonally adjusted annual rate of 15.7 million units, the highest seasonally adjusted rate since May 2021, though sales decreased to a 14.9 million unit rate in February.

The consumer price index (CPI-U) for all items increased 0.5% in January, after a 0.1% increase in December. Gasoline prices increased 2.4% in January, after decreases in November and December. The index for all items excluding food and energy also rose in January, a 0.4% increase. Compared to a year earlier, the CPI-U for all items was 6.4% higher. Excluding food and energy, it was 5.6% higher than January 2022. Prices for used cars and trucks continued to decrease in January (-1.9%) while prices for new vehicles increased slightly (0.2%). Compared to January of last year, prices for used cars and trucks were 11.6% lower, but prices for new vehicles rose by 5.8%.

The producer price index for final demand, a measure of prices paid to producers for domestically produced goods, services, and construction, rose 0.7% in January and was 6.0% higher than in January 2022. Final demand goods prices rose 1.2% in January while prices for final demand services increased 0.4%.

The Ohio Economy

In January, Ohio total nonfarm payroll employment, seasonally adjusted, rose by 14,800 (0.3%) from the revised total in December, following a slight increase in December. Ohio's nonfarm payroll employment was 88,500 (1.6%) higher than in January 2022.

Employment increased for the month in both goods-producing industries (by 100) and private-service producing industries (by 12,500). Among goods-producing industries, employment increased in construction (+1,400), but that was offset by a decrease in manufacturing (-1,400); growth in mining and logging allowed for the increase for goods-producing industries taken as a whole. The increase in private-service producing industries was more than accounted for by professional and business services (+8,200), leisure and hospitality (+4,700), private educational and health services (+1,700), and other services (+1,400). Government employment increased in local (+1,200), state (+800), and federal (+200) governments.

During the 12 months ending in January, employment growth was supplied by the private-service producing sector (+61,900), goods-producing industries (+22,700), including manufacturing at +13,800), and government (+3,900). Employment gains during the past year were in most sectors, with large job gains in leisure and hospitality, private educational and health services, and durable goods manufacturing.

In January, the state's unemployment rate was 4.0%, a decrease from 4.1% in December 2022 and also a decrease from 4.1% in January 2022. The state's unemployment rate in January was higher than the U.S. unemployment rate. The U.S. unemployment rate was 3.4% in January, 3.5% in December 2022, and 4.0% in January 2022. The number of unemployed workers in Ohio was 229,000 in January, 7,000 less than in December 2022, and also 7,000 less than in January 2022.

Ohio's housing market cooled off in January, according to data from Ohio Realtors. The number of existing home sales in Ohio decreased to 7,167 in January from 9,600 in January of last year, a 25.3% decrease. The average price of homes sold statewide was $234,794, up 3.2% from January 2022.

The region's economic activity contracted slightly at the beginning of the year, according to a Federal Reserve Bank of Cleveland report.[12] Employment grew slightly. Wages and other benefits costs continued to ease. Prices of nonlabor inputs changed little at the beginning of the year and selling prices increased slightly. Consumer spending declined, largely due to increased prices and high interest rates. Auto dealers noted softer sales which they attributed to those factors. Manufacturing activity little changed. Contacts in aerospace and in heavy trucks and trailers reported increased demand while demand associated with interest rate-sensitive sectors, including residential real estate and light vehicles, softened. Contacts in nonresidential construction cited further softening in demand due to high interest rates. Lending activity declined.

[12] The report is from the latest Federal Reserve System Beige Book that summarizes information gathered on or before February 27, 2023, from outside contacts. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.

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

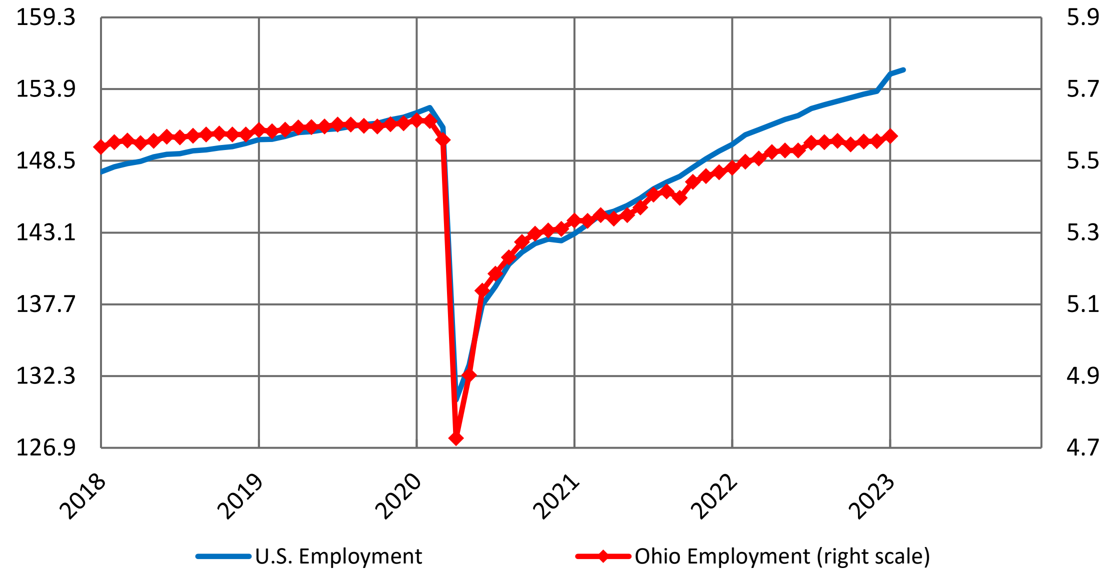


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force