LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– *Jean J. Botomogno, Chief Economist*

October GRF tax receipts exceeded the estimate published by the Office of Budget and Management (OBM) by $112 million. The positive variance for tax revenue was mostly from the personal income tax (PIT, $44 million), the sales and use tax ($48 million), and the commercial activity tax (CAT, $10 million). The overall positive variance was reduced by a shortfall of $2 million from the cigarette tax. YTD, GRF tax receipts were $350 million above anticipated revenue.

Ohio's unemployment rate was 4.0% in September 2022, unchanged from August. The national unemployment rate for September was 3.5%, down from 3.7% in August. Ohio nonfarm payroll employment decreased by 7,600 (0.1%) in September. Decreases in employment for private service-providing industries (-17,300) and government (-1,400) were partially offset by an increase in employment in goods-producing industries (+11,100).

Through October 2022, GRF sources totaled $15.46 billion:

- Revenue from the sales and use tax was $90.8 million above estimate;
- PIT receipts were $212.5 million above estimate.

Through October 2022, GRF uses totaled $16.39 billion:

- Program expenditures were $14.7 million above estimate, driven by Medicaid spending which was $245.2 million above projections;
- Expenditures for the remaining program categories were below estimates, including Justice and Public Protection ($81.9 million), Property Tax Reimbursements ($52.9 million), and Primary and Secondary Education ($29.8 million).

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of October 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$161,879	$153,900	$7,979	5.2%
Nonauto Sales and Use	$973,443	$933,200	$40,243	4.3%
Total Sales and Use	*$1,135,321*	*$1,087,100*	*$48,221*	*4.4%*
Personal Income	$761,902	$718,200	$43,702	6.1%
Commercial Activity Tax	$103,995	$93,600	$10,395	11.1%
Cigarette	$67,648	$69,200	-$1,552	-2.2%
Kilowatt-Hour Excise	$26,116	$26,800	-$684	-2.6%
Foreign Insurance	$184,160	$180,700	$3,460	1.9%
Domestic Insurance	$0	$200	-$200	-99.9%
Financial Institution	-$7,663	-$14,500	$6,837	47.2%
Public Utility	$4,654	$3,600	$1,054	29.3%
Natural Gas Consumption	$341	$700	-$359	-51.3%
Alcoholic Beverage	$6,529	$6,000	$529	8.8%
Liquor Gallonage	$4,813	$4,600	$213	4.6%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$17	$0	$17	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,287,833**	**$2,176,200**	**$111,633**	**5.1%**
Nontax Revenue				
Earnings on Investments	$44,490	$21,600	$22,890	106.0%
Licenses and Fees	$435	$2,127	-$1,692	-79.5%
Other Revenue	$512	$1,250	-$737	-59.0%
Total Nontax Revenue	**$45,437**	**$24,977**	**$20,461**	**81.9%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,333,270**	**$2,201,177**	**$132,093**	**6.0%**
Federal Grants	**$1,952,611**	**$1,300,247**	**$652,364**	**50.2%**
Total GRF Sources	**$4,285,881**	**$3,501,423**	**$784,458**	**22.4%**

*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 October 31, 2022
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 1, 2022)

State Sources	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Tax Revenue						
Auto Sales	$696,661	$653,900	$42,761	6.5%	$663,102	5.1%
Nonauto Sales and Use	$3,721,149	$3,673,100	$48,048	1.3%	$3,589,154	3.7%
Total Sales and Use	*$4,417,810*	*$4,327,000*	*$90,810*	*2.1%*	*$4,252,256*	*3.9%*
Personal Income	$3,443,187	$3,230,701	$212,487	6.6%	$3,200,977	7.6%
Commercial Activity Tax	$599,721	$581,400	$18,321	3.2%	$546,631	9.7%
Cigarette	$247,282	$261,800	-$14,519	-5.5%	$267,648	-7.6%
Kilowatt-Hour Excise	$108,691	$105,700	$2,991	2.8%	$108,702	0.0%
Foreign Insurance	$197,967	$190,300	$7,667	4.0%	$183,439	7.9%
Domestic Insurance	$17,530	$17,700	-$170	-1.0%	$2,252	678.3%
Financial Institution	-$9,458	-$22,800	$13,342	58.5%	-$12,571	---
Public Utility	$48,754	$35,500	$13,254	37.3%	$39,977	22.0%
Natural Gas Consumption	$14,241	$13,100	$1,140	8.7%	$13,693	4.0%
Alcoholic Beverage	$25,645	$21,900	$3,745	17.1%	$25,125	2.1%
Liquor Gallonage	$19,526	$19,400	$126	0.7%	$19,774	-1.3%
Petroleum Activity Tax	$2,538	$1,700	$838	49.3%	$1,425	78.1%
Corporate Franchise	-$3	$200	-$203	-101.5%	$500	-100.6%
Business and Property	$0	$0	$0	---	$0	---
Estate	$5	$0	$5	1309.1%	$5	16.0%
Total Tax Revenue	**$9,133,436**	**$8,783,602**	**$349,833**	**4.0%**	**$8,649,835**	**5.6%**
Nontax Revenue						
Earnings on Investments	$44,491	$21,600	$22,891	106.0%	$11,884	274.4%
Licenses and Fees	$11,019	$10,797	$222	2.1%	$11,027	-0.1%
Other Revenue	$136,102	$152,794	-$16,692	-10.9%	$149,097	-8.7%
Total Nontax Revenue	**$191,612**	**$185,191**	**$6,421**	**3.5%**	**$172,008**	**11.4%**
Transfers In	**$5,635**	**$5,000**	**$635**	**12.7%**	**$42,945**	**-86.9%**
Total State Sources	**$9,330,683**	**$8,973,794**	**$356,889**	**4.0%**	**$8,864,788**	**5.3%**
Federal Grants	**$6,127,458**	**$5,507,097**	**$620,361**	**11.3%**	**$3,719,998**	**64.7%**
Total GRF SOURCES	**$15,458,140**	**$14,480,891**	**$977,250**	**6.7%**	**$12,584,786**	**22.8%**

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

Revenues[1]

– Ross Miller, Principal Economist

Overview

October GRF tax revenue totaled $2.29 billion, an amount that was $111.6 million (5.1%) above the estimate published by OBM. 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. Federal grants are mostly reimbursements for the federal share of Medicaid spending. October state source receipts were $2.33 billion, an amount $132.1 million above estimate, while federal grants were $1.95 billion, $652.4 million above estimate. Altogether, total GRF revenue for October of $4.29 billion was $784.5 million (22.4%) above estimate. Tables 1 and 2, which precede this revenue section, show GRF sources for October 2022 and year-to-date (YTD) through the first four months of FY 2023.

October was the third month this fiscal year for which GRF tax revenue exceeded the OBM estimate (OBM's estimate for July was based on the actual revenue received that month, making the variance for that month equal to zero). For the YTD, GRF tax revenue amounted to $9.13 billion, $349.8 million (4.0%) above estimate. Positive variances have been driven by the major taxes, i.e., the PIT, the sales and use tax, and the CAT. YTD through October, receipts from those taxes were $212.5 million, $90.8 million, and $18.3 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 $14.5 million less than estimate through October. The cigarette tax variance was the only notable negative YTD variance among tax sources through October. More details about revenue from the four largest tax sources are provided in separate sections below. Other notable YTD variances include the public utility excise tax ($13.3 million), the foreign insurance tax ($7.7 million), and the financial institution tax (FIT, $13.3 million). The positive variance for the FIT is due to smaller than expected refunds having been issued so far this year.

The most notable variance for October apart from taxes was for federal grants, which, as noted above, exceeded estimate by $652.4 million. The positive variance for the month reversed a first-quarter negative variance of $32.0 million. For most revenue sources, positive variances imply a healthy state budget. But for federal grants, large positive variances are typically due to Medicaid expenditures exceeding their estimate by similarly large magnitudes. In this case, October GRF spending for Medicaid exceeded estimate by $350.1 million. So this variance is more cautionary about the health of the budget. The next most notable variance for the month was earnings on investments, which exceeded its monthly estimate by $22.9 million. October was the first month for which revenue from this source was expected, and the positive variance is largely due to interest rates having generally increased faster than expected when the original estimate was made. The October variances for these two revenue sources were easily the primary drivers

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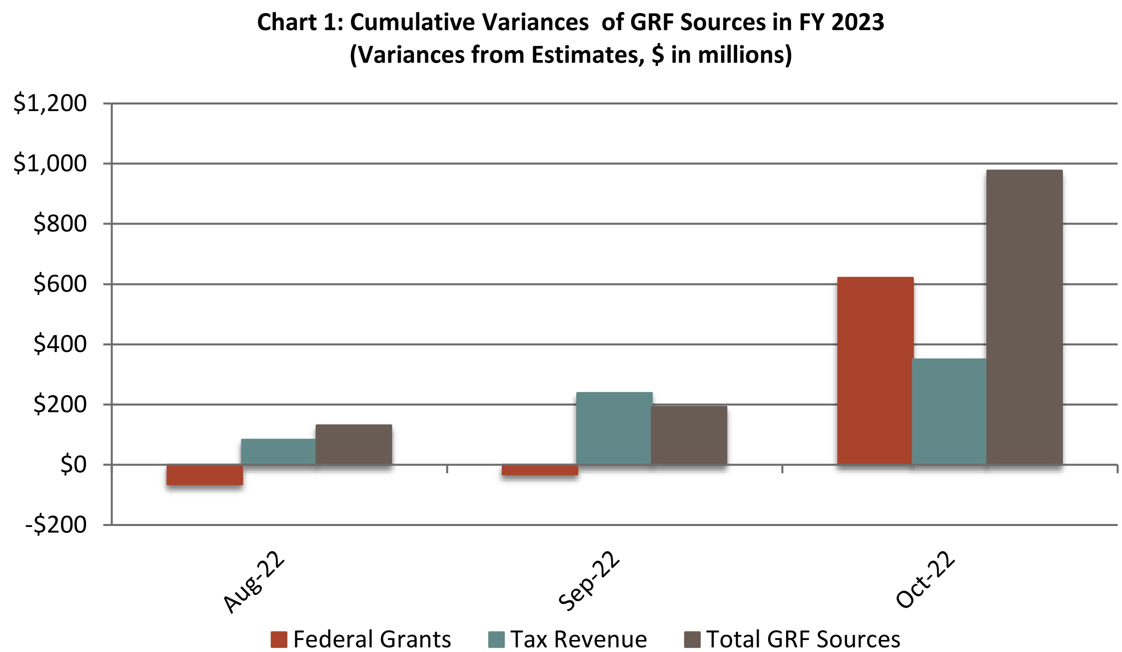
[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

of their YTD variances, which were $620.4 million and $22.9 million, respectively. Chart 1, below, shows cumulative YTD variances of GRF sources in August, September, and October.



As shown in Table 2, nearly all revenue sources have exhibited growth from the first four months of FY 2022 to the corresponding months of FY 2023. Revenue from the PIT grew $242.2 million (7.6%) despite a withholding rate reduction implemented in early FY 2022. Revenue growth was also strong for the sales and use tax, at $165.6 million (3.9%) and the CAT ($53.1 million, 9.7%). Revenue from these taxes tends to receive a boost from inflation, which has been high for the last year, as described in *Tracking the Economy* section of this publication. Other taxes that grew by notable amounts include the domestic insurance tax ($15.3 million), the foreign insurance tax ($14.5 million), and the public utility excise tax ($8.8 million). The only notable revenue decline among tax sources was the cigarette and other tobacco products tax, which has declined by $20.4 million; this tax has declined steadily for years except for a brief revenue spike early in the pandemic.

Sales and Use Tax

The sales and use tax is the largest tax revenue source for the state, having raised $13.28 billion (all funds) in FY 2022 as compared to the PIT (the second largest tax source), which raised $11.23 billion that year. October GRF receipts from the sales and use tax were $1.14 billion, $48.2 million (4.4%) above estimate. Added to receipts from the first fiscal quarter, YTD revenue from the tax amounted to $4.42 billion, $90.8 million (2.1%) above estimate. Revenue during the first four months of this fiscal year grew by $165.6 million (3.9%) compared to the first four months of FY 2022.

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 the auto and nonauto portions of the sales and use tax were above estimates in October, and both were above estimates for the fiscal year to date.

The tax base[2] for this tax is mostly goods, but includes some services; importantly it excludes some household basics like food, rent, mortgage payments, and most utilities. Growth in tax revenue is associated with increasing consumer spending in general, but tracks national data on consumer spending only loosely, due in part to differences between the tax base and the items measured in consumer spending data, and in part to differences in consumer spending patterns between Ohio consumers and those nationwide. In addition, up to 40% of tax revenue is attributable to taxes on purchases by businesses. Generally, a large part of a month's nonauto sales and use tax revenue is from tax collection or tax remittance on taxable sales in the previous month.

Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. Inflation-adjusted data on gross domestic product (GDP) indicate that consumers nationally reduced the volume of goods consumed in each of the first three quarters of this year, but increased the volume of services consumed by enough to boost consumer spending overall. If spending by Ohio consumers tracked that by consumers nationally, that would suggest little growth in tax revenue, since goods are more heavily weighted in the sales tax base than services. But goods prices increased strongly over the same period, with the U.S. Bureau of Economic Analysis reporting annualized growth of over 10% in each of the first two quarters, before moderating to 2.8% growth in the third quarter.

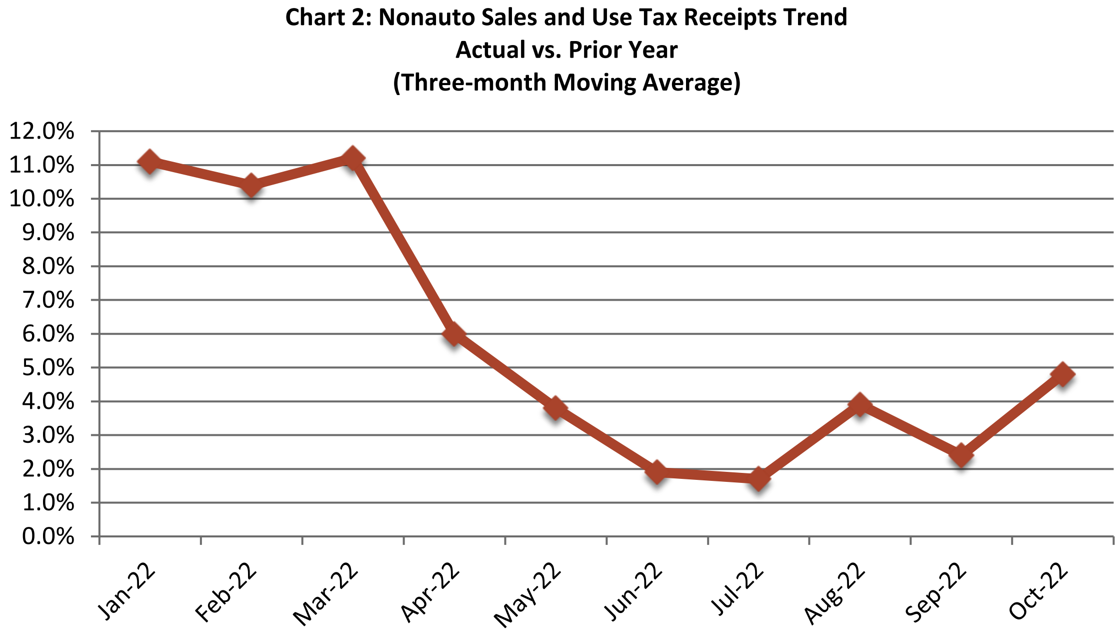
Nonauto Sales and Use Tax

October GRF receipts of $973.4 million were $40.2 million (4.3%) above the OBM estimate, and $67.1 million (7.4%) above revenue in October 2021. This monthly performance increased the YTD positive variance of this tax to $48.0 million (1.3%). For the first four months of FY 2023, revenue from this tax grew $132.0 million (3.7%) compared to the first four months of FY 2022. Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in 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 10%, on average, in the first calendar quarter, and then slowed to about 1.9%, on average, in the second. The growth slowdown was likely due in part to reductions in federal income support and other factors,[4] but growth appears to be accelerating again in recent months.

[2] The term "tax base" as used by economists refers to what is being taxed by a given tax. In the case of Ohio's sales and use tax, that means taxable purchases of clothing items, consumer electronics, furniture, and most other goods, but excluding food (unless consumed on the premises where sold) and most services.

[3] A three-month moving average means, for example, that the most recent data point shown shows the percentage growth from revenue received during August through October 2021 to revenue received during August through October 2022.

[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 mortgage at lower rates in 2020 and 2021.

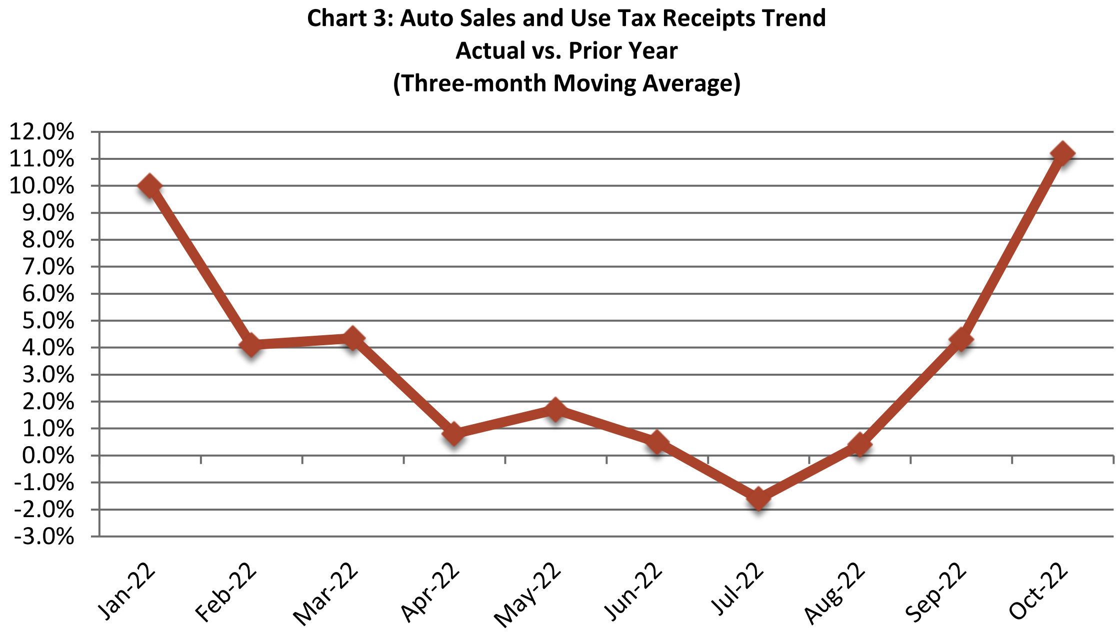


Auto Sales and Use Tax

October receipts from the auto sales and use tax were $161.9 million, $8.0 million (5.2%) above estimate, and receipts grew by a healthy 7.7% from October 2021. Revenue from the tax was above estimate in both August and September as well, so for the YTD through October, revenue amounting to $696.7 million exceeded the estimate by $42.8 million (6.5%). YTD revenue grew by $33.6 million (5.1%) from the first four months of FY 2022.

The October edition of *Budget Footnotes* both explained and documented that revenue growth from this tax during the first quarter of FY 2023 was due to higher prices of vehicles, partially offset by declines in unit sales. The data cited in last month's article was from the Ohio Bureau of Motor Vehicles, and so was Ohio-specific. National data on unit sales of light vehicles (i.e., automobiles and light trucks) show a year-over-year 12.0% decline in July, followed by a slight year-over-year increase in August, and increases in September and October around 10%. Unit sales have been limited by supply chain problems, and the restricted supply of vehicles has resulted in higher prices. A November 2 article in the *Wall Street Journal* quotes executives from Toyota and General Motors to the effect that supply chain issues involving semiconductors have improved from a year ago but are still restraining vehicle production. Analysts cited in the article believe it may take a year or more yet to fully sort out the issues.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections in 2022. The pattern is similar to that for the nonauto sales tax, in that it reflects strong growth at the outset of the calendar year (CY) but a flattening out towards the end of the second calendar quarter, as interest rates started rising. However, revenue growth in recent months has accelerated strongly, reaching 11.2% in the last three months.



Personal Income Tax

GRF revenue from the PIT exceeded estimate in August, September, and October. October revenue of $761.9 million exceeded the estimate by $43.7 million (6.1%), and grew by $24.0 million (3.3%) from October 2021. Revenue received during the first four months of FY 2023 amounted to $3.44 billion, $212.5 million (6.6%) above estimate. YTD revenue grew by $242.2 million (7.6%) compared to July through October last year.

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 October by $77.3 million (9.7%), and for the YTD have grown 8.6% over the first four months of FY 2022. That strong growth would have been even stronger except that the Department of Taxation reduced withholding rates effective September 1 last year, to bring them into line with tax rate reductions enacted in H.B. 110. The growth in withholding revenue implies strong payroll growth in Ohio, due to some combination of increasing employment and wage growth as employers have tried to attract and retain workers.

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.

[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.

October is the month when annual income tax filings are due for taxpayers who filed for an extension, so it is second only to April for expected revenue from filings with annual returns. Gross collections in October included $116.2 million from filings with returns. The amount expected for the month from this component was $53.5 million, so payments with annual returns generated $62.7 million more than expected. The boost from that component and from withholding receipts was partially offset by refunds, which were $81.4 million more than expected, and by smaller than expected estimated payments and miscellaneous payments.

The table below provides details on revenue from each component of the PIT relative to estimates for FY 2023 through October and revenue received in FY 2022 through October 2021. FY 2023 YTD gross collections were $296.9 million above anticipated revenue. All components of gross collections exceeded their estimates, most notably employer withholding, by $154.6 million, payments due with annual returns, by $91.6 million, and estimated payments, by $39.3 million. YTD refunds were $81.9 million above projections, and distributions to the LGF were also above projections, by $2.5 million, both of which reduced revenue available to the GRF. Subtracting $81.9 million and $2.5 million from gross collections' positive variance of $296.9 million yields the fiscal YTD positive variance for the GRF of $212.5 million, as reported above.

FY 2023 Personal Income Tax Revenue Variance and Annual Change by Component

Category	Variance from Estimate		Changes from FY 2022	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$154.6	4.8%	$267.6	8.6%
Quarterly Estimated Payments	$39.3	14.0%	$17.5	5.8%
Trust Payments	$8.0	44.7%	$8.9	52.4%
Annual Return Payments	$91.6	97.8%	$40.5	28.0%
Miscellaneous Payments	$3.3	14.8%	-$4.2	-14.1%
Gross Collections	**$296.9**	**8.1%**	**$330.3**	**9.1%**
Less Refunds	$81.9	31.2%	$81.9	31.1%
Less LGF Distribution	$2.5	1.5%	$6.2	3.9%
GRF PIT Revenue	**$212.5**	**6.6%**	**$242.2**	**7.6%**

As noted above, GRF revenue grew 7.6% from the months of July through October 2021 to the corresponding months of 2022. The table shows that gross collections grew $330.3 million (9.1%) from last year to this year, driven primarily by withholding receipts, which grew $267.6 million. Payments with annual returns came in $40.5 million above FY 2022, providing another notable boost. Growth in GRF revenue from the tax was restrained, though, by growth of $81.9 million (31.1%) in refunds.

Commercial Activity Tax

GRF receipts from the CAT in October amounted to $104.0 million, $10.4 million (11.1%) above estimate. Together with revenue from the first fiscal quarter, YTD GRF receipts amounted to $599.7 million, $18.3 million (3.2%) above estimate.

GRF revenue from the CAT through October of this fiscal year grew by $53.1 million (9.7%) compared with the first four months of FY 2022. Though that would seem to imply that economic activity is growing strongly, there are two important qualifications to that assessment. First, there is a time lag associated with the tax collections. Quarterly CAT taxpayers pay the tax in February, May, August, and November, based on their respective gross receipts from the preceding quarter. So for example, the $369.1 million in August GRF revenue from the tax was based on taxpayers' gross receipts during the April through June quarter. We will accordingly have to wait until November revenue is received in order to assess economic activity in Ohio during the July through September quarter.[6] The second qualification is that refunds and credits under the tax vary significantly from month to month, affecting the growth rates. Refunds and credits paid out during the first four months of FY 2023, amounting to $50.7 million, increased by $12.5 million (32.6%) compared to the corresponding months of FY 2022; the faster growth in refunds had the effect of restraining the growth rate for GRF revenue.[7]

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%). Through October, Fund 7047 and Fund 7081 received $91.7 million and $14.1 million, respectively. Disbursements from the funds 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. 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.[8]

Cigarette and Other Tobacco Products Tax

October revenue from the cigarette and OTP tax totaling $67.6 million was below estimate by $1.6 million (2.2%). YTD revenue from the tax was $247.3 million, $14.5 million

[6] October is a month during which revenue from the tax is relatively modest. During FY 2022, GRF revenue from the four months of receipts from quarterly taxpayers accounted for nearly 80% of the full-year revenue from the tax. Not only will November revenue be considerably more than the October figure, it will tell us more about current economic conditions, reflecting companies' gross receipts during the July through September period.

[7] 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.

[8] At the end of FY 2022, cash balances in Fund 7047 and Fund 7081 totaled $493.2 million and $133.6 million, respectively. Balances at the end of September were $569.0 million and $142.1 million, respectively.

(5.5%) below estimate. The YTD total included $206.3 million derived from the sale of cigarettes and $41.0 million from the sale of OTP.

FY 2023 revenue through October fell by $20.4 million (7.6%) compared to FY 2022 revenue through October 2021. OTP sales increased by $3.0 million (8.0%) while receipts from cigarette sales decreased $23.4 million (10.2%). The increase in OTP revenue is primarily due to growth in OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base grows with price increases.

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 prepandemic trend during FY 2022 and early FY 2023. The tax on cigarettes is based on unit sales rather than value.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of October 2022
($ in thousands)
(Actual based on OAKS reports run November 7, 2022)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$755,402	$711,691	$43,711	6.1%
Higher Education	$203,354	$209,440	-$6,086	-2.9%
Other Education	$10,271	$13,770	-$3,499	-25.4%
Total Education	**$969,027**	**$934,902**	**$34,126**	**3.7%**
Medicaid	$2,252,268	$1,902,120	$350,149	18.4%
Health and Human Services	$175,108	$175,739	-$631	-0.4%
Total Health and Human Services	**$2,427,376**	**$2,077,859**	**$349,517**	**16.8%**
Justice and Public Protection	$313,486	$319,435	-$5,949	-1.9%
General Government	$54,526	$65,558	-$11,032	-16.8%
Total Government Operations	**$368,012**	**$384,993**	**-$16,981**	**-4.4%**
Property Tax Reimbursements	$157,757	$292,140	-$134,383	-46.0%
Debt Service	$71,836	$71,848	-$12	0.0%
Total Other Expenditures	**$229,593**	**$363,988**	**-$134,394**	**-36.9%**
Total Program Expenditures	**$3,994,009**	**$3,761,741**	**$232,268**	**6.2%**
Transfers Out	**$300,061**	**$5,200**	**$294,861**	**5670.4%**
Total GRF Uses	**$4,294,070**	**$3,766,941**	**$527,129**	**14.0%**

*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 October 31, 2022
($ in thousands)
(Actual based on OAKS reports run November 7, 2022)

Program Category	Actual	Estimate*	Variance	Percent	FY 2022**	Percent
Primary and Secondary Education	$3,001,970	$3,031,732	-$29,763	-1.0%	$2,919,308	2.8%
Higher Education	$811,531	$825,691	-$14,159	-1.7%	$772,307	5.1%
Other Education	$45,908	$46,069	-$161	-0.3%	$45,251	1.5%
Total Education	**$3,859,409**	**$3,903,492**	**-$44,083**	**-1.1%**	**$3,736,866**	**3.3%**
Medicaid	$8,103,291	$7,858,125	$245,166	3.1%	$5,389,714	50.3%
Health and Human Services	$569,354	$598,172	-$28,818	-4.8%	$501,005	13.6%
Total Health and Human Services	**$8,672,645**	**$8,456,297**	**$216,348**	**2.6%**	**$5,890,719**	**47.2%**
Justice and Public Protection	$1,005,424	$1,087,333	-$81,910	-7.5%	$950,904	5.7%
General Government	$184,005	$204,145	-$20,140	-9.9%	$190,472	-3.4%
Total Government Operations	**$1,189,428**	**$1,291,479**	**-$102,050**	**-7.9%**	**$1,141,376**	**4.2%**
Property Tax Reimbursements	$804,831	$857,750	-$52,919	-6.2%	$850,313	-5.3%
Debt Service	$893,447	$896,093	-$2,646	-0.3%	$841,524	6.2%
Total Other Expenditures	**$1,698,279**	**$1,753,843**	**-$55,565**	**-3.2%**	**$1,691,837**	**0.4%**
Total Program Expenditures	**$15,419,761**	**$15,405,111**	**$14,651**	**0.1%**	**$12,460,798**	**23.7%**
Transfers Out	**$974,214**	**$678,900**	**$295,314**	**43.5%**	**$2,972,942**	**-67.2%**
Total GRF Uses	**$16,393,975**	**$16,084,011**	**$309,965**	**1.9%**	**$15,433,740**	**6.2%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on November 9, 2022)

	Month of October 2022				Year to Date through October 2022			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,187,875	$1,839,932	$347,943	18.9%	$7,862,755	$7,588,414	$274,341	3.6%
Non-GRF	$838,354	$1,198,805	-$360,451	-30.1%	$2,421,889	$2,813,714	-$391,825	-13.9%
All Funds	$3,026,229	$3,038,737	-$12,508	-0.4%	$10,284,644	$10,402,129	-$117,484	-1.1%
Developmental Disabilities								
GRF	$52,168	$53,273	-$1,106	-2.1%	$197,520	$198,163	-$642	-0.3%
Non-GRF	$256,569	$384,067	-$127,498	-33.2%	$924,007	$1,054,087	-$130,081	-12.3%
All Funds	$308,737	$437,340	-$128,603	-29.4%	$1,121,527	$1,252,250	-$130,723	-10.4%
Job and Family Services								
GRF	$10,992	$7,423	$3,569	48.1%	$39,007	$66,849	-$27,842	-41.6%
Non-GRF	$15,360	$38,786	-$23,426	-60.4%	$54,210	$140,515	-$86,305	-61.4%
All Funds	$26,353	$46,209	-$19,857	-43.0%	$93,216	$207,364	-$114,147	-55.0%
Health, Mental Health and Addiction, Aging, Pharmacy Board, and Education								
GRF	$1,233	$1,491	-$258	-17.3%	$4,009	$4,699	-$690	-14.7%
Non-GRF	$2,509	$4,297	-$1,788	-41.6%	$11,933	$19,365	-$7,432	-38.4%
All Funds	$3,742	$5,788	-$2,046	-35.3%	$15,942	$24,064	-$8,122	-33.8%
All Departments:								
GRF	**$2,252,268**	**$1,902,120**	**$350,149**	**18.4%**	**$8,103,291**	**$7,858,125**	**$245,166**	**3.1%**
Non-GRF	**$1,112,791**	**$1,625,954**	**-$513,163**	**-31.6%**	**$3,412,038**	**$4,027,681**	**-$615,643**	**-15.3%**
All Funds	**$3,365,059**	**$3,528,074**	**-$163,014**	**-4.6%**	**$11,515,329**	**$11,885,806**	**-$370,477**	**-3.1%**

*October 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 November 9, 2022)

	Month of October 2022				Year to Date through October 2022			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,339,212**	**$2,373,946**	**-$34,734**	**-1.5%**	**$7,900,532**	**$8,030,162**	**-$129,630**	**-1.6%**
CFC†	$532,266	$700,582	-$168,316	-24.0%	$2,464,724	$2,674,221	-$209,497	-7.8%
Group VIII	$490,966	$600,736	-$109,770	-18.3%	$2,364,117	$2,498,509	-$134,392	-5.4%
ABD†	$191,918	$217,720	-$25,801	-11.9%	$952,076	$992,700	-$40,624	-4.1%
ABD Kids	$56,326	$70,073	-$13,747	-19.6%	$278,294	$292,516	-$14,222	-4.9%
My Care	$235,129	$248,829	-$13,701	-5.5%	$972,911	$990,038	-$17,127	-1.7%
OhioRise	$16,869	$22,236	-$5,368	-24.1%	$52,672	$68,410	-$15,738	-23.0%
SPBM†	$506,626	$196,270	$310,357	158.1%	$506,626	$196,270	$310,357	158.1%
Pay for Performance	$309,111	$317,500	-$8,389	-2.6%	$309,111	$317,500	-$8,389	-2.6%
Fee-For-Service	**$804,100**	**$901,330**	**-$97,230**	**-10.8%**	**$2,818,875**	**$2,884,531**	**-$65,657**	**-2.3%**
ODM Services	$501,045	$473,693	$27,352	5.8%	$1,725,996	$1,672,703	$53,292	3.2%
DDD Services	$303,055	$429,768	-$126,713	-29.5%	$1,092,105	$1,213,959	-$121,854	-10.0%
Hospital - HCAP	$0	-$2,131	$2,131	-100.0%	$774	-$2,131	$2,905	-136.3%
Premium Assistance	**$119,026**	**$120,208**	**-$1,182**	**-1.0%**	**$471,882**	**$476,036**	**-$4,155**	**-0.9%**
Medicare Buy-In	$78,066	$78,398	-$333	-0.4%	$309,215	$311,416	-$2,201	-0.7%
Medicare Part D	$40,960	$41,809	-$849	-2.0%	$162,667	$164,621	-$1,953	-1.2%
Administration	**$102,721**	**$132,589**	**-$29,868**	**-22.5%**	**$324,040**	**$495,076**	**-$171,036**	**-34.5%**
Total	**$3,365,059**	**$3,528,074**	**-$163,014**	**-4.6%**	**$11,515,329**	**$11,885,806**	**-$370,477**	**-3.1%**

*October 2022 estimates from the Department of Medicaid
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; HCAP - Hospital Care Assurance Program; SPBM - Single Pharmacy Benefit Manager

Detail may not sum to total due to rounding.

Expenditures[9]

– *Melaney Carter, Director, Legislative Budget Office*

– *Ivy Chen, Division Chief*

Overview

For the year-to-date (YTD) through October, FY 2023 GRF program expenditures totaled $15.42 billion. These expenditures were $14.7 million (0.1%) above OBM's estimates. GRF uses also include transfers out, which totaled $974.2 million and were $295.3 million (43.5%) over estimate for the YTD, due primarily to the timing of $300.0 million in transfers that occurred in October, but were not estimated to occur until June. Total GRF uses for these four months were $16.39 billion, which was $310.0 million (1.9%) above estimate.

For program expenditures, a positive monthly variance in GRF Medicaid spending of $350.1 million (18.4%) in October more than offset negative variances in this category in the first quarter of the fiscal year resulting in a positive YTD variance of $245.2 million (3.1%). This positive variance was partially offset by negative YTD variances in all other program categories. The two largest negative YTD variances were in Justice and Public Protection ($81.9 million, 7.5%), and Property Tax Reimbursements ($52.9 million, 6.2%). Primary and Secondary Education's negative YTD variance ($29.8 million, 1.0%) fell by $43.7 million in October. The two positive October variances in GRF Medicaid and Primary and Secondary Education were partially offset by negative monthly variances in the other program categories, especially a negative monthly variance of $134.4 million (46.0%) in Property Tax Reimbursements. The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars. GRF Medicaid expenditures were above their monthly estimate in October by $350.1 million (18.4%) and above their YTD estimate by $245.2 million (3.1%) at the end of October. Non-GRF Medicaid expenditures were below their monthly estimate by $513.2 million (31.6%) and below their YTD estimate by $615.6 million (15.3%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $163.0 million (4.6%) below estimate in October and $370.5 million (3.1%) below their YTD estimate at the end of October. The YTD variances are due primarily to shifting of non-GRF spending to GRF sources and the underspending of Administration and Managed Care.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD 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

[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.

October of $12.5 million (0.4%), and a YTD all funds negative variance of $117.5 million (1.1%) at the end of October. ODODD had an October all funds negative variance of $128.6 million (29.4%) and ended the month with YTD expenditures $130.7 million (10.4%) below estimate. The ODODD variance came from two sources: cost-report settlements forecasted for October were delayed while under review, and provider-retention payments were delayed because the rule that would approve them has not yet been approved. The cost-report settlement payments will probably happen before the end of the calendar year, while the provider-retention payments will likely be delayed until after the start of 2023. 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 ODODD, 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 October. In both percentage terms and in absolute dollars, the Administration variance of $171.0 million (34.5%) was the largest. The other categories’ negative variances were Managed Care at $129.6 million (1.6%), Fee-For-Service (FFS) at $65.7 million (2.3%), and Premium Assistance at $4.2 million (0.9%). The YTD Administration variance is due primarily to the delay in some administration-related payments, specifically a large negative variance at Ohio Department of Job and Family Services (ODJFS). The variance within Managed Care was impacted by a positive monthly and YTD variance of $310.4 million in the SPBM (Single Pharmacy Benefit Manager) portion of this category. This variance was due to the uneven rollout of SPBM, Medicaid’s new system for handling prescription drug coverage for recipients. The system’s method of handling reversals (when a pharmacist reverses a submitted claim to then submit a corrected version) is rolling out more slowly than the rest of the system, so some claims appear on the books more than once. As the reversal system catches up with the rest of SPBM much of this variance will reduce in the future.

From the beginning of the COVID-19 pandemic in March 2020 through the end of October 2022, caseloads have increased by approximately 21,600 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. Caseload estimates for FY 2023 have allowed for the continuation of the federally declared public health emergency. October saw a continuation of the recent trend of positive caseload variances, with 3,565 cases (0.1%) 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 September, this category had a positive variance of $88.0 million (27.0%) after relatively small negative variances earlier in the fiscal year. In October, the category had a negative monthly variance of $134.4 million (46.0%), resulting in a negative YTD variance at the end of October of $52.9 million (6.2%).

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 $5.9 million in October to reach $81.9 million (7.5%) at the end of October. Both the monthly and YTD variances were primarily due to DRC, which had a negative monthly variance of $4.6 million and a negative YTD variance of $58.7 million. Most other agencies in this category were also under estimate for the YTD, including the Department of Public Safety and the Public Defender Commission with negative YTD variances of $11.0 million and $6.4 million, respectively.

DRC's negative YTD variance was mainly due to negative variances of $33.3 million in ALI 501321, Institutional Operations, and $18.6 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

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 the YTD estimate by $29.8 million (1.0%) at the end of October, despite positive variances of $16.7 million (2.8%) and $43.7 million (6.1%) for the months of September and October, respectively. The positive monthly variances were dominated by ALI 200550, Foundation Funding – All Students, which was over estimate by $11.3 million in September and $51.6 million in October. These positive variances reduced the negative YTD variance for the ALI to $7.0 million. The largest negative YTD variance in this category was in ALI 200437, Student Assessment, which was under the YTD estimate by $10.9 million following a negative October monthly variance of $9.0 million.

ALI 200550 is the main source of state support for public schools in the state, including those operated by traditional school districts, joint vocational school districts, and community and STEM 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.

ALI 200437 supports contracts to administer the state's assessment system. The timing of expenditures is dependent on the timing of contractor invoices, so this ALI often has timing-related variances.

Transfers Out

Transfers out of the GRF were over the monthly estimate for October by $294.9 million, resulting in a positive YTD variance of $295.3 million (43.5%). These variances were primarily due to transfers of $200.0 million into the Higher Education Improvement Fund (Fund 7034) and $100.0 million into the Adult Correctional Building Fund (Fund 7027). These two funds support capital projects. Both transfers were authorized by the capital appropriations bill, H.B. 687 of the 134th General Assembly. H.B. 687 authorized a total of $1.1 billion in transfers out of the GRF to support capital projects. The estimates have all of these transfers occurring in June, so this timing-related variance will not resolve until the end of the fiscal year.

Issue Updates

Controlling Board Approves Cribs for Kids Funding

– Jacquelyn Schroeder, Senior Budget Analyst

On October 3, 2022, the Controlling Board approved a request for approximately $931,000 in federal and GRF funds from the Ohio Department of Health (ODH) to contract with Cribs for Kids, Inc. to provide cribs, safe sleep kits, and educational materials to Ohio families. Approximately 8,600 safe sleep kits will be provided, at no cost, to eligible families through 30 Cribs for Kids grantees. In order to be eligible, a family must have an income below 185% of the federal poverty guidelines for 2022 ($42,606 for a family of three). A mother must be at least 32 weeks pregnant or have an infant less than one year old.[10] Additionally, funds will be used to distribute safe sleep kits to foster care families in Ohio who provide care for infants. Each safe sleep kit includes a portable crib, a fitted sheet, a sleep sack, a Sleep Baby Safe and Snug board book, and educational materials. The Cribs for Kids survival kits encourage parents to follow safe sleep recommendations, otherwise known as the "ABCs of Safe Sleep" — Alone, on their Backs, and in a Crib. This messaging is printed on the fabric of each crib. Sleep-related deaths are among the most preventable causes of infant mortality. In Ohio, about 140 infants die each year due to unsafe sleep environments. The goal of the Cribs for Kids Program is to reduce this number by targeting those infants most at-risk.

ODH began offering survival kits in 2015 as a result of the enactment of S.B. 276 of the 130th General Assembly. S.B. 276 established an infant safe sleep screening procedure for hospitals and birthing centers to use to determine if an infant has a safe crib in which to sleep at the infant's residence. If the hospital or birthing center determines that a safe crib is not available, the facility must make a good faith effort to arrange for the acquisition of one at no cost to the family. To meet this requirement a facility may: obtain a safe crib for the family using its own resources; obtain assistance from government entities or others to procure a safe crib or to provide funds to purchase one; or refer the parent or caregiver to a government or other entity, including the Cribs for Kids Program, to obtain a safe crib free of charge.

Cribs for Kids, Inc. is a nonprofit organization that provides safe sleep services throughout the nation. The organization partners with a variety of entities, including local health departments, health care providers, and community programs, in each state to deliver these services.

Montgomery County awarded $400,000 Federal Grant to Promote Black Youth Mental Health

– Ryan Sherrock, Economist

On September 19, 2022, the U.S. Department of Health and Human Services Office of Minority Health (OMH) awarded the Montgomery County Alcohol, Drug Addiction, and Mental

[10] Details regarding eligibility was available on several Cribs for Kids local partners' websites.

Health Services Board a $400,000 grant for an initiative to promote Black youth mental health. The grant funds, along with an additional $400,000 match from the board, will be used to launch the Adverse Childhood Experiences (ACEs) Aware program in Montgomery County. The program will increase access to tools used to screen children for ACEs. ACEs include events such as abuse, neglect, and other significant events experienced during childhood. Children are more susceptible to the effects of these events as their brains and bodies are still developing. Exposure to ACEs increases the risk of opioid misuse, overdose, and suicide. Exposure is also associated with lower educational attainment, unemployment, and poverty. Program screening results will allow impacted children to receive early targeted clinical interventions, which will help prevent adverse social and health outcomes.

This federal grant is part of a $3.0 million, three-year initiative that began September 30, 2022. Award amounts ranged from $350,000 to $400,000. The grant's goal is to help identify health and wellness policies that are successful in improving Black youth mental health. Awardees are expected to utilize policies that promote mental health and then test the impact of these policies in varied settings such as schools, faith-based organizations, community centers, health centers, or other community agency settings. Awardees will be required to submit progress reports describing a variety of factors including the policies implemented and the number of individuals impacted by the program. Continuation funding may be awarded to programs that show satisfactory progress. Ohio was one of eight states to receive this grant. The other states are Arizona, California, Georgia, Louisiana, Minnesota, Nevada, and Rhode Island.

DRC Awards $5.0 Million for Six County Jail Capital Improvements Projects

– Jeffrey E. Golon, Principal Analyst

On August 12, 2022, the Governor announced that the Department of Rehabilitation and Correction (DRC) had awarded capital improvements grants totaling $5.0 million to assist in the financing of six county jail projects. Of the six projects that were funded, three were for security upgrades and three were for sewer system renovations.[11] The awarded funds are provided by DRC to the counties on a reimbursement basis.

S.B. 310 of the 133rd General Assembly originally appropriated nearly $51.1 million for local jail improvement projects via the Adult Correctional Building Fund (Fund 7027). Of that total, $45.0 million has already been awarded to six single and multi-county jails to rebuild or expand their facilities and approximately $1.1 million was awarded to eight jail projects that were specifically earmarked for in S.B. 310. The $5.0 million awarded in August represents the amount reserved by DRC for smaller-scale projects where current jail conditions posed imminent health and safety threats and exhausts the remainder of these prior years' capital appropriations.

H.B. 687 of the 134th General Assembly continues capital funding for local jail improvements for the FY 2023-FY 2024 capital biennium with nearly an additional $50.6 million. DRC is currently processing applications from local jails for this next round of capital grants.

[11] Security upgrades include items such as door and control system improvements, communication systems, perimeter structures, and locking mechanisms.

Local Jail Capital Improvements Project Grants		
County	**Project Type**	**Grant Amount**
Darke	Security upgrades	$1,840,235
Ross	Security upgrades	$1,600,000
Pickaway	Sewer system	$901,696
Monroe	Sewer system	$329,194
Highland	Security upgrades	$178,875
Erie	Sewer system	$150,000
	Total	**$5,000,000**

Controlling Board Approves $1.4 Million in Contracts to Fund School Threat Assessment Training

– Andrew Ephlin, Budget Analyst

In August 2022, the Controlling Board approved an Ohio Department of Education (ODE) request to contract with five educational service centers (ESCs) during FY 2023 to provide state-mandated training for school threat assessment teams. The contracts, totaling $1.4 million, fund evidence-based training for selected ESC staff from School Threat Assessment, LLC and subsequent regional workshops, led by the trained ESC staff, for threat assessment teams at no cost to schools. The five ESCs will each have between 12 and 14 regional trainers, who will offer trainings for 50 district and school threat assessment team members at a time. The contracts fund up to 436 trainings statewide for a total of nearly 22,000 participants (see table below), numbers that are sufficient to provide training for all required teams. The Montgomery County ESC serves as the coordinating ESC for the project and, thus, oversees the implementation of training plans and data collection and purchases behavioral threat assessment manuals for itself and the other four ESCs to distribute to participating districts and schools, among other duties.

The contracts support districts and schools in meeting H.B. 123 of the 133rd General Assembly's mandate that each public school building serving grades 6-12 create a trained threat assessment team by March 2023. The teams are intended to prevent school violence through (1) identification of behaviors or signs that may lead to violence, (2) determination of the seriousness of the situation, and (3) development of intervention plans to protect potential victims and address underlying problems. Each school-based team typically will consist of three to five people, including school administrators, mental health professionals, school resource officers, and other necessary personnel. Guidelines concerning comprehensive school threat assessment training can be found by conducting a keyword "school threat assessment" search on the ODE website: education.ohio.gov. The contracts are supported by federal Student Support and Academic Enrichment block grant funds, which may be used for a wide variety of activities, including "safe and healthy students."

Public schools may meet H.B. 123's training requirements through a number of approved training programs. The Department of Public Safety (DPS), in consultation with ODE and the Attorney General's Office, has developed a legislatively required list of approved training programs, including several free options, that school threat assessment teams may complete. For additional details, see the DPS list, which is accessible by conducting a keyword "threat assessment" search on the Ohio School Safety Center website: ohioschoolsafetycenter.ohio.gov.

Threat Assessment Team Trainings, Expected Participants, and Contract Amounts				
ESC	**Regional Trainers**	**Funded Threat Assessment Team Trainings**	**Expected Participants (50 Per Training)**	**Total Contract Funding**
Northeast Ohio	14	142	7,100	$333,400
Montgomery County (coordinating ESC)*	12	90	4,500	$520,120
Central Ohio	14	89	4,450	$216,800
Lake Erie West	13	72	3,600	$177,900
Muskingum Valley	12	43	2,150	$112,600
Total	**65**	**436**	**21,800**	**$1,360,820**

* As the coordinating entity, Montgomery County ESC's contract also includes $253,035 to purchase threat assessment manuals and $51,085 for coordination activities.

State Committee on Computer Science Issues Report and Recommendations

– Brian Hoffmeister, Senior Budget Analyst

On August 30, 2022, the State Committee on Computer Science issued its legislatively required report and recommendations. H.B. 110 established the committee to study the current state of primary and secondary computer science (CS) education and issue a state plan presenting its findings and recommendations to address the challenges of implementing CS education statewide. The committee consisted of representatives from the Ohio Department of Education (ODE), Department of Higher Education, JobsOhio, several public school districts and community and STEM schools, universities and community colleges, and private industry and other organizations.

The committee found that demand for CS talent exceeds its supply in Ohio's labor market, and access to and participation in CS courses in Ohio's K-12 schools lags the national average. This extends into higher education, where the committee found Ohio ranks in the bottom half of states in the percentage of college degrees and the growth rate of college graduates majoring in CS. The committee's report includes ten recommendations for expanding CS education in Ohio. These include:

- Creating an Office of Computer Science Education to coordinate CS expansion initiatives within primary and secondary, postsecondary, and adult education;
- Dedicating funding equal to 1% of state foundation aid annually to support many of the committee's other recommended CS education initiatives (this equates to about $94 million annually based on FY 2023 foundation aid appropriations);
- Requiring one credit of CS to graduate high school, starting with the class of 2030;
- Offering students the opportunity to take at least one CS class per year;
- Establishing an Ohio Computer Science Council to support and fund afterschool and summer programs;
- Expanding teacher licensure and professional development in CS through grants and stipends to increase the number of licensed CS teachers, licensure revisions, and an apprenticeship model of alternative teacher licensure;
- Aligning CS education programs to the skill needs of employers;
- Providing school districts with resources to implement CS education;
- Launching a "CS for Ohio" marketing campaign; and
- Providing an online CS career path exploration tool to help guide students interested in pursuing the subject.

For additional details, see the committee's report (PDF), which may be accessed by conducting a keyword "State Committee on Computer Science" search on ODE's website: education.ohio.gov.

Controlling Board Increases Appropriation for National Integrated Ballistic Information Network Expansion

– Shaina Morris, Budget Analyst

On September 19, 2022, the Controlling Board approved an Attorney General (AGO) request to increase the FY 2023 appropriation by $4 million for ALI 055638, Attorney General Pass-Through Funds (Fund 3E50). The appropriation increase will allow the AGO to utilize a National Integrated Ballistic Information Network (NIBIN) federal grant which is being passed through from the Department of Public Safety's Office of Criminal Justice Services. The grant, in the amount of $9.1 million, was awarded to the AGO in April 2022. The grant award period is expected to extend through December 2024. Funds were authorized from a portion of Ohio's allotment from the federal American Rescue Plan Act (ARPA), which was subsequently appropriated through the Community Violence Intervention – First Responder Program created in H.B. 169 of the 134th General Assembly. The award does not require state matching funds.

The grant will allow the AGO to purchase equipment and support payroll-related expenditures for 26 additional staff at the Bureau of Criminal Investigation (BCI) in order to expand the use of the NIBIN system for the state. First created in 1997, NIBIN provides law enforcement throughout the state with access to ballistics analysis and tracing and is governed by the federal Bureau of Alcohol Tobacco and Firearms (ATF). The grant proposal includes five new NIBIN stations at BCI crime labs including two new stations in the laboratories at both BCI's London and Bowling

Green offices, and one new station in BCI's Richland office. This additional funding will increase the number of NIBIN sites in Ohio from seven to 11 when the new units are in place.

Controlling Board Approves $52.4 million to Fund New Programs under the State Small Business Credit Initiative

– Shannon Pleiman, Senior Budget Analyst

On September 19, 2022, the Controlling Board approved a Department of Development (DEV) request to appropriate approximately $52.4 million in FY 2023 to administer four new programs funded by the U.S. Department of the Treasury's State Small Business Credit Initiative (SSBCI). The purpose of SSBCI is to assist socially and economically disadvantaged individuals, very small businesses, and early-stage, technology-based companies. The table below details the four new programs and the approved funding amount for each authorized by the Controlling Board.

New Programs Funded Under SSBCI		
Program	**Description**	**Amount**
Ohio Venture Fund	Provides capital to investment funds to invest in early-stage, tech-based companies.	$21,568,824
Community Development Foundation Institutions (CDFI) Loan Participation Program	Provides loans to socially and economically disadvantaged individuals, very small businesses, and businesses located in CDFI tracts.	$13,146,862
Early-Stage Focus Fund	Supports funds that target investments to early-stage, tech-based companies in underserved communities and populations. Complements DEV's existing Ohio Third Frontier Pre-Seed Fund.	$10,561,540
Ohio Collateral Enhancement Program	Provides collateral on small business loans made by financial institutions to allow small and minority-owned businesses to access loans that otherwise would have been denied.	$7,163,388
	Total	**$52,440,614**

SSBCI was established in 2010 and reauthorized and expanded by the federal American Rescue Plan Act. DEV's Minority Business Development Division and the Ohio Third Frontier will administer these SSBCI programs. The Department expects the money to be available by the end of 2022. Overall, DEV anticipates receiving approximately $182.3 million under the U.S. Department of Treasury's SSBCI if certain performance targets are met.

Department of Natural Resources Opens $40 million Hocking Hills State Park Lodge and Conference Center

– Jared Cape, LSC Fellow

On October 8, 2022, the Department of Natural Resources (DNR) opened the Hocking Hills State Park Lodge and Conference Center. This $40 million facility replaces the former lodge that was destroyed by a fire in 2016. The rebuilding was funded by a combination of insurance settlement proceeds and capital appropriations. The insurance settlement proceeds of $16 million were deposited into the Departmental Projects – Intrastate Fund (Fund 1550) and expended under H.B. 110 and the prior two main operating budget acts. The remaining $24 million of project costs were funded using bond proceeds deposited into the Parks and Recreation Improvement Fund (Fund 7035). The new, nearly 74,000-square-foot lodge offers 81 guest rooms, full service dining, hotel amenities, and an event space with a 230 person capacity. For more information on the project, see the press release, which is available on the Governor's website: governor.ohio.gov.

Photo courtesy of ODNR

BWC reduced employer insurance rates in 2022

– Ruhaiza Ridzwan, Senior Economist

The Bureau of Workers' Compensation (BWC) reduced the average statewide collectible insurance rate in 2022 by 10% for private employers (beginning on July 1) and by 15% for public employers (beginning on January 1). BWC provides workers' compensation insurance to all public and private employers in Ohio, except to those employers large enough to self-insure. Employers pay insurance premiums at various rates depending on risk classification and industry, and BWC Board of Directors has the ability to determine whether the surplus of insurance premiums over losses is larger than needed to maintain solvency of the State Insurance Fund. BWC may return the excess surplus to employers through cash refunds (also called dividends) or reduce insurance premiums for employers covered under the fund.

The average statewide collectible rate is the average annual premium rate paid by employers, regardless of classification, per $100 of covered payroll. The average statewide collectible rates for private and public employers have decreased each year since 2018. BWC has also paid dividends to employers each year since 2018 as seen in the following table. In 2020, at the request of the Governor, and to lessen the financial impact of COVID-19 pandemic shutdowns on employers, BWC paid out $7.5 billion, the highest total dividends to date. BWC has not announced a dividend for 2022.

BWC Dividends, 2018 Through 2021			
Year	Private Employers ($ in millions)	Public Employer Taxing Districts ($ in millions)	Total ($ in millions)
2018	$1,103.8	$157.4	$1,261.3
2019	$1,133.6	$171.7	$1,305.3
2020	$6,493.5	$1,020.2	$7,513.7
2021	$35.4	$0.3	$35.6

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

The U.S. economy continued to add jobs in October, but at a slower pace. Unemployment increased slightly to 3.7% of the labor force, but remained low. U.S. inflation-adjusted gross domestic product (real GDP)[12] rebounded in the third quarter 2022 after contracting in both the first half's two quarters. Industrial production increased 0.4% in September, after a 0.1% decrease in the previous month. During the month, manufacturing output also increased 0.4% while mining output rose 0.6%. Consumer spending experienced slower growth in the third quarter. Business fixed investment increased as business spending on equipment improved in the third quarter, but residential fixed investment decreased. Government spending increased, after declining in the previous five consecutive quarters. Housing starts declined by 7.7% from a year earlier and new home sales were 17.6% lower than a year earlier, as average 30-year fixed-rate mortgage (FRM) [13] rates in the U.S. hovered around 7%.

Consumer prices rose in October, at the same 0.4% monthly rate as in September. But both the monthly rate for all items less food and energy and the year-over-year rate declined. The Federal Reserve's Federal Open Market Committee (FOMC) on November 2 announced another increase in its target range for the federal funds rate to a range of 3.75% to 4%. The report on October consumer prices provides tentative evidence that recent FOMC increases in the federal funds rate may be having the effects on inflation that it wants.

Ohio's economy lost 7,600 jobs in September, but the state unemployment rate held steady at 4.0%. Real estate activity in the state slowed, but home prices continued well above year-earlier levels. Economic activity in the region was mixed across sectors according to the latest Federal Reserve System Beige Book report.

The National Economy

The U.S. labor market remained strong and the unemployment rate remained low. Total nonfarm payrolls added 261,000 workers in October, after adding 315,000 jobs in September. September's total employment was revised upward by 29,000 workers. On average, the U.S.economy added 407,000 jobs per month during the first ten months of this year compared to 551,000 monthly job gains during the same period of last year. Most job growth in October was in the service sector, primarily in health care, professional and technical services, accommodation and food service, and social assistance. Manufacturing employment continued to increase in October. Manufacturing added 32,000 jobs. Most gains were in durable goods (computer and electronic products, fabricated metal products, and transportation equipment). Employment in mining and logging and construction experienced little change. Chart 4 below shows U.S. and Ohio nonfarm payroll employment since January 2018.

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[12] Real GDP is a measure of the value of all goods and services produced by a nation and adjusted for price changes.

[13] The U.S. average of 30-year FRM is derived from Freddie Mac Primary Mortgage Market Survey, U.S. weekly averages, posted on the Freddie Mac website.

The U.S. seasonally adjusted unemployment rate was 3.7% in October, a 0.2 percentage point increase from September, but a decrease from October of last year. U.S. and Ohio unemployment rates are shown in Chart 5 below. In October, the number of unemployed individuals in the U.S. increased to 6.1 million. The number of unemployed people who had been out of work for 27 weeks or more was 1.2 million in October, a slight increase from September. The number of employed persons who were working part-time for economic reasons, such as reduced work hours or not being able to find full-time work, decreased slightly in October to 3.7 million. The number of employed persons who were working part-time for noneconomic reasons, such as having childcare problems or personal obligations, increased slightly during the month to 21.3 million. The seasonally adjusted unemployment rate for adult women increased in October to 3.4%, but the unemployment rate for adult men was unchanged at 3.3%. The seasonally adjusted labor force participation rate and the employment to population ratio changed little in October.

The FOMC, which is a committee within the Federal Reserve charged with monetary policy, announced after its November 2, 2022, meeting that it would again increase its target range for the federal funds rate by 0.75 percentage point, to a range of 3.75% to 4%. The increase would be the same as in its last three consecutive meetings held in June, July, and September. Previously, the FOMC also raised its target rate by 0.25 percentage point and 0.5 percentage point in March and May, respectively. Rate increases are used by the FOMC in an attempt to tame high inflation.[14]

In September, the number of nationwide job openings rose to 10.7 million, after a decrease in August. Most job openings were in leisure and hospitality, education and health services, and professional and business services. Job openings in financial activities, manufacturing, and state and local government declined. Hiring decreased, as the number of hires in durable goods manufacturing and in state and local government education declined. Layoffs and discharges also decreased.

Real GDP rose at a 2.6% annual rate in the third quarter of 2022 according to the advance estimate by the U.S. Bureau of Economic Analysis (BEA), after contracting in the previous two consecutive quarters. The increase in real GDP reflects increases in exports, consumer spending, nonresidential fixed investment, and government spending that were partly offset by decreases in residential fixed investment and private inventory investments. Imports, which are a subtraction in the calculation of GDP, decreased. Exports grew at a 14.4% annual rate, which were steered by industrial supplies and materials and nonautomotive capital goods. Imports declined at a 6.9% annual rate. Consumer spending, which accounted for about 71% of U.S. real GDP in the third quarter, increased at a 1.4% annual rate, slower growth than in the previous quarter. Residential fixed investment fell at a 26.4% annual rate, declining for the sixth consecutive quarter. Business nonresidential fixed investment increased at a 3.7% annual rate, as business spending on equipment improved compared to the previous quarter. Government spending also increased, 2.4% in the quarter, after declining in five consecutive quarters. Final sales to private domestic purchasers, which measures the sum of personal consumption

[14] The central bank's goals are to have a long-term inflation target rate of 2% and also to maintain maximum employment

expenditures and gross private fixed investment, rose at a 0.1% annual rate, the slowest growth since the steep COVID-19 related downturn in the second quarter of 2020.

Industrial production expanded 0.4% in September, on a seasonally adjusted basis, following a decline of 0.1% in August. The increase in September was due to increases in manufacturing output (0.4%) and mining (0.6%), while utilities output declined (-0.3%). Among major market groups, output of construction supplies was up 1.1%, but output of business supplies declined 0.2%. Output of consumer goods and of materials were up by 0.6% and 0.3%, respectively.

The Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.4% in October, after seasonal adjustment, following a 0.4% increase in September. For the year ending in October, CPI-U rose 7.7% before seasonal adjustment, down from 8.2% in September. Increases in shelter, food, and energy indexes were the primary reasons for the increase in October. The energy index increased by 1.8% for the month, largely due to an increase in the gasoline index. In the twelve months ending in October 2022, the energy index rose by 17.6%. Year-over-year increases have exceeded 10% since March 2021. Core inflation (the percentage change in the CPI-U excluding food and energy) rose by 0.3% in October, down from 0.6% in September. For the year ending in October, core inflation was 6.3%, down from 6.6% in September. Overall the October numbers provide tentative evidence that monetary policy decisions by the FOMC are having the desired effect.

The Producer Price Index for final demand rose by 0.4% in September, after seasonal adjustment, following a decrease of 0.2% in August. Prices for food and energy increased by 1.2% and 0.7% in September, respectively. For the year ending in September, the price index for final demand increased by 8.5%. The index, excluding foods, energy, and trade services increased by 0.4% in September, the sharpest increase since May. For the year ending in September, the index excluding foods, energy, and trade services rose by 5.6%, unchanged from August.

In September, personal income rose 0.4%, after increasing by the same percentage in both August and July. The increase in income was led by higher wages and salaries in both service-providing industries and goods-producing industries and by increases in both interest and dividend income. Wage and salary rates for private industry workers rose 1.2%, after seasonal adjustment, for the three-month period ending in September and 5.2% before seasonal adjustment from September 2021 to September 2022, as reported by the U.S. Bureau of Labor Statistics. Wage and salary rates of state and local governments grew 2.1% for the three months to September and 4.4% from a year earlier.

Housing starts in the U.S. fell 8.1% in September, seasonally adjusted, and fell 7.7% compared to September 2021. Building permits for new housing units in the U.S. increased by 1.4% from August to September, but declined by 3.2% from the preceding September. Midwest housing starts declined by 2.7% for the month and fell by 10.8% compared with the prior September. Building permits for new housing units in the Midwest went up 4.0% for September, but decreased by 2.3% from a year earlier. New home sales dipped 10.9% in September, seasonally adjusted, and fell 17.6% from a year earlier. In the Midwest, however, the number of new houses sold in September went up slightly and increased from a year earlier. The 30-year FRM in the U.S averaged 7.08% during the last week of October, the highest average rate since the week of April 5, 2002; the average 30-year mortgage rate dipped slightly to 6.95% in the first week of November. In comparison, the average 30-year mortgage rate was around 3% in the months of October and November of last year.

Nationwide sales of light motor vehicles (i.e., autos and light trucks) improved in October. The annualized rate of nationwide total light vehicle sales went up in October to 14.9 million units, seasonally adjusted, the highest sales rate since January. However, light vehicle sales during the first ten months of this year were still about 11% lower than during the same period in 2021.

The personal consumption expenditures (PCE) price index[15] rose 0.3% for September. The price index for PCE, excluding food and energy (i.e., the core PCE price index) increased by 0.5% for the month. From September 2021 to September 2022, the PCE price index rose 6.2%, the same over-the-year gain as in August, while the core PCE price index edged up 5.1% after increasing 4.9% in August.

The Ohio Economy

In September, the state's total nonfarm payroll employment, seasonally adjusted, was down by 7,600 jobs or -0.1%, from August's revised total, following payroll employment growth of 6,000 in August. Employment in private service-providing sectors and government contracted by 17,300 and 1,400, respectively, in September while employment in goods-producing industries increased by 11,100. The increase in employment in goods-producing industries was attributed to increases in workers in manufacturing (+8,700), construction (+2,100), and mining and logging (+300). Job losses in the private service-providing sector were largely in leisure and hospitality (-5,400), educational and health services (-5,300), other services (-5,000), professional and business services (-3,200), and financial activities (-1,400). The number of workers in trade, transportation, and utilities and in information increased in September. Employment in state and local governments contracted, but the federal government added jobs in the state. In the 12 months prior to September, Ohio's total nonfarm payroll employment increased by 93,300 or 1.7%. Most of the job gains over the year were in trade, transportation, and utilities (+25,400), leisure and hospitality (+14,900), nondurable goods manufacturing (+13,100), construction (+13,000), durable goods manufacturing (+10,100), local government (+7,400), other services (+6,300), information (+4,900), and educational and health service (+2,700). The decreases were in state government (-4,100) and the federal government (-400).

The state's unemployment rate was 4.0% in September, the same rate as in August, but having dropped from 4.7% in September of last year. In comparison, the U.S. unemployment rate was 3.5% in September, 3.7% in August, and 4.7% in September of last year. The number of unemployed Ohioans grew by 3,000 from 229,000 in August to 232,000 in September. From a year earlier, the number of unemployed Ohioans decreased by 38,000, from 270,000 in September 2021.

In September, unemployment rates for all 12 metropolitan areas in Ohio fell compared to August 2022 and September 2021. The lowest unemployment rates were found in the Columbus and the Cincinnati metropolitan areas, each at 3.3%. A year ago, the unemployment rates were 3.8% for the Columbus metropolitan area and 3.9% for the Cincinnati metropolitan area. The

[15] This index is used by the Federal Reserve to gauge whether it is achieving its 2% target inflation rate over time.

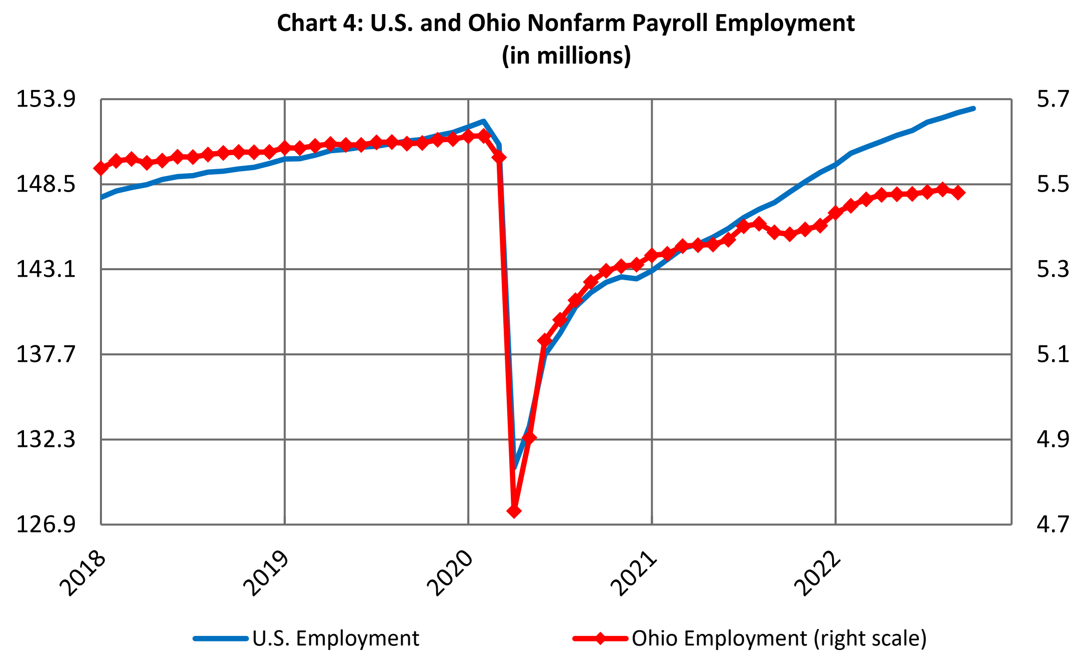
Weirton-Steubenville metropolitan area had the highest unemployment rate at 4.8% in September 2022. In contrast to the state nonfarm payroll data and unemployment rates above, these metropolitan area figures are not seasonally adjusted.

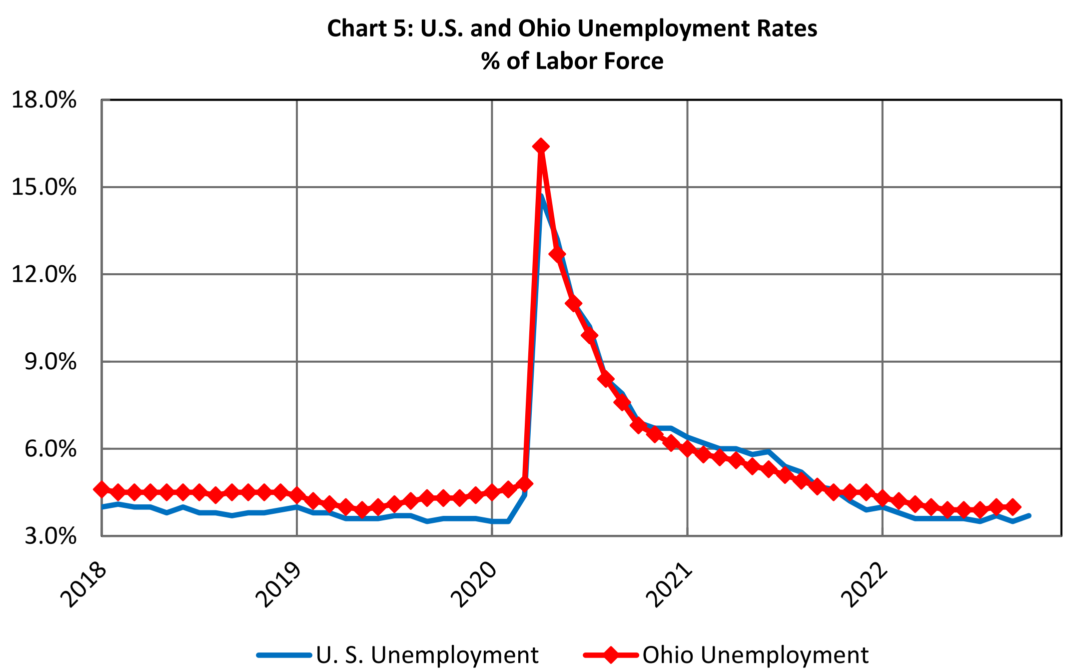
In the last 12 months ending in September among the 12 metropolitan areas in Ohio, the Toledo metropolitan area had the highest nonfarm payroll employment growth (3.4%), while the Weirton-Steubenville metropolitan area had the lowest (0.5%).

The number of existing homes sold in the state decreased to 13,785 in September, a 15.0% decline compared to September of last year, according to a monthly report published by Ohio Realtors. Existing home sales decreased for all market listing services in the state, except in Ashland, which increased by 12.2%, and the Greater Portsmouth area, which was unchanged. The average statewide sales price of homes sold in September was $260,232, an increase of 7.1% compared to the corresponding month last year. In the first nine months of 2022, the total units of existing homes sold decreased by 6,701 or 5.4%, compared to the same period a year earlier. The statewide average sales price of homes sold so far in 2022 was $261,049, or 9.2% higher than in the corresponding months in 2021.

Economic activity in the Federal Reserve Fourth District that includes Ohio was generally little changed overall, however contacts in the region reported growth was mixed across sectors.[16] Hiring activity continued to grow, but at a slower pace. Both input prices and selling prices remained elevated, however some prices were declining during recent weeks. Retail sales declined. Auto sales were flat or weaker and dealers stated that “consumers had become wary of higher payments because of increased interest rates and higher vehicle prices.” Manufacturing demand increased on balance. Contacts in both residential and nonresidential construction and real estate noted that demand worsened largely because of increasing interest rates, declining buyer confidence, and high construction costs. Commercial lending activity remained at elevated levels, but lending activity for new residential mortgages and refinancing, and for auto loan originations weakened.

[16] Based on the latest Beige Book, a Federal Reserve System publication that summarizes information received on or before October 7, 2022, from outside contacts. The Federal Reserve Bank of Cleveland’s district includes all of Ohio and nearby parts of Kentucky, Pennsylvania, and West Virginia.





Economic Forecasts

The following are comparisons of key economic indicators derived from IHS Markit Economics' baseline forecasts released in May 2021, January 2022, and the most recent forecast, October 10, 2022. Some of the indicators forecasted in May 2021 were utilized by LBO economists in econometric models to develop state revenue estimates for this biennium during the state's operating budget deliberations (H.B. 110 of the 134th General Assembly). The IHS Markit forecasts are point estimates, which do not indicate the sizable, and varying, uncertainty involved in each forecast. Accordingly, the inherent uncertainties of economic indicator forecasts would inevitably influence the precision of LBO's state revenue estimates.

The first row in each forecast, by released month contains quarter-by-quarter projected changes in the indicator at seasonally adjusted annual rates. The second row in each forecast, by released month contains year-over-year projected changes in the indicator averaged over the four quarters of the fiscal year. The unemployment rate tables are IHS Economics' unemployment rate projections for the quarters indicated (first row) and the average of the rates in the quarters of each fiscal year (second row).

U.S. Gross Domestic Product

U.S. real GDP is projected to increase by 0.1% in FY 2023, a lower growth than projected in May 2021 (2.5%) and in January 2022 (3.3%). In the latest forecasts, IHS Markit anticipates a mild recession coming in the fourth quarter of 2022, with a recovery starting in the third quarter of 2023 (FY 2024). As noted above, BEA estimated U.S. real GDP grew at a 2.6% annual rate in the third quarter of 2022 (compared to the IHS Markit's forecast of 2.3%.)

U.S. Real GDP Growth									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent change at annual rate-------------------------------							
May 2021	Quarterly	4.2	2.7	1.6	1.6	1.7	2.0	1.9	2.3
	Fiscal Year		6.7				2.5		
Jan. 2022	Quarterly	3.6	3.4	3.6	2.4	2.2	2.2	2.4	2.6
	Fiscal Year		4.8				3.3		
Oct. 2022	Quarterly	-1.6	-0.6	2.3	-1.2	-2.3	-0.7	1.2	1.2
	Fiscal Year		4.0				0.1		

Ohio Gross Domestic Product

Based on the October forecasts, the Ohio economy is expected to contract by 1.0% in FY 2023, with negative growth every quarter. In the January 2022 forecast, Ohio's economy was projected to grow 3.5% in the current fiscal year.

Ohio Real GDP Growth									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent change at annual rate------------------------------							
May 2021	Quarterly	2.7	2.2	0.9	1.5	1.0	1.5	0.9	1.7
	Fiscal Year		5.8				1.9		
Jan. 2022	Quarterly	3.7	3.6	3.6	3.2	2.3	2.2	2.1	2.3
	Fiscal Year		3.9				3.5		
Oct. 2022	Quarterly	-1.7	-1.1	-1.5	-1.9	-2.1	-0.7	0.8	0.9
	Fiscal Year		3.6				-1.0		

U.S. Inflation

U.S. inflation, as measured by the percentage change in the CPI, is projected to average 6.5% in FY 2023, a substantial increase compared to previous IHS Markit's projections in May 2021 and January 2022.

U.S. Consumer Price Index (Inflation)									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent change at annual rate-------------------------------							
May 2021	Quarterly	1.8	1.6	1.6	1.6	2.2	2.0	1.9	2.0
	Fiscal Year		2.2				1.7		
Jan. 2022	Quarterly	1.4	3.2	2.3	2.3	2.4	1.8	2.0	1.9
	Fiscal Year		5.7				2.7		
Oct. 2022	Quarterly	9.2	10.5	5.4	5.0	4.2	2.3	2.7	2.8
	Fiscal Year		7.2				6.5		

U.S. Personal Income

Nationwide personal income is projected to grow by 4.2% in FY 2023 (not adjusted for inflation), a slight decrease compared to the projection in January 2022. In the latest two forecasts, U.S. personal income is to grow faster than the May 2021 forecast.

U.S. Personal Income Growth									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent change at annual rate--------------------------------							
May 2021	Quarterly	6.0	4.8	4.1	3.2	3.8	4.2	4.1	4.3
	Fiscal Year		0.9				3.9		
Jan. 2022	Quarterly	1.6	5.3	5.8	3.9	4.9	4.8	4.8	4.8
	Fiscal Year		2.3				4.3		
Oct. 2022	Quarterly	3.0	5.9	4.9	4.9	2.2	2.7	4.2	4.1
	Fiscal Year		2.8				4.2		

Ohio Personal Income

Income of Ohio residents is expected to grow by 4.1% in FY 2023 according to the latest forecast, slightly lower growth than projected for U.S. personal income above. Ohio personal income grew faster than anticipated during budget deliberations in FY 2022 (0.1% vs 1.0%), and IHS Markit expects this measure to also grow faster in FY 2023 (3.4% vs 4.1%). In its latest offering, U.S. BEA estimated that Ohio personal income grew at a 5.8% annualized rate in the second calendar quarter of 2022.

Ohio Personal Income Growth									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent change at annual rate--------------------------------							
May 2021	Quarterly	5.4	4.4	3.8	2.8	3.4	3.8	3.5	3.9
	Fiscal Year		0.1				3.4		
Jan. 2022	Quarterly	1.2	5.3	5.7	4.3	5.1	4.7	4.6	4.5
	Fiscal Year		1.0				4.4		
Oct. 2022	Quarterly	3.7	5.8	3.2	4.4	3.3	2.7	3.9	4.1
	Fiscal Year		1.0				4.1		

U.S. Unemployment Rate

IHS Markit's October baseline forecasts expect the U.S. unemployment rate to reach 4.0% in FY 2023, an increase from its forecasts in both May 2021 and January 2022. IHS Markit anticipates unemployment levels to rise above previously anticipated levels. As reported above, the U.S. unemployment rate in October was 3.7%.

U.S. Unemployment Rate									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent of labor force---							
May 2021	Quarterly	4.0	3.8	3.7	3.6	3.6	3.5	3.5	3.5
	Fiscal Year		4.3				3.6		
Jan. 2022	Quarterly	3.9	3.7	3.5	3.5	3.5	3.6	3.7	3.7
	Fiscal Year		4.3				3.5		
Oct. 2022	Quarterly	3.8	3.6	3.5	3.7	4.1	4.8	5.5	6.0
	Fiscal Year		4.2				4.0		

Ohio Unemployment Rate

The latest IHS Markit baseline forecast projects the state's unemployment rate to increase to 4.5% in FY 2023, an increase from 3.9% in both May 2021 and January 2022. As noted above, Ohio's unemployment rate in September was 4.0%.

Ohio Unemployment Rate									
Forecast (released month)		2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		--------------------------------Percent of labor force---							
May 2021	Quarterly	4.3	4.1	4.0	4.0	3.8	3.8	3.8	3.8
	Fiscal Year		4.3				3.9		
Jan. 2022	Quarterly	4.5	4.2	4.0	3.9	3.9	4.0	4.1	4.2
	Fiscal Year		4.7				3.9		
Oct. 2022	Quarterly	4.2	3.9	3.9	4.2	4.7	5.5	6.2	6.8
	Fiscal Year		4.4				4.5		