LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2023 Issue: May 2023

Highlights

– *Ross Miller, Chief Economist*

April GRF tax revenue was below the estimate made by the Office of Budget and Management (OBM) by $178 million due to the two largest GRF tax sources. Personal income tax (PIT) revenue was $122 million below estimate and sales and use tax receipts were $65 million below estimate. April was the first month of FY 2023 for which PIT revenue was below estimate, and the sales and use tax has also exceeded estimate most months this year, so despite the poor results for April, year-to-date (YTD) GRF tax revenue through April was $627 million above estimate.

OBM released updated FY 2023 revenue estimates in connection with the release of the Executive Budget in February. The updated estimates were about $454 million higher than the estimates made at the beginning of the fiscal year. But OBM did not release updated monthly estimates in February, so *Budget Footnotes* continues to compare revenue to the estimates that OBM made at the beginning of the fiscal year.

Through April 2023, GRF sources totaled $34.64 billion:

- Revenue from the sales and use tax was $144.3 million above estimate;
- PIT receipts were $343.4 million above estimate.

Through April 2023, GRF uses totaled $34.31 billion:

- Program expenditures were $1.61 billion below estimate, due primarily to GRF Medicaid expenditures, which were below estimate by $1.02 billion;
- Expenditures from all program categories were below estimates except for Debt Service, for which spending was above estimate by $1.7 million;
- Program categories with large negative variances included Property Tax Reimbursements ($197.9 million), General Government ($159.5 million), and Justice and Public Protection ($128.3 million).

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$164,203	$190,100	-$25,897	-13.6%
Nonauto Sales and Use	$1,016,153	$1,055,600	-$39,447	-3.7%
Total Sales and Use	*$1,180,356*	*$1,245,700*	*-$65,344*	*-5.2%*
Personal Income	$1,367,785	$1,490,100	-$122,315	-8.2%
Commercial Activity Tax	$93,507	$88,700	$4,807	5.4%
Cigarette	$62,205	$62,400	-$195	-0.3%
Kilowatt-Hour Excise	$27,013	$26,400	$613	2.3%
Foreign Insurance	$139	$900	-$761	-84.6%
Domestic Insurance	$543	$100	$443	442.7%
Financial Institution	$31,223	$24,400	$6,823	28.0%
Public Utility	$715	$100	$615	615.1%
Natural Gas Consumption	$76	$2,800	-$2,724	-97.3%
Alcoholic Beverage	$5,027	$4,800	$227	4.7%
Liquor Gallonage	$4,736	$5,000	-$264	-5.3%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$11	$0	$11	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,773,334**	**$2,951,400**	**-$178,066**	**-6.0%**
Nontax Revenue				
Earnings on Investments	$84,499	$24,300	$60,199	247.7%
Licenses and Fees	$17,990	$14,231	$3,759	26.4%
Other Revenue	$429	$1,250	-$820	-65.6%
Total Nontax Revenue	**$102,918**	**$39,780**	**$63,138**	**158.7%**
Transfers In	**$679**	**$0**	**$679**	**---**
Total State Sources	**$2,876,932**	**$2,991,180**	**-$114,249**	**-3.8%**
Federal Grants	**$425,204**	**$644,763**	**-$219,559**	**-34.1%**
Total GRF Sources	**$3,302,135**	**$3,635,943**	**-$333,808**	**-9.2%**

*Estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2023 as of April 30, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 1, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$1,622,636	$1,596,300	$26,337	1.6%	$1,590,571	2.0%
Nonauto Sales and Use	$9,481,215	$9,363,300	$117,914	1.3%	$9,119,724	4.0%
Total Sales and Use	*$11,103,851*	*$10,959,600*	*$144,251*	*1.3%*	*$10,710,296*	*3.7%*
Personal Income	$8,832,078	$8,488,701	$343,378	4.0%	$8,943,507	-1.2%
Commercial Activity Tax	$1,709,346	$1,638,300	$71,047	4.3%	$1,584,536	7.9%
Cigarette	$638,517	$674,200	-$35,684	-5.3%	$684,656	-6.7%
Kilowatt-Hour Excise	$246,970	$251,800	-$4,830	-1.9%	$263,009	-6.1%
Foreign Insurance	$400,231	$361,300	$38,931	10.8%	$354,171	13.0%
Domestic Insurance	$19,316	$18,300	$1,016	5.6%	$2,311	735.9%
Financial Institution	$184,548	$152,600	$31,947	20.9%	$135,910	35.8%
Public Utility	$131,238	$99,400	$31,838	32.0%	$106,382	23.4%
Natural Gas Consumption	$37,273	$37,100	$172	0.5%	$35,245	5.8%
Alcoholic Beverage	$52,205	$52,000	$205	0.4%	$53,487	-2.4%
Liquor Gallonage	$47,837	$48,100	-$263	-0.5%	$48,257	-0.9%
Petroleum Activity Tax	$11,367	$6,900	$4,467	64.7%	$6,474	75.6%
Corporate Franchise	$99	$0	$99	36243.0%	$689	-85.6%
Business and Property	$0	$0	$0	---	$8	-100.0%
Estate	$34	$0	$34	8869.3%	$51	-32.9%
Total Tax Revenue	**$23,414,910**	**$22,788,302**	**$626,608**	**2.7%**	**$22,928,988**	**2.1%**
Nontax Revenue						
Earnings on Investments	$197,894	$68,400	$129,494	189.3%	$34,634	471.4%
Licenses and Fees	$110,289	$93,532	$16,757	17.9%	$93,133	18.4%
Other Revenue	$152,496	$169,891	-$17,395	-10.2%	$397,820	-61.7%
Total Nontax Revenue	**$460,679**	**$331,823**	**$128,856**	**38.8%**	**$525,587**	**-12.3%**
Transfers In	**$19,213**	**$5,000**	**$14,213**	**284.3%**	**$57,085**	**-66.3%**
Total State Sources	**$23,894,803**	**$23,125,125**	**$769,677**	**3.3%**	**$23,511,659**	**1.6%**
Federal Grants	**$10,749,105**	**$11,237,871**	**-$488,766**	**-4.3%**	**$9,798,258**	**9.7%**
Total GRF SOURCES	**$34,643,907**	**$34,362,996**	**$280,911**	**0.8%**	**$33,309,918**	**4.0%**

*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]

– Russ Keller, Senior Economist

Overview

GRF tax revenue received in April missed the OBM monthly estimate by $178.1 million (6.0%). The negative variance was primarily due to the PIT, which was below estimate by $122.3 million and the sales and use tax, below estimate by $65.3 million. April marked the second consecutive month that the auto component of the sales tax missed its estimate, as it was $17.7 million and $25.9 million below its target in March and April, respectively. The nonauto portion of the sales tax has generally exceeded estimate in most months, but it was $39.4 million (3.7%) below its anticipated April collections. Several taxes had revenue above estimate for the month, most notably the financial institution tax (FIT, $6.8 million) and the commercial activity tax (CAT, $4.8 million).

With the April results, GRF tax revenue was $626.6 million (2.7%) above estimate for the YTD through April. The PIT drives the YTD results, with a positive variance of $343.4 million. Annual tax returns were due on April 18, and although collections were below estimate for April, the PIT exceeded estimate by significant amounts every prior month since July. The sales and use tax contributed $144.3 million to the YTD positive variance, and the CAT contributed another $71.0 million. The fourth major tax, the cigarette and other tobacco products (OTP) tax, accounted for easily the largest YTD negative variance, $35.7 million; the only other significant negative variance was for the kilowatt-hour (KWH) tax ($4.8 million). Other notable positive variances included those for the foreign insurance tax ($38.9 million), the FIT ($31.9 million), and the public utility excise tax ($31.8 million). The FIT result could be due in part to timing, though. And the picture for the foreign insurance tax may shift somewhat during the remaining months of the fiscal year, as that tax is expected to pay out refunds on net during the remaining months of the year. More details about the major taxes, the PIT, the sales and use tax, the CAT, and the cigarette tax, are found in the sections that follow.

Among nontax GRF revenue sources, the most notable results in April were for federal grants and earnings on investments. Federal grants were $219.6 million below April's monthly estimate after exceeding March's by $138.3 million. Of the $425.2 million in federal grants received in April, nearly the entire amount was reimbursements for GRF Medicaid expenditures. When federal grants revenue is below expectations, that typically means that Medicaid expenditures were below estimate, as was the case in April when GRF Medicaid expenditures were below estimate by $320.8 million. As for earnings on investments, April revenue of $84.5 million was $60.2 million (247.7%) above OBM estimate. The Federal Reserve raised interest rates significantly over the past 12 months, so the amount of interest earned on funds in the state treasury for the first calendar quarter of 2023 was substantially higher than estimate. The resulting receipts for that quarter were deposited in April, which increased the YTD collections to $197.9 million, $129.5 million (189.3%) above estimate. For the YTD, federal grants were $488.8 million below estimate.

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

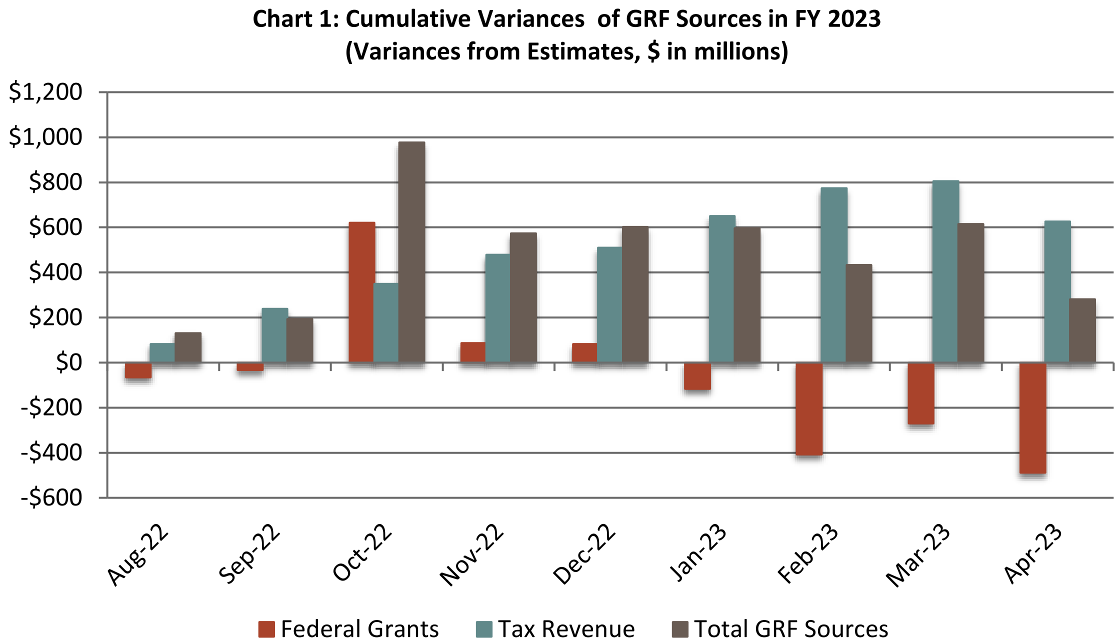


Chart 1 shows the cumulative variances at the end of each month of FY 2023 since August, for federal grants, tax revenue, and total GRF sources.

As shown in Table 2, most revenue sources grew from the first ten months of FY 2022 to the corresponding months of FY 2023. Revenue growth was strong for the sales and use tax, at $393.6 million (3.7%) and the CAT ($124.8 million, 7.9%). Revenue from these taxes tends to receive a boost from inflation, which has declined from high levels at the outset of the fiscal year. Other taxes that grew by notable amounts include the FIT ($48.6 million, 35.8%), the foreign insurance tax ($46.1 million, 13.0%), the public utility excise tax ($24.9 million, 23.4%), and the domestic insurance tax ($17.0 million, 735.9%). The most notable revenue decline among tax sources was from the PIT ($111.4 million, 1.2%), which speaks more about the record-breaking April 2022 tax filing season than the corresponding period in FY 2023. Elsewhere, the cigarette and OTP tax ($46.1 million, 6.7%) and the KWH tax ($16.0 million, 6.1%) exhibited the largest revenue decreases. Revenue from the cigarette and OTP tax has declined steadily for years except for a brief revenue spike early in the pandemic. All funds revenue from the KWH tax fell ($6.5 million, 1.4%) year-over-year, while revenue allocated to the Public Library Fund (PLF, Fund 7065) rose $9.5 million. Half of the amount due to Fund 7065 each month is debited against the KWH tax for accounting purposes.

Sales and Use Tax

April GRF revenue from the sales and use tax amounted to $1.18 billion, $65.3 million (5.2%) below estimate. For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto.[2] Both components yielded a negative variance in April, albeit a larger one (in dollar, but not percentage, terms) for the nonauto portion. For the

[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.

YTD through April the sales and use tax raised $11.10 billion, $144.3 million (1.3%) more than estimate. YTD revenue from the tax grew $393.6 million (3.7%) from the revenue received during the corresponding months of FY 2022. Revenue from this tax was above estimate most months so far this fiscal year, except July (zero variance), December, and now April.

Nonauto Sales and Use Tax

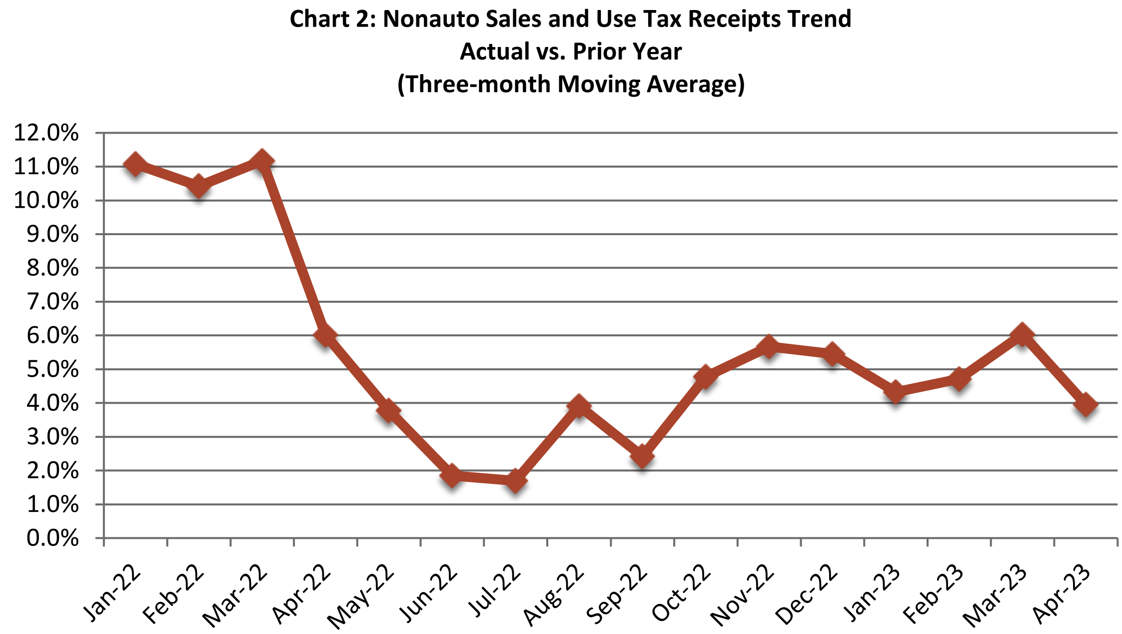
The nonauto component of the tax raised $1.02 billion in April GRF revenue, which was $39.4 million (3.7%) below estimate. YTD revenue amounting to $9.48 billion was $117.9 million (1.3%) more than the estimate. April revenue was $13.1 million (1.3%) less than the revenue received in April 2022, while YTD revenue was $361.5 million (4.0%) more than was received during the first ten months of FY 2022. Prior to April, revenue was above estimate every month since July except for September and December.

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

Internal Revenue Service (IRS) statistics through April 28, 2023, show that federal tax refunds during the current filing season are down 8.7%, as compared to the prior year. Moreover, the median wage growth (among those staying at their job) has moderated according to ADP Research Institute, from a high of 7.8% in September 2022 to 6.7% in April 2023. Together, these nationwide data points imply headwinds for growth in disposable personal income, which is highly correlated with spending for items in the nonauto sales tax base.

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

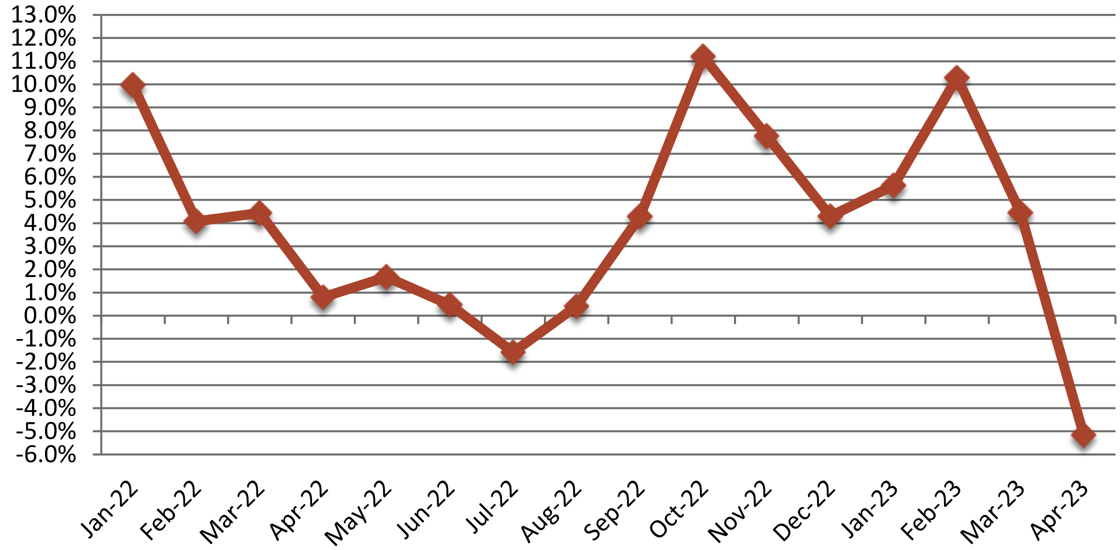


Auto Sales and Use Tax

April receipts from the auto component of the sales and use tax were $164.2 million, $25.9 million (13.6%) below estimate, and $28.7 million (14.9%) less than revenue collected during the month a year ago. The poor results for the month followed a smaller (but still sizable) negative variance in March, at $17.7 million (9.6%). YTD through April, revenue amounting to $1.62 billion exceeded the estimate by $26.3 million (1.6%). YTD revenue grew by $32.1 million (2.0%) compared to the first ten months of FY 2022.

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

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



Personal Income Tax

April GRF receipts from the PIT amounted to $1.37 billion, $122.3 million (8.2%) below estimate. PIT receipts have been above estimate every previous month in this fiscal year (other than a zero variance in July), so the YTD revenue was a robust $8.83 billion, despite the tepid April receipts. YTD revenue was $343.4 million (4.0%) above estimate, and $111.4 million (1.2%) below revenue during the first ten months of FY 2022. Nevertheless, results through April do not provide the full picture about this tax filing season. Revenues from tax returns submitted at the April 18 deadline continue to be received and processed during the month of May, so conclusions about tax year (TY) 2022 should be preliminary until May receipts are complete.

YTD receipts from employer withholding have been the single largest driver of the positive variances. Such receipts amounted to $9.31 billion YTD, $396.1 million (4.4%) above estimate, and $671.9 million (7.8%) higher than withholding for the corresponding 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 March ($12.5 million) and April ($44.7 million).

FY 2023 is the first year in which pass-through entity (PTE) owners may elect to pay income taxes at the entity-level. In general, PTEs pass through income proportionately to their respective owners, who pay the individual income tax on their PTE income. Ohio and many other states adopted this new, entity-level structure as a "work-around" tax that is not subject to the $10,000 cap on the federal income tax deduction for state and local taxes. In practice, the PTE owners likely remitted the entity-level PTE tax in December 2022 and January 2023, which was often categorized as withholding by the Ohio Department of Taxation. Later, when the PTE owners filed their individual income tax returns ahead of the April 2023 deadline, they claimed a PIT credit on behalf of their proportionate share of the previously submitted, entity-level PTE tax. From a cash flow perspective, this arrangement pulled forward PIT receipts from the spring into the earlier winter months. Since the authorizing legislation, S.B. 246 of the 134th General Assembly, was enacted in June 2022, the monthly PIT estimates were constructed without the benefit of knowing how this behavioral effect would affect timing of receipts. For these enumerated reasons, the recent months' withholding receipts should not be regarded as a proxy for Ohio wages and salaries. An alternative measure of withholding that excludes PTEs shows that particular tax base growing about 6% over the first ten months of FY 2023. Such a pace is consistent with historical norms, but perhaps moderating somewhat from higher growth rates immediately following the pandemic.

GRF revenue from the tax equals gross collections[5] minus both refunds and transfers to the Local Government Fund (LGF). The principal source of PIT revenue every April is the annual return payments category. That component was below its April estimate by $68.7 million (6.4%) and the related refunds category exceed its monthly estimate by $20.2 million (3.0%). Together, these categories accounted for the majority of April's negative variance, in addition to the previously described withholding shortfalls among PTE income sources. On the other hand, quarterly estimated payments exceeded their monthly estimate by $30.6 million (23.6%). The first payment due date for TY 2023 occurred in April 2023, and that initial payment is highly correlated with the taxpayer's prior year (e.g., TY 2022) tax liability. For the month of April, LGF distributions were just $0.8 million (2.5%) above estimate, so the $122.3 million negative GRF variance almost entirely reflected the performance of the tax.

The table below provides details on revenue from each component of the PIT through April 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 $604.4 million (5.4%) above anticipated revenue. Nearly every component of gross collections exceeded their estimates, most notably employer withholding, by $396.1 million (but see discussion above), payments due with annual returns, by $139.0 million, and estimated payments, by $71.8 million. Trust payments were the lone exception, as they were $14.3 million (19.2%) below their ten-month estimate. YTD refunds were $246.9 million above projections, and distributions to the LGF were $14.1 million higher than OBM's estimate, both of which reduced revenue available to the GRF. Subtracting $246.9 million and $14.1 million from the positive variance for gross collections yields the YTD GRF positive variance of $343.4 million.

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

FY 2023 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY 2022	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$396.1	4.4%	$671.9	7.8%
Quarterly Estimated Payments	$71.8	8.9%	-$21.7	-2.4%
Trust Payments	-$14.3	-19.2%	-$20.4	-25.4%
Annual Return Payments	$139.0	10.9%	-$349.7	-19.9%
Miscellaneous Payments	$11.8	17.7%	-$14.2	-15.4%
Gross Collections	$604.4	5.4%	$265.8	2.3%
Less Refunds	$246.9	11.0%	$357.8	16.8%
Less LGF Distribution	$14.1	3.5%	$19.4	4.9%
GRF PIT Revenue	$343.4	4.0%	-$111.4	-1.2%

Commercial Activity Tax

Quarterly payments by CAT taxpayers are due on the tenth day of August, November, February, and May, making April one of the months that offers limited insights about the subsequent payment period. CAT revenue to the GRF in April amounted to $93.5 million, $4.8 million (5.4%) above estimate. The latest monthly performance brought the YTD positive variance for this tax source to $71.0 million (4.3%). YTD GRF receipts from CAT taxpayers through April were $1.71 billion, $124.8 million (7.9%) above revenues in FY 2022 through April. Variances under this tax have been mixed this fiscal year, with negative variances in August and February, as well as in March. Revenue exceeded estimates in the other months.

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

[6] Ohio Administrative Knowledge System (OAKS) reports run May 4, 2023, showed cash balances of $720.3 million in Fund 7047 and $167.5 million in Fund 7081.

Cigarette and Other Tobacco Products Tax

The cigarette and OTP tax generated $62.2 million in GRF revenue in April, below estimate for the month by $0.2 million (0.3%). YTD revenue from the tax was $638.5 million through April, $35.7 million (5.3%) below estimate. The YTD total included $542.8 million derived from the sale of cigarettes and $95.7 million from the sale of OTP.

FY 2023 revenue through April fell by $46.1 million (6.7%) compared to FY 2022 revenue through April 2022. OTP sales increased by $4.5 million (4.9%) while receipts from cigarette sales decreased $50.6 million (8.5%). The increase in OTP revenue may be due in full to higher OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product, so revenue from that portion of the tax base grows with price increases.[7]

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

The decline in cigarette receipts reflects a decrease in unit sales. The Altria Group and its subsidiaries are engaged in the manufacture and sale of cigarettes (e.g., *the company has a 47.0% market share of all cigarettes sold, primarily due their Marlboro brand*) and tobacco. The company reported[8] that its domestic cigarette shipment volume decreased 11.4% during the first quarter of CY 2023, relative to the first quarter of CY 2022. Their quarterly report attributed the decline in volume "to increased macroeconomic pressures (including a high inflationary environment) on adult tobacco consumers' disposable income." They also remark that there is an overarching trend in which "adult smokers continue to transition from cigarettes to exclusive use of smoke-free tobacco product alternatives."

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

[8] Refer to the latest 10-Q filed on April 27, 2023, as found on the Altria website, altria.com.

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$618,560	$630,616	-$12,056	-1.9%
Higher Education	$195,431	$196,965	-$1,534	-0.8%
Other Education	$9,479	$9,399	$80	0.8%
Total Education	**$823,470**	**$836,981**	**-$13,511**	**-1.6%**
Medicaid	$699,667	$1,020,450	-$320,783	-31.4%
Health and Human Services	$121,979	$143,126	-$21,146	-14.8%
Total Health and Human Services	**$821,647**	**$1,163,576**	**-$341,929**	**-29.4%**
Justice and Public Protection	$296,071	$298,581	-$2,510	-0.8%
General Government	$86,962	$69,469	$17,493	25.2%
Total Government Operations	**$383,032**	**$368,050**	**$14,983**	**4.1%**
Property Tax Reimbursements	$357,734	$452,983	-$95,248	-21.0%
Debt Service	$93,696	$93,700	-$4	0.0%
Total Other Expenditures	**$451,430**	**$546,682**	**-$95,252**	**-17.4%**
Total Program Expenditures	**$2,479,580**	**$2,915,289**	**-$435,709**	**-14.9%**
Transfers Out	**$7,938**	**$0**	**$7,938**	**---**
Total GRF Uses	**$2,487,518**	**$2,915,289**	**-$427,771**	**-14.7%**

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

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$7,510,587	$7,528,783	-$18,196	-0.2%	$7,348,848	2.2%
Higher Education	$2,052,617	$2,075,408	-$22,791	-1.1%	$2,024,798	1.4%
Other Education	$80,553	$81,163	-$610	-0.8%	$79,906	0.8%
Total Education	**$9,643,757**	**$9,685,355**	**-$41,598**	**-0.4%**	**$9,453,552**	**2.0%**
Medicaid	$15,393,230	$16,408,279	-$1,015,049	-6.2%	$14,095,567	9.2%
Health and Human Services	$1,424,618	$1,493,836	-$69,218	-4.6%	$1,308,250	8.9%
Total Health and Human Services	**$16,817,848**	**$17,902,115**	**-$1,084,267**	**-6.1%**	**$15,403,817**	**9.2%**
Justice and Public Protection	$2,316,393	$2,444,681	-$128,288	-5.2%	$2,287,718	1.3%
General Government	$490,645	$650,131	-$159,487	-24.5%	$426,049	15.2%
Total Government Operations	**$2,807,038**	**$3,094,812**	**-$287,774**	**-9.3%**	**$2,713,767**	**3.4%**
Property Tax Reimbursements	$1,330,794	$1,528,670	-$197,875	-12.9%	$1,604,718	-17.1%
Debt Service	$1,446,762	$1,445,028	$1,734	0.1%	$1,366,348	5.9%
Total Other Expenditures	**$2,777,556**	**$2,973,697**	**-$196,141**	**-6.6%**	**$2,971,066**	**-6.5%**
Total Program Expenditures	**$32,046,199**	**$33,655,980**	**-$1,609,781**	**-4.8%**	**$30,542,201**	**4.9%**
Transfers Out	**$2,267,170**	**$684,900**	**$1,582,270**	**231.0%**	**$3,073,894**	**-26.2%**
Total GRF Uses	**$34,313,369**	**$34,340,880**	**-$27,511**	**-0.1%**	**$33,616,095**	**2.1%**

*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 May 5, 2023)

	Month of April 2023				Year to Date through April 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$637,001	$944,637	-$307,636	-32.6%	$14,805,104	$15,734,457	-$929,353	-5.9%
Non-GRF	$1,944,431	$1,613,049	$331,382	20.5%	$11,899,626	$11,214,923	$684,703	6.1%
All Funds	$2,581,432	$2,557,686	$23,746	0.9%	$26,704,730	$26,949,380	-$244,650	-0.9%
Developmental Disabilities								
GRF	$53,823	$68,053	-$14,230	-20.9%	$497,548	$555,345	-$57,797	-10.4%
Non-GRF	$206,040	$234,710	-$28,670	-12.2%	$2,407,011	$2,495,887	-$88,876	-3.6%
All Funds	$259,863	$302,763	-$42,900	-14.2%	$2,904,558	$3,051,232	-$146,673	-4.8%
Job and Family Services								
GRF	$7,911	$6,726	$1,185	17.6%	$80,743	$108,541	-$27,798	-25.6%
Non-GRF	$13,504	$17,002	-$3,498	-20.6%	$140,657	$276,334	-$135,677	-49.1%
All Funds	$21,415	$23,727	-$2,312	-9.7%	$221,400	$384,876	-$163,476	-42.5%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$933	$1,034	-$102	-9.8%	$9,836	$9,936	-$100	-1.0%
Non-GRF	$6,370	$3,772	$2,597	68.9%	$34,636	$42,579	-$7,943	-18.7%
All Funds	$7,302	$4,807	$2,495	51.9%	$44,472	$52,515	-$8,043	-15.3%
All Departments:								
GRF	**$699,667**	**$1,020,450**	**-$320,783**	**-31.4%**	**$15,393,230**	**$16,408,279**	**-$1,015,049**	**-6.2%**
Non-GRF	**$2,170,345**	**$1,868,533**	**$301,812**	**16.2%**	**$14,481,930**	**$14,029,723**	**$452,207**	**3.2%**
All Funds	**$2,870,012**	**$2,888,983**	**-$18,971**	**-0.7%**	**$29,875,160**	**$30,438,003**	**-$562,842**	**-1.8%**

*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 May 5, 2023)

	Month of April 2023				Year to Date through April 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,009,652**	**$1,958,390**	**$51,261**	**2.6%**	**$20,187,483**	**$20,299,862**	**-$112,379**	**-0.6%**
CFC†	$555,076	$537,936	$17,139	3.2%	$6,087,592	$6,140,725	-$53,133	-0.9%
Group VIII	$523,721	$485,137	$38,584	8.0%	$5,622,582	$5,739,066	-$116,485	-2.0%
ABD†	$173,097	$178,863	-$5,766	-3.2%	$2,100,959	$2,151,192	-$50,233	-2.3%
ABD Kids	$56,390	$60,628	-$4,238	-7.0%	$626,089	$676,259	-$50,169	-7.4%
My Care	$237,356	$263,151	-$25,795	-9.8%	$2,385,294	$2,533,605	-$148,312	-5.9%
OhioRise	$26,244	$56,042	-$29,799	-53.2%	$193,569	$312,934	-$119,365	-38.1%
SPBM	$437,768	$376,633	$61,135	16.2%	$2,862,287	$2,428,580	$433,707	17.9%
Pay for Performance	$0	$0	$0	---	$309,111	$317,500	-$8,389	-2.6%
Fee-For-Service	**$660,994**	**$697,931**	**-$36,938**	**-5.3%**	**$7,658,134**	**$7,747,346**	**-$89,212**	**-1.2%**
ODM Services	$407,684	$402,740	$4,944	1.2%	$4,152,478	$4,075,528	$76,950	1.9%
DDD Services	$253,309	$295,191	-$41,882	-14.2%	$2,821,239	$2,953,949	-$132,710	-4.5%
Hospital - HCAP	$0	$0	$0	---	$684,417	$717,869	-$33,452	-4.7%
Premium Assistance	**$121,996**	**$138,016**	**-$16,020**	**-11.6%**	**$1,191,894**	**$1,272,985**	**-$81,091**	**-6.4%**
Medicare Buy-In	$76,964	$84,906	-$7,942	-9.4%	$769,415	$813,581	-$44,166	-5.4%
Medicare Part D	$45,032	$53,110	-$8,078	-15.2%	$422,479	$459,404	-$36,925	-8.0%
Administration	**$77,371**	**$94,646**	**-$17,275**	**-18.3%**	**$837,649**	**$1,117,810**	**-$280,161**	**-25.1%**
Total	**$2,870,012**	**$2,888,983**	**-$18,971**	**-0.7%**	**$29,875,160**	**$30,438,003**	**-$562,842**	**-1.8%**

*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 $32.05 billion through April of FY 2023. These expenditures were $1.61 billion (4.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $2.27 billion and were $1.58 billion (231.0%) over estimate for the YTD, due primarily to a transfer of $727.0 million to the Budget Stabilization Fund 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 ten months were $34.31 billion, which was $27.5 million (0.1%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of April and YTD, respectively.

For April program expenditures, negative monthly variances in GRF Medicaid ($320.8 million, 31.4%), Property Tax Reimbursements ($95.2 million, 21.0%), Health and Human Services ($21.1 million, 14.8%), and Primary and Secondary Education ($12.1 million, 1.9%) were partially offset by a positive monthly variance in General Government ($17.5 million, 25.2%). The remaining categories had monthly variances of less than $3.0 million. Total program expenditures were $435.7 million (14.9%) under estimate for the month of April.

For YTD program expenditures, all categories, except for Debt Service, were under estimate, most significantly GRF Medicaid ($1,015.0 million, 6.2%), Property Tax Reimbursements ($197.9 million, 12.9%), General Government ($159.5 million, 24.5%), and Justice and Public Protection ($128.3 million, 5.2%). 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 April by $320.8 million (31.4%) and below their YTD estimate by $1.02 billion (6.2%) at the end of April. Non-GRF Medicaid expenditures were above their monthly estimate by $301.8 million (16.2%) and above their YTD estimate by $452.2 million (3.2%). April's negative GRF variance and positive non-GRF variance reflect a continuation of the trend by state Medicaid agencies to substitute GRF and non-GRF spending for each other as conditions dictate. Including both the GRF and non-GRF, all funds Medicaid expenditures were $19.0 million (0.7%) below estimate in April and $562.8 million (1.8%) below the YTD estimate at the end of April.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and 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 positive variance in April of $23.7 million (0.9%) but a YTD all funds negative variance of $244.7 million (0.9%) at the end of April. DODD had an April all funds negative variance of $42.9 million (14.2%) and ended the month with YTD expenditures $146.7 million (4.8%) below estimate. The other six "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the six "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their YTD estimates for all four major payment categories at the end of April. In both percentage terms and absolute dollars, the Administration variance of $280.2 million (25.1%) was the largest. The other categories with negative variances were Managed Care at $112.4 million (0.6%), Fee-For-Service (FFS) at $89.2 million (1.2%), and Premium Assistance at $81.1 million (6.4%). 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 $280.2 million YTD variance, $163.5 million (58.4%) 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 pandemic in March 2020 through the end of April 2023, caseloads have increased by approximately 21,350 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. Earlier in 2023, states received approval to restart eligibility redeterminations. ODM began disenrollments during the spring of this year. As this process accelerates, 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 April, with 177,191 cases (5.2%) above estimate.

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 April, this category had a negative variance of $95.2 million (21.0%) increasing its negative YTD variance to $197.9 million (12.9%).

General Government

This program category includes all GRF spending for general government programs, except for debt service. The Ohio Department of Development (DEV) makes up 36.5% of the estimated expenditures from this category in FY 2023. Four other agencies make up another

32.6% of estimated expenditures: the Ohio Department of Transportation (ODOT, 9.0%), the Ohio Department of Natural Resources (ODNR, 8.7%), the Department of Taxation (TAX, 7.8%), and the Department of Agriculture (AGR, 7.1%). Twenty other agencies make up the remaining 30.9% of estimated spending.

This category was over estimate by $17.5 million (25.2%) in April, decreasing its negative YTD variance to $159.5 million (24.5%). Most agencies in the category were under their YTD estimates. The largest appropriation line item (ALI) variances were for appropriations made in H.B. 687 of the 134th General Assembly to support Intel's megaproject development in central Ohio. ALI 195459, Ohio Onshoring Incentive, in DEV's budget, was under its YTD estimate by $75.0 million. The estimates have expenditures of $12.5 million each month from November through the end of the fiscal year, but no payments have yet been made. ALI 195456, Local Roads, also in DEV's budget, was under its 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. This April expenditure is the main driver behind the category's positive April variance. Finally, ALI 775471, State Road Improvements, in ODOT's budget is under its YTD estimate by $3.3 million. These variances are related to the timing of the projects. As the projects get underway, this variance may decrease or appropriation may be encumbered or reappropriated to be spent in future fiscal years. Another ALI in this category with a significant negative YTD variance is ALI 775470, Public Transportation – State, in ODOT's budget. This ALI has been under estimate for most months of this fiscal year culminating in a negative YTD variance at the end of April of $16.4 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 grew by $2.5 million in April to $128.3 million (5.2%). 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 $58.1 million. This negative variance fell by $9.9 million in April. Both the monthly and YTD variances for ODPS were driven by ALI 761408, Highway Patrol Operating Expenses, which was over estimate for the month by $11.0 million and 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 April with a negative YTD variance of $50.7 million, due mainly to negative YTD variances of $21.2 million in ALI 505321, Institution Medical Services, and $13.9 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 $11.4 million, due mainly to a negative YTD variance of $10.0 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 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 $21.1 million in April to $69.2 million (4.6%). 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 ($26.4 million), ODH ($18.2 million), and OhioMHAS ($12.1 million). The negative monthly variance in April was mainly due to a negative variance of $18.9 million in ODJFS.

Significant variances for ALIs in the ODJFS budget include:

- ALI 600410, TANF State Maintenance of Effort, had a negative monthly variance of $15.4 million, which resulted in a negative YTD variance for this ALI of $12.1 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 negative monthly variance of $7.5 million, which increased this ALI's negative YTD variance to $10.5 million. This ALI is used to pay for publicly funded child care services.
- ALI 600413, Child Care State/Maintenance of Effort, had a negative variance of $4.1 million, increasing this ALI's negative YTD variance to $6.5 million.
- ALI 600450, Program Operations, had a positive monthly variance of $5.9 million, which increased the positive YTD variance for this ALI to $17.6 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.

The majority of ALIs in ODH's budget were under estimate for the YTD. The largest negative YTD variance was $4.8 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 estimate by $3.3 million, and ALI 336510, Residential State Supplement, and ALI 336423, Addiction Services Partnership with Corrections, which were both under estimate by $3.0 million. ALI 336422 is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system. ALI 336510 provides financial assistance and case management to adults with disabilities who reside in approved living facilities. ALI 336423 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 April by $12.1 million, increasing its negative YTD variance to $18.2 million (0.2%). Most ALI's had negative variances for both the month and the YTD. The largest negative variances were for ALI 200437, Student Assessment, with a negative April variance of $10.8 million and a negative YTD variance of $17.7 million. This ALI is used for contracts to administer the state's student assessment system.

ALI 200550, Foundation Funding – All Students, had a positive April variance of $2.6 million, which increased its positive YTD variance to $24.2 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.

Other ALIs with the significant negative YTD variances are:

- ALI 200502, Pupil Transportation, with a negative YTD variance of $7.1 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 $5.6 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.

Transfers Out

Transfers out of the GRF were over the monthly estimate in April by $7.9 million and over the YTD estimate by $1.58 billion (231.0%). The April variance was mainly due to a transfer of $6.0 million to the Information Technology Fund (Fund 5LJ0), which was to take place in January, and $1.5 million to the Rural Practice Incentive Fund (Fund 5ZD0), which was authorized by H.B. 150 of the 134th General Assembly and 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, $837.2 million has 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 Budget Stabilization Fund 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

ODE Relaunches ACE Educational Savings Account Program Following Legislative Changes

– Daniel Hummel, Budget Analyst

On April 7, 2023, ODE relaunched the Afterschool Child Enrichment (ACE) Educational Savings Account Program following changes to the program enacted in H.B. 45 of the 134th General Assembly to increase participation. H.B. 45 increased the amounts credited to a qualifying Ohio student's account from $500 to $1,000 and expanded eligibility for the program by increasing the family income limit from 300% of the federal poverty level (FPL) to 400% and qualifying students that reside in certain school districts, regardless of income level. Under the residency criteria, a student is eligible for an account if the student resides in (1) a district ranked in the highest 10% of districts according to chronic absenteeism, (2) a district that operates one or more buildings designated as low performing under the Educational Choice Scholarship Program, or (3) the Cleveland Municipal School District.

It also permits a student's parent or guardian to certify income eligibility to ODE by submitting (1) an affidavit affirming that the student's family income meets the income requirement, (2) proof of income eligibility under another state or federal program, or (3) other evidence determined appropriate by ODE. Alongside the statutory changes to the program, ODE oversaw a redesign of the ACE account online application platform to optimize it for use on mobile devices and make it more user friendly based on feedback from families.

ODE reports that these changes have significantly increased the number of account applications and approvals in the short time since the relaunch. Previously, ODE would receive about 300 to 400 applications per week and approve about 1,800 accounts in a given month. From April 7 to April 17 alone, ODE received 7,416 applications and approved 1,560 accounts. The bulk of applications received since April 7 requested an account based on residency (52%) followed by household income (28%) and participation in income-based government programs (20%). As of April 17, ODE reported that a total of 18,380 students had been approved for an account with another 6,321 applications under review.

The ACE Educational Savings Account Program was established in H.B. 110 to address learning loss in the wake of school closure resulting from the COVID-19 pandemic. The accounts can be used for before- or after-school educational programs, day camps, field trips to historical landmarks, language classes, tutoring, and a variety of other enrichment activities. ODE and Merit International, Inc., administer the program, which is financed by $125 million from the state's allocation of federal COVID-19 relief funds.

ODHE Awards 27 Institutions $2.5 Million in Commercial Truck Driver Student Aid

– Jason Glover, Budget Analyst

In April 2023, the Ohio Department of Higher Education (ODHE) awarded a total of $2.5 million to 27 institutions under the Commercial Truck Driver Student Aid Program. Under the program, ODHE makes awards to eligible schools that, in turn, distribute the funds in the form of a forgivable loan and a grant of equal amounts to each eligible student who commits to reside in and be employed in the state for a minimum of one year after completing a qualifying commercial driver license (CDL) training program. The total amount of the grant and loan awarded to each student cannot exceed the lesser of $20,000 or the cost of tuition and related expenses of a CDL training program. A student who accepts aid under the program must sign a promissory note to pay back the loan funds if the student does not satisfy the residency, employment, or training program requirements. ODHE will forgive an individual's loan after one year of documented employment and residency in Ohio. H.B. 110 funds the program with an appropriation of $2.5 million from GRF ALI 235595, Commercial Truck Driver Student Aid Program, in FY 2023.

The institutions applying to participate in the program were eligible to request up to $250,000. ODHE awarded each institution amounts ranging from $50,000 at seven institutions to almost $140,000 at six institutions. The table below summarizes the grant recipients and total award amounts by sector. As the table shows, ODHE awarded half of the funds, or $1.24 million, to 14 private, for-profit schools. Seven community colleges received approximately $740,000, followed by six Ohio Technical Centers that received approximately $510,000. Each institution will distribute its funding to eligible students enrolled in a qualifying CDL training program from April 24, 2023 to June 30, 2024.

Commercial Truck Driver Student Aid Awards, FY 2023		
Sector	**Institutions**	**Awards**
Private, For-Profit Schools	160 Driving Academy,* Capital Transportation Academy, CMV Pros LLC, Great Lakes Truck Driving School, Hamrick School, Northeast Ohio Truck Driver Training, Ohio Business College, Trainco Truck Driving Schools, TruckTrailerPro CDL School, Valley College	$1,243,998
Community Colleges	Clark State, Eastern Gateway, Hocking, Northwest State, Southern State, Stark State, Terra State	$739,668
Ohio Technical Centers	Apollo Career Center, Brown and Clermont Adult Career Campuses, Buckeye Hills Career Center, Mid-East Career and Technology Centers, Vantage Career Center, Washington County Career Center	$511,334
	Total	**$2,495,000**

*160 Driving Academy has five locations that each received awards.

East Palestine Receives About $460,000 in Federal Health and Human Services Emergency Funds

– Suveksha Bhujel, Economist

In March 2023, the federal U.S. Department of Health and Human Services (HHS) awarded approximately $460,000 to help the East Palestine community following a freight train derailment. Of this amount, close to $210,000 was issued in the form of a Supplemental

Emergency Response Grant (SERG) to support community wellness and resilience. OhioMHAS will administer these grant funds to do the following: support the behavioral health needs of the community, minimize the long-term impacts associated with the derailment, foster resilience in the community, and improve the capacity of local crisis response systems. These funds will be used to provide services during the 90-day period immediately following the derailment. Additional grant funding is expected to be provided to continue these efforts for a full year after the initial 90-day period ends. HHS awarded the remaining $250,000 in emergency funding directly to the Community Action Agency of Columbiana County. These funds will be used to support emergency response efforts and to provide follow-up care for people affected by the train derailment, including direct health care services, patient screenings, and outreach and enrollment services.

In addition to this emergency funding, HHS has provided other public health assistance to the East Palestine community. For instance, in mid-February, HHS deployed a 20-person team to work with local and state public health agencies to conduct assessments of chemical exposure investigation surveys, to review environmental sampling data, and to provide technical assistance. HHS has also distributed funds to Pennsylvania since East Palestine is located on Ohio's border with Pennsylvania.

$1.0 Million in Keeping Families Together Grants Awarded

– Brandon T. Minster, Economist

DODD recently awarded $1.0 million to 46 county developmental disabilities (DD) boards for the Keeping Families Together (KFT) grant program. KFY funding provides services to help multisystem youth stay in their homes. These services are provided to families, not just the child, to help achieve this goal. In order to receive funds, county DD boards had to submit plans to DODD outlining how funds would be used to address any unmet needs in their counties or communities. DODD allowed funds to be used to provide services in three basic categories. These include: provider supports, household expenses, and family supports. Specific examples of grant activities include: specialized training for respite providers, incentives to providers to recruit respite staff, household furnishings or repairs, parent coaching and mentoring, respite services, and rent and utilities for youth living outside the family home.

Multisystem youth are children who require services from more than one child-serving system, including children services, developmental disabilities, mental health, or juvenile justice systems. Many of these youth may have complex physical, emotional, and behavioral needs. The funds to support this program were allocated in H.B. 110, which allowed DODD to use a portion of GRF ALI 322422, Multi-System Youth,[10] to provide respite and other supports to county DD boards. In FY 2022, $1.0 million in KFY funds were also made available to county DD boards.

[10] GRF ALI 322422 was appropriated $2.5 million in FY 2022 and $4.0 million in FY 2023.

Controlling Board Approves Continued Funding for the Community Mental Health Navigator Project

– Shaina Morris, Budget Analyst

On March 20, 2023, the Controlling Board approved an Ohio Commission on Hispanic/Latino Affairs (OCHLA) request to increase the amount appropriated to ALI 148602, Special Initiatives, in FY 2023. The increase, totaling $149,516, is needed to continue the work of the Community Mental Health Navigator Project through the end of the fiscal year. Earlier this year, OCHLA and OhioMHAS entered into an amended agreement to provide additional grant funding for expansion of the project. Based on the amended agreement, the total amount of funding for the current project is now $885,939, an increase of $150,000 from the original agreement amount of $735,939. All funding is to be expended or obligated by June 30, 2023.

The Community Mental Health Navigator Project first began in FY 2020 via an interagency agreement with OhioMHAS and was intended to reduce disparities in availability, accessibility, and quality of behavioral healthcare services for the Hispanic-Latino community within one or more systems of behavioral health service delivery in additional areas of the state. In OCHLA's budget request for the FY 2024-FY 2025 biennium, the Commission stated that the program has served over 5,041 clients on a quarterly basis and over 250 entities have provided mental and behavioral services. Project funding, to date, is transferred directly from OhioMHAS to OCHLA. OCHLA intends to seek continuation funding through other grant opportunities after FY 2023.

Office of Criminal Justice Services Releases 2023 Law Enforcement Certification Report

– Maggie West, Senior Budget Analyst

On March 31, 2023, the Office of Criminal Justice Services (OCJS) issued its 2023 Law Enforcement Certification Report.[11] The report summarizes certification data on the ten standards adopted by the Ohio Collaborative Community-Police Advisory Board for this reporting period. The Ohio Collaborative Community-Police Advisory Board was created by executive order in 2015 to improve community-police relations. The ten standards measured in the report are presented in five groups and are listed in the table below, with Group 1 representing the first of the standards to be recommended followed by those that were recommended later.[12] OCJS is required to publish an annual report identifying the state and local law enforcement agencies that have adopted and fully implemented the standards and to publish each law enforcement agency's compliance or noncompliance with any new or modified standards.

According to the 2023 Report, the number of agencies that have fully implemented the group standards continues to rise. For the Group 1 standards (1. *Use of Force and Use of Deadly Force* and 2. *Agency Employee Recruitment and Hiring*), 606, or 68.9%, of Ohio's 880 state and

[11] See Law Enforcement Certification 2023 Public Report (PDF) which is available on the Office of Criminal Justice Services' website: ocjs.ohio.gov.

[12] Two additional standards have since been adopted, making a total of 12, and will be measured in the next annual report. Those standards address (1) developmentally appropriate policing and positive youth interaction and (2) crisis intervention methods for law enforcement agencies.

local law enforcement agencies have met full implementation, compared to 569 agencies in the previous year, representing a nearly 6.5% increase. In addition, 163 agencies have adopted and fully implemented all ten standards.

Ohio Collaborative Community-Police Advisory Board Uniform Minimum Standards, as of the 2023 Report	
Group	**Standard**
Group 1	1. Use of Force and Use of Deadly Force 2. Agency Employee Recruitment and Hiring
Group 2	3. Community Engagement 4. Body-Worn Cameras 5. Law Enforcement Telecommunications
Group 3	6. Bias-Free Policing 7. Investigation of Employee Misconduct
Group 4	8. Law Enforcement Vehicular Pursuit
Group 5	9. Law Enforcement Response to Mass Protests/Demonstrations 10. Agency Wellness

ODNR Recommends Nearly $3.5 Million in Grant Funding for Local Parks Projects

– Tom Wert, Senior Budget Analyst

On April 11, 2023, ODNR released a list of recommended recipients for grants totaling nearly $3.5 million from the U.S. Department of the Interior National Park Service (NPS) Federal Land and Water Conservation Fund (LWCF). The LWCF grant program provides up to 50% reimbursement assistance for the state and local governments for the acquisition, development, and rehabilitation of recreational areas, including administrative costs. In Ohio, the program is administered by ODNR, which reviews LWCF grant applications and submits recommended projects to NPS for final approval. Projects must be in accordance with the Ohio Statewide Comprehensive Outdoor Recreation Plan. Funding for approved projects is distributed under the Land and Water Conservation Fund (Fund 3B60) ALI 725653, Federal Land and Water Conservation Grants. ODNR's recommendations include projects in eight counties. These projects would receive grants of between $164,000 and $500,000 if approved by the NPS. The recommended projects are shown in the table below. If approved, the grants would be distributed later during CY 2023.

LWCF Grant Recommendations			
County	**Applicant**	**Project**	**Amount**
Cuyahoga	Brecksville	Playground replacement and trail development, including an accessible ramp	$500,000
Hamilton	Great Parks of Hamilton County	Playground replacement at Sharon Woods	$500,000
Lake	Painesville	Amphitheater at Kiwanis Recreation Park	$500,000
Montgomery	Centerville	Recreational facilities, trails, and ponds renovations at Stubbs Park	$500,000
Shelby	Russia	Splash pad and pavilion construction at Russia Community Park	$500,000
Hancock	Fostoria	Splash pad and restroom construction at City Park	$446,770
Medina	Westfield Center	Acquisition of 44 acres of greenspace at Westfield Center Village Park	$358,100
Putnam	Columbus Grove	Inclusive play facility at Half Avenue Park	$164,766
		Total	**$3,469,636**

Ohio Turnpike and Infrastructure Commission Allocates $226.0 Million for Capital Improvement Projects in CY 2023

– Jared Cape, Budget Analyst

On March 24, 2023, the Ohio Turnpike and Infrastructure Commission (OTIC) announced an allocation of $226.0 million for capital improvement projects during the year. These projects will span 13 counties along the toll road and include pavement replacement and resurfacing, bridge renovations, and toll collection system modernization. Details can be found in the list of projects (PDF) available on OTIC's website: ohioturnpike.org.

The table below summarizes the eight categories of work funded under OTIC's capital plan for 2023. Core maintenance, including road and bridge repair, replacement, and resurfacing, together make up about $127.7 million in planned spending, or 56.5% of the overall budget. The amount budgeted for maintenance vehicles and equipment, service plaza upgrades, computer and communications equipment, and small projects is $38.8 million, or 17.2% of the capital budget. The planned outlay for the Toll Collection System Modernization Program, which is scheduled for completion in 2023, is $36.4 million, or 16.1% of the overall capital budget.[13] Finally, uncommitted funds set aside for contingencies and for future projects accounts for $23.1 million, or 10.2% of OTIC's outlay for 2023.

OTIC Capital Program Allocations, CY 2023		
Work Category	**Amount Allocated ($ in millions)**	**% of Total Capital Budget**
Bridge Repair and Resurfacing	$53.9	23.8%
Road Resurfacing	$39.0	17.3%
Toll Collection System Modernization	$36.4	16.1%
Pavement Replacement	$34.8	15.4%
Uncommitted	$23.1	10.2%
Equipment and Facilities	$19.6	8.7%
Small Projects	$13.5	6.0%
Service Plaza Improvements	$5.7	2.5%
Total	**$226.0**	

OTIC is a state agency but is not appropriated money from any state funds included within the transportation or main operating budget bills. Approximately 90.0% of OTIC's operating revenue comes from toll collections. The remainder comes from food service and service station operators with concessions along the turnpike, an allocation of the state's motor fuel tax, and other income.

[13] The Toll Collection System Modernization Program began in 2019 and is planned for completion in 2023. It entails the addition of two new toll plazas and the removal of nine others, as well as removal of nearly all E-ZPass® toll lane entrance and exit gates.

Tracking the Economy

– Philip A. Cummins, Senior Economist

Overview

The economy continued to expand through April, as indicated by increases in employment through the latest month. Labor market tightness appears to be easing somewhat. Industrial production rose in the latest month but was relatively flat over the past year, with a near-term peak in September 2022. Inflation-adjusted gross domestic product (real GDP) rose at a 1.1% annual rate in this calendar year's first quarter.

Employment in Ohio rose in March. Growth continues to trail that of the nation. Ohio's labor market remains tight but appears to be less so than earlier. Unemployment in the state is low but the statewide average unemployment rate remains higher than the nationwide average. Residential real estate activity was slow in the year's first three months.

The Federal Reserve, the nation's central bank, on May 3 announced a further increase in its short-term interest rate target. It raised the federal funds target rate to a range of 5% to 5.25%, and plans to continue reducing its holdings of Treasury and agency debt and agency mortgage-backed securities. It reiterated its strong commitment to lowering inflation to its 2% goal. Federal funds futures contract pricing indicates that a preponderance of financial market participants think the current target will be the peak for this year.[14]

The National Economy

Total nonfarm payroll employment nationwide continued to expand in April, by 253,000, as shown in Chart 4. The country's average unemployment rate edged down in April to 3.4%, shown in Chart 5.

The 3.4% April U.S. unemployment rate is the lowest since 1969, apart from January 2023, also 3.4%. In the latest month, 5.7 million people were counted as unemployed. Unemployment as a percent of the labor force has varied between 3.4% and 3.7% since March 2022.

The 253,000 increase in total nonfarm payrolls in April was down from an average monthly increase of 290,000 in the previous six months. Though employment growth slowed, it remains elevated compared with prepandemic rates. Employment rose in a majority of industries in April, notably in professional and business services, health care, leisure and hospitality, and social assistance. Employment fell in temporary help services, continuing a down trend since March 2022. Average hourly earnings rose 4.4% during the latest 12 months.

The number of job openings nationwide fell to 9.6 million in March, the fewest in any month since April 2021, but far above levels in earlier decades, in a series that starts in 2000. The number of job openings per unemployed person declined to 1.64, down from more than two a year earlier and lowest since October 2021. Layoffs and discharges rose to 1.8 million in March, the highest 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

[14] CME FedWatch Tool, accessed May 8 at 9:30 a.m.

terminations of their jobs by employees, an indicator of confidence in their ability to find other employment, fell in March to 3.9 million, lowest since May 2021.

U.S. industrial production rose 0.4% in March to 0.5% higher than a year earlier. The month-to-month increase was chiefly due to a strong upturn in utility output, seasonally adjusted, as mild temperatures in February were followed by more seasonable weather in March, boosting heating demand. Manufacturing output fell 0.5% in March; durable goods production fell 0.9% with declines widespread among industries. Total factory production was 1.1% lower in March than a year earlier. Mining output contracted 0.5% in March but was 5.4% higher than a year ago.

U.S. real GDP rose at a 1.1% annual rate in the 2023 first quarter. Consumer spending grew, as did nonresidential fixed investment and government outlays. These increases were partly offset by lower residential fixed investment and a decline in business inventories.

The consumer price index (CPI) for all items rose 0.1% in March to 5.0% higher than a year earlier. The CPI excluding food and energy rose 0.4% in March to 5.6% higher than a year earlier. Month-to-month price increases continue generally smaller than during the inflation upsurge in 2021 and 2022 when the economy was recovering from pandemic shutdowns, exacerbated by supply disruptions from Russia’s 2022 invasion of Ukraine. Despite the slowing of monthly price increases, year-over-year increases in broad price aggregates continue well above the central bank target of 2% inflation. CPI changes from a year earlier are shown in Chart 6. The sharp acceleration of inflation since early 2021 is clearly evident, as is the slowing since peaks last year. Price increases remained rapid for food and for services, particularly shelter services, while prices for many goods rose more slowly or fell, compared with a year ago.

The personal consumption expenditures price index rose 0.1% in March to 4.2% higher than a year earlier. Excluding food and energy, the price index was 4.6% higher than a year ago, well above the central bank target of 2% inflation.

Wages and salaries of private industry workers rose 5.1% in the 12 months ended March 2023. The employer cost of benefits for these workers was 4.3% higher in March than a year earlier. The year-to-year wage and salary increase was down from a peak of 5.7% last year but remained well above prepandemic rates of increase.

The Ohio Economy

Total nonfarm payroll employment in Ohio rose 10,600 (0.2%) in March to 1.5% higher than a year earlier. Statewide average unemployment as a share of the labor force fell to 3.8%. Employment and unemployment in Ohio are shown compared with national figures in Chart 4 and Chart 5.

Ohio nonfarm payroll employment growth continues to trail that nationwide, which grew 2.6% in the year to March. Most of the state’s growth in nonfarm payroll employment in the year to March was in the service sector, particularly in health care and social assistance; accommodation and food service; arts, entertainment, and recreation; and professional, scientific, and technical services. Employment in some service industries contracted in the latest year, including administrative, support, and waste services; retail trade; and wholesale trade. Goods-producing industries added to employment, particularly in durable goods manufacturing and construction. Government at all levels also increased employment in the year to March.

The state's unemployment rate fell to 3.8% in March from a high in recent months of 4.2% last October and from a peak of 16.4% in April of recession year 2020. This unemployment rate compares with the nationwide rate in March of 3.5%. Statewide about 218,000 Ohioans were counted as unemployed in March, the fewest ever in this series kept since 1976. The state's labor force, persons employed or actively seeking work, was about 5.8 million in March, 171,000 or 2.9% fewer than the number of labor force participants in early 2020, prior to that year's pandemic-driven recession.

Job openings in Ohio, at 336,000 in February, continued to exceed the number of persons unemployed, 224,000, and remained numerous compared with levels in earlier decades. But the number of job openings, seasonally adjusted, declined in February in Ohio and most other states. Open positions in the state in February were at the lowest level since June 2021.

Unemployment rates in Ohio metropolitan areas in March ranged from 3.4% in Cincinnati and Columbus to 5.2% in the Weirton-Steubenville area. Nonfarm payroll employment grew in most metropolitan areas in the state, in the year to March 2023, by 2.7% in Cincinnati and by 2.5% in Dayton, but fell 0.8% in Lima. Statewide total nonfarm payroll employment growth was 1.6% in the latest year.

The Ohio real estate market remained soft through March, as indicated by Ohio Realtors data. Closings on home sales (units sold) were 15.1% lower than in the first three months of 2022. Unit sales fell 9.6% in all of 2022, after surging ahead 11.9% in 2021. The average selling price was 3.3% higher in the first three months of this year than in the year-earlier period. In all of 2022, prices rose 6.9%, after rising 5.4% in 2021 and 10.2% in 2020.

A publication of the nation's central bank, the Beige Book, summarizes business conditions in Federal Reserve districts around the country, including the Fourth (Cleveland) District which encompasses all of Ohio and parts of three adjacent states. The Beige Book is published eight times each year, most recently on April 19. That publication says of this region's economy:

> Economic activity was generally flat in the Fourth District and developments in the banking sector appeared to have very little impact on either recent economic activity or credit availability. Labor demand eased, and the supply of workers increased, particularly for lower-wage positions. Wage and other cost pressures continued to ease.

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

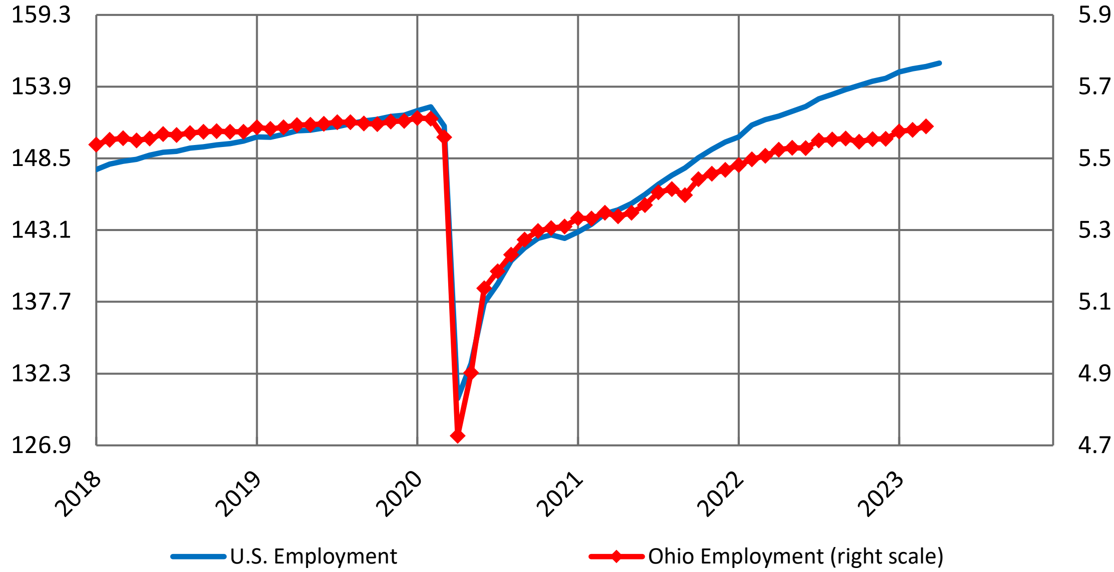
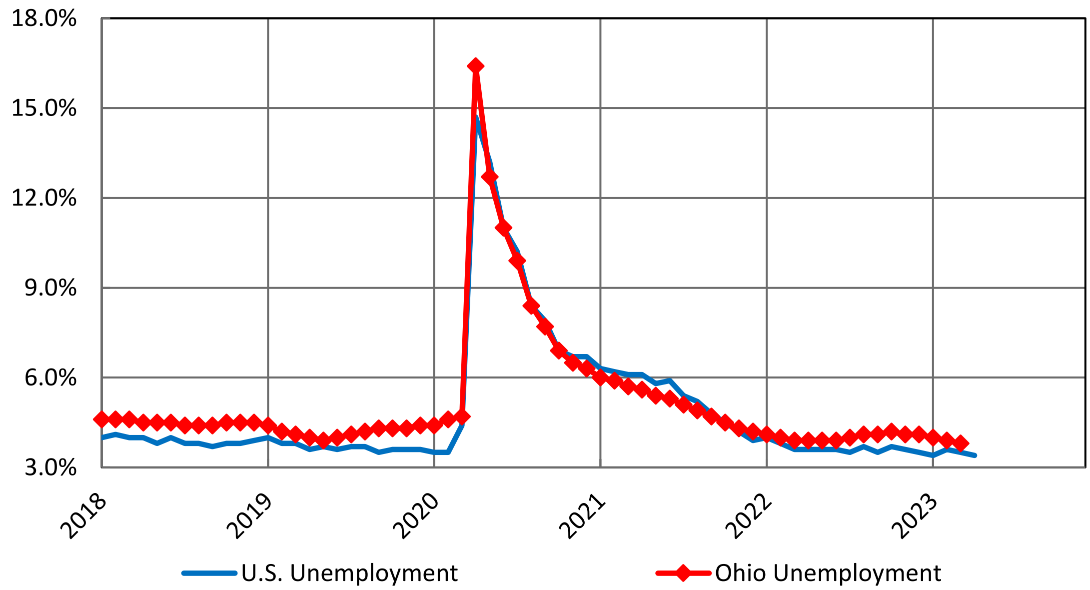


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force



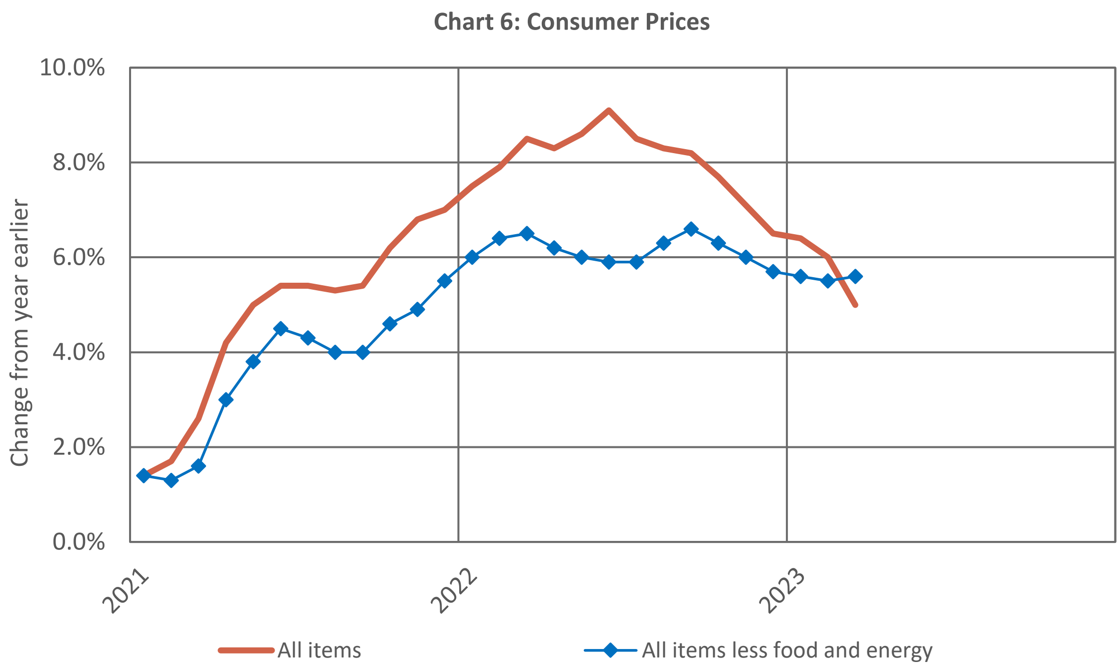


Chart 6: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy