LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 Issue: December 2023

Highlights

– Phil Cummins, Senior Economist

GRF sources through November had a $136.5 million positive variance compared with the Office of Budget and Management (OBM) FY 2024 estimate. GRF uses were $391.6 million above estimate through the first five months of the fiscal year.

Ohio's unemployment rate rose to 3.6% in October, below the U.S. unemployment rate for the sixth consecutive month. Higher interest rates have moderated both inflation and consumer spending. Employment continues to trend higher, both nationwide and in Ohio.

Through November 2023, GRF sources totaled $18.79 billion:

- ❖ Revenue from the personal income tax (PIT) was $164.9 million above estimate; the commercial activity tax (CAT) exceeded its estimate by $61.6 million;
- ❖ Federal grants were $226.3 million below estimate.

Through November 2023, GRF uses totaled $26.18 billion:

- ❖ Program expenditures were $594.9 million below estimate, as every program category was below estimate;
- ❖ The largest shortfall was Medicaid, $290.6 million, which reflects both timing issues and a decline in caseloads;
- ❖ GRF transfers out totaled $6.58 billion, $986.5 million (17.6%) more than OBM's estimate. Most of the variance is due to transfers related to the recent capital budget, made earlier in the fiscal year than anticipated.

In this issue...

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$152,143	$157,200	-$5,057	-3.2%
Nonauto Sales and Use	$989,911	$991,300	-$1,389	-0.1%
Total Sales and Use	*$1,142,054*	*$1,148,500*	*-$6,446*	*-0.6%*
Personal Income	$800,750	$741,000	$59,750	8.1%
Commercial Activity Tax	$484,229	$489,600	-$5,371	-1.1%
Cigarette	$62,484	$66,400	-$3,916	-5.9%
Kilowatt-Hour Excise	$19,580	$21,000	-$1,420	-6.8%
Foreign Insurance	$11,630	-$100	$11,730	11730.1%
Domestic Insurance	-$14,942	$0	-$14,942	---
Financial Institution	-$19,261	-$5,200	-$14,061	-270.4%
Public Utility	$33,264	$33,600	-$336	-1.0%
Natural Gas Consumption	$5,815	$4,800	$1,015	21.1%
Alcoholic Beverage	$6,309	$5,800	$509	8.8%
Liquor Gallonage	$4,628	$5,000	-$372	-7.4%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$5	$0	$5	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,536,545**	**$2,510,400**	**$26,145**	**1.0%**
Nontax Revenue				
Earnings on Investments	$8	$0	$8	---
Licenses and Fees	$588	$1,503	-$915	-60.9%
Other Revenue	$3,889	$1,250	$2,639	211.1%
Total Nontax Revenue	**$4,486**	**$2,753**	**$1,733**	**62.9%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,541,031**	**$2,513,153**	**$27,878**	**1.1%**
Federal Grants	**$1,274,741**	**$1,313,936**	**-$39,195**	**-3.0%**
Total GRF Sources	**$3,815,772**	**$3,827,089**	**-$11,317**	**-0.3%**

*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 2024 as of November 30, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 1, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$816,348	$847,700	-$31,352	-3.7%	$851,257	-4.1%
Nonauto Sales and Use	$4,890,090	$4,812,900	$77,190	1.6%	$4,707,341	3.9%
Total Sales and Use	*$5,706,438*	*$5,660,600*	*$45,838*	*0.8%*	*$5,558,598*	*2.7%*
Personal Income	$4,323,941	$4,159,000	$164,941	4.0%	$4,214,414	2.6%
Commercial Activity Tax	$1,219,476	$1,157,900	$61,576	5.3%	$1,035,297	17.8%
Cigarette	$287,403	$304,300	-$16,897	-5.6%	$316,035	-9.1%
Kilowatt-Hour Excise	$119,861	$125,000	-$5,139	-4.1%	$129,172	-7.2%
Foreign Insurance	$209,728	$194,600	$15,128	7.8%	$197,217	6.3%
Domestic Insurance	$845	$6,400	-$5,555	-86.8%	$17,620	-95.2%
Financial Institution	-$35,213	-$17,600	-$17,613	-100.1%	-$10,964	---
Public Utility	$80,141	$77,900	$2,241	2.9%	$86,413	-7.3%
Natural Gas Consumption	$19,331	$18,700	$631	3.4%	$19,553	-1.1%
Alcoholic Beverage	$27,950	$28,200	-$250	-0.9%	$30,813	-9.3%
Liquor Gallonage	$23,877	$25,100	-$1,223	-4.9%	$24,271	-1.6%
Petroleum Activity Tax	$2,931	$2,000	$931	46.5%	$2,538	15.5%
Corporate Franchise	$129	$0	$129	---	$14	840.2%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$5	-98.9%
Total Tax Revenue	**$11,986,839**	**$11,742,100**	**$244,739**	**2.1%**	**$11,620,996**	**3.1%**
Nontax Revenue						
Earnings on Investments	$119,977	$49,179	$70,798	144.0%	$44,495	169.6%
Licenses and Fees	$12,896	$13,658	-$762	-5.6%	$13,211	-2.4%
Other Revenue	$126,397	$80,850	$45,547	56.3%	$138,770	-8.9%
Total Nontax Revenue	**$259,270**	**$143,687**	**$115,583**	**80.4%**	**$196,477**	**32.0%**
Transfers In	**$2,478**	**$0**	**$2,478**	**---**	**$5,635**	**-56.0%**
Total State Sources	**$12,248,587**	**$11,885,787**	**$362,800**	**3.1%**	**$11,823,108**	**3.6%**
Federal Grants	**$6,546,332**	**$6,772,606**	**-$226,274**	**-3.3%**	**$6,068,643**	**7.9%**
Total GRF SOURCES	**$18,794,919**	**$18,658,393**	**$136,526**	**0.7%**	**$17,891,751**	**5.0%**

*Estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2023.

Detail may not sum to total due to rounding.

Revenues[1]

– Lin Kong, Budget Analyst

Overview

November GRF tax revenue was slightly above the OBM estimate, mostly on the strength of state income tax receipts. Total tax revenue for the month was higher than estimate by $26.1 million (1.0%). Revenues from the PIT exceeded the estimate by $59.8 million. Four other taxes recorded positive variances in November, of which the foreign insurance tax ($11.7 million) was most prominent, albeit likely due to a timing-related issue concerning the October payment due date. Negative variances in monthly revenue occurred for the domestic insurance tax ($14.9 million), financial institutions tax (FIT; $14.1 million), sales and use tax ($6.4 million), CAT ($5.4 million), and the cigarette tax ($3.9 million).

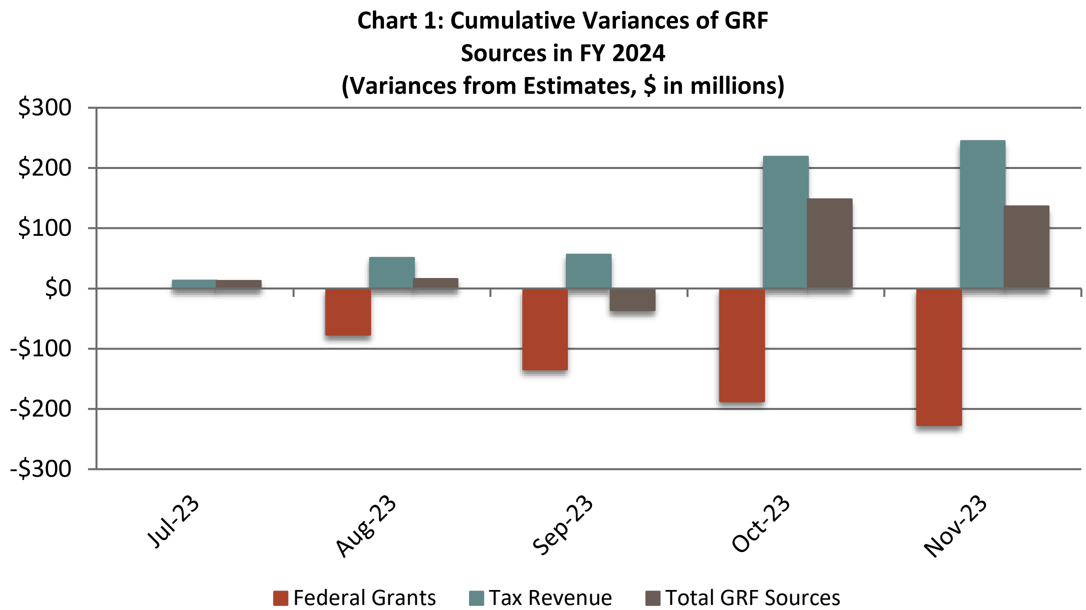
Total GRF revenue consists of GRF tax receipts, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. A positive variance in November for nontax revenue of $1.7 million was offset by a negative variance for federal grants of $39.2 million. Total GRF sources for the month were $11.3 million lower than estimate. Table 1 above shows GRF sources for the month of November compared to estimates, while Table 2 shows YTD GRF sources compared to both estimates and FY 2023 YTD revenue.

GRF tax receipts in the first five months of FY 2024 amounted to $11.99 billion, $244.7 million (2.1%) above estimate. The positive YTD variance was due primarily to the PIT, $164.9 million above estimate; the nonauto sales and use tax, $77.2 million above estimate; and the CAT, $61.6 million above estimate. Negative variances for the auto sales tax, $31.4 million, financial institutions tax, $17.6 million, and the cigarette and other tobacco products tax, $16.9 million, partially offset these positive variances. More details about revenue from the four largest tax sources (the sales tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

The positive YTD variance for tax revenue was augmented by a $115.6 million positive variance for nontax revenue. Over the first five months of FY 2024, earnings on investments exceeded estimate by $70.8 million. The “other revenue” category exceeded estimate by $45.5 million. On the other hand, YTD federal grants were $226.3 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also below their estimate by similarly large magnitudes.

Chart 1 below shows cumulative YTD variances of GRF sources in July through November.

[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.



YTD GRF tax revenue grew $365.8 million (3.1%) compared to tax revenue received in the first five months of FY 2023. GRF revenue growth was driven by the CAT, higher by $184.2 million (17.8%); nonauto component of the sales tax, up $182.8 million (3.9%) from revenues a year earlier; and by the PIT, higher by $109.5 million (2.6%). Most of the year-to-year growth in CAT revenue to the GRF was due to an increase in the share of CAT total revenue allocated to the GRF, a change made by H.B. 33 of the 135th General Assembly, the main operating budget act. Revenue from most other taxes increased except for the domestic insurance and the FIT, which declined by $16.7 million and $25.8 million respectively. FIT receipts in November 2023 were affected by refunds issued to taxpayers. Estimated tax payments are due on three separate dates in the first half of a calendar year, so it is commonplace for refunds to be issued in the latter half of a calendar year.

Sales and Use Tax

November GRF receipts from the sales and use tax were $1.14 billion, $6.4 million (0.6%) below estimate. For the first five months of FY 2024, revenue from the tax amounted to $5.71 billion, $45.8 million (0.8%) above estimate. Revenue in the fiscal year's first five months was $147.8 million (2.7%) higher than in the year-earlier period. The sales and use tax is the state's largest tax revenue source.

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. So far in FY 2024, variances for the two components of the tax have diverged, with positive variances from the nonauto portion exceeding negative variances under the auto component.

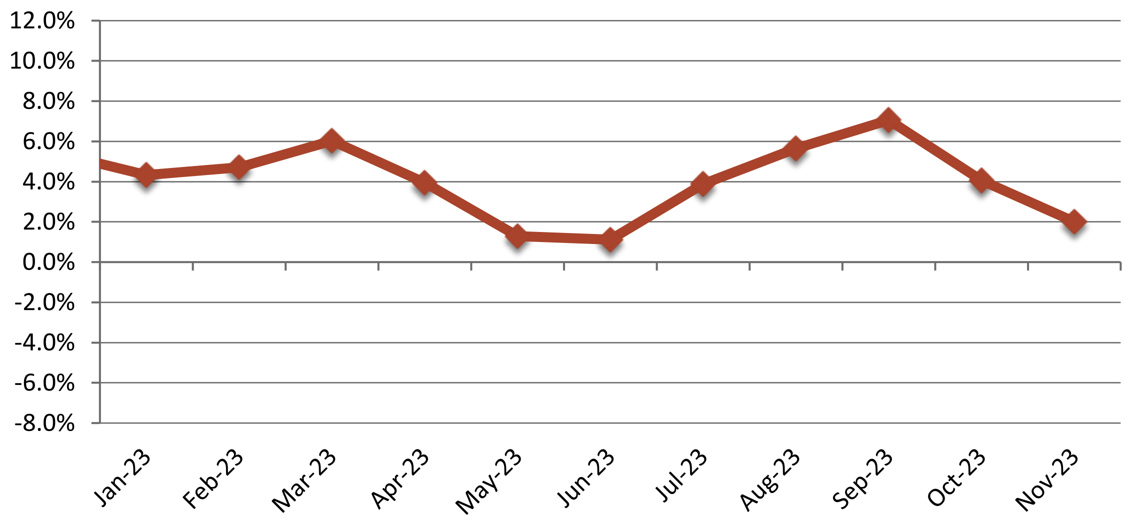
The tax base[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product (GDP) data show strong consumer spending in the July-September quarter, as total outlays by consumers rose at a 4.0% inflation-adjusted annual rate, with outlays for goods increasing at a 4.8% rate. Price inflation continued to moderate in the third quarter. The combined effect was an upturn in nominal consumer outlays in the third calendar quarter, albeit in national rather than state statistics, relevant to tax revenue for the first fiscal quarter of FY 2024.

Nonauto Sales and Use Tax

November GRF receipts of $989.9 million were $1.4 million (0.1%) below the OBM estimate, but $3.7 million (0.4%) above revenue in November 2022. For the first five months of FY 2024, revenues were $4.89 billion, $77.2 (1.6%) above estimate and $182.8 million (3.9%) ahead of prior year receipts.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in 2023. 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 growth pattern generally tracks that for national consumer spending in the GDP accounts, turning higher in the third calendar quarter, shown as the data point for September in the chart. Growth appears to be slowing again in the current quarter.

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



[2] The term "tax base" here refers to whatever is subject to the tax. For Ohio's sales and use tax, the tax base includes most goods, but excludes most services and also excludes food consumed off of the premises where sold.

[3] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during September through November 2022 to revenue received during September through November 2023.

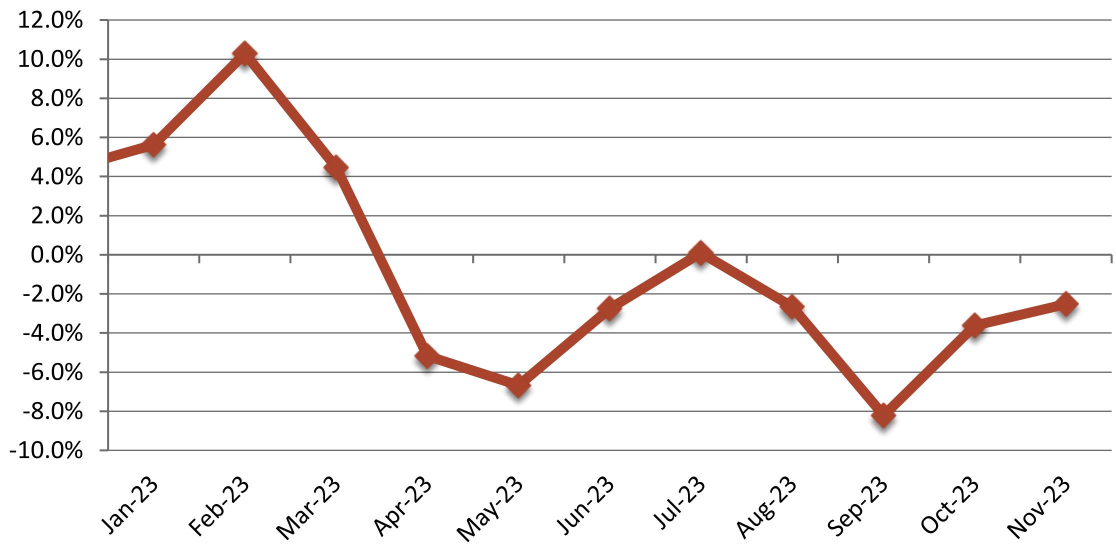
Auto Sales and Use Tax

November receipts from the auto component of the sales and use tax were $152.1 million, $5.1 million (3.2%) below estimate, and $2.5 million (1.6%) below receipts in November 2022. YTD through November, revenue of $816.3 million was below the estimate by $31.4 million (3.7%) and below year-earlier revenues by $34.9 million (4.1%).

National data on unit sales of light vehicles (automobiles and light trucks) show a year-over-year increase in the five months through November of around 12%. Dealer inventories nationwide have increased but remain lean by historical standards. The national market for light vehicles appears stronger than the market in Ohio, based on tax revenues. As cited in the October issue of *Budget Footnotes*, statistics from the Ohio Bureau of Motor Vehicles show a decline in used vehicle spending that offset gains from new vehicle sales.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections in 2023. On a three-month moving average basis, auto sales and use tax receipts have been lower than a year earlier in nearly every month since April. Revenues bounced back after plunging in the immediate aftermath of the pandemic's onset in this country, but the growth trend has slowed since, turning negative this year.

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



Personal Income Tax

November GRF revenue of $800.8 million was $59.8 million (8.1%) above estimate. Revenue received during the first five months of FY 2024 totaled $4.32 billion, $164.9 million (4.0%) above estimate. Compared with a year earlier, YTD revenue was higher by $109.5 million (2.6%).

Gross tax collections under the PIT include withholding payments, quarterly estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a small portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue. The primary driver of GRF revenue from the PIT is withholding payments, which were about 79% of gross collections from the tax in FY 2023. Lower PIT rates enacted in H.B. 33 subsequently led to new withholding tables, which are to be used for payrolls that end on or after November 1. This month's PIT revenue is the first to reflect the lower employer withholding rates attributable to H.B. 33.

The table below provides details on revenue from PIT components through November relative to estimates for FY 2024 and to revenue received in the year-earlier period. FY 2024 YTD gross collections were $347.6 million (7.3%) above anticipated revenue and $277.7 million (5.7%) above revenues in the year-earlier period. The strength in gross collections reflected both elevated payments with annual returns and higher estimated payments. Net receipts were restrained by refunds in excess of both the estimate and year-earlier levels. YTD withholding, in contrast, was nearly on par with both the estimate and the year-earlier pace. Classification of certain payments as withholding or final settlements was affected by which tax form was filed and the timing of that filing, in the implementation of S.B. 246 of the 134th General Assembly, as discussed in this space in the October issue.

FY 2024 YTD Personal Income Tax Revenue Variance and Annual Change by Component

Category	Variance from Estimate		Change from FY 2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$10.9	-0.3%	-$0.9	-0.0%
Quarterly Estimated Payments	$136.7	43.8%	$114.1	34.1%
Trust Payments	$0.8	5.5%	-$10.6	-42.0%
Annual Return Payments	$227.7	146.3%	$182.3	90.7%
Miscellaneous Payments	-$6.7	-19.9%	-$7.2	-21.1%
Gross Collections	**$347.6**	**7.3%**	**$277.7**	**5.7%**
Less Refunds	$178.9	43.5%	$156.3	36.1%
Less LGF Distribution	$3.8	1.7%	$11.8	5.6%
GRF PIT Revenue	**$164.9**	**4.0%**	**$109.5**	**2.6%**

[4] 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.

Commercial Activity Tax

November GRF receipts from the CAT were $484.2 million, $5.4 million (1.1%) below the estimate. Revenues for the fiscal year's first five months were $1.22 billion, $61.6 million (5.3%) above estimate. Quarterly CAT taxpayers pay the tax in February, May, August, and November (based on their respective gross receipts from the preceding quarter), so November receipts are typically larger than revenue received in the other eight months where no payment is due.

YTD GRF revenue from the CAT grew by $184.2 million (17.8%) compared with the first five months of FY 2023. Increased economic activity accounts for little of this growth. Allocation of CAT revenue was changed by H.B. 33, which directed that all revenue from the tax after the first 0.65% go to the GRF. The first 0.65% of CAT revenues is directed to Fund 2280, used by the Department of Taxation to enforce state tax law. Prior to July the GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD CAT revenue, net of refunds and Fund 2280 debits, amounted to $1.22 billion, which was $1.5 million (0.1%) higher than the comparable all funds CAT revenue base in the first five months of FY 2023.

Revenue comparisons with FY 2023 will become more complex starting in January 2024 because of another H.B. 33 provision. Starting then, the CAT tax base will be reduced by exclusion of the first $3 million of a company's gross receipts from tax. The exclusion will increase to $6 million in 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

November revenue from the cigarette and other tobacco products (OTP) tax totaling $62.5 million was below estimate by $3.9 million (5.9%). YTD revenue from the tax was $287.4 million, $16.9 million (5.6%) below estimate. The YTD total included $239.6 million derived from the sale of cigarettes and $47.8 million from the sale of OTP.

FY 2024 revenue through November fell by $28.6 million (9.1%) compared to FY 2023 revenue through November 2022. OTP sales decreased by $3.2 million (6.3%) while receipts from cigarette sales decreased $25.4 million (9.6%). The smaller percentage decrease in OTP revenue may be due in part to rising 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.

Revenue from cigarette sales usually trends slowly downward. This pattern was temporarily disrupted by the COVID-19 pandemic, but cigarette tax receipts appear to have reverted to the pre-pandemic downward trend. The tax on cigarettes is based on unit sales rather than value. Recent financial information[5] released by the Altria Group, which has a 47% share of all U.S. retail cigarette sales, noted that domestic cigarette industry volume declined by 8% versus the third calendar quarter of 2022. Their experience is similar to the 9.6% decline in Ohio cigarette tax receipts. Altria attributed cigarette volume declines to "discretionary income pressures on adult tobacco consumers as a result of the cumulative effect of high inflation," and "an increase in the rate of cross-category movement among adult cigarette smokers." The latter point suggests a growing trend by which some smokers reduced cigarette consumption in favor of e-vapor products and other similar substitutes.

[5] Refer to 10-Q filing dated October 26, 2023, found on https://investor.altria.com/sec-filings/default.aspx.

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$787,686	$785,950	$1,736	0.2%
Higher Education	$264,928	$251,848	$13,080	5.2%
Other Education	$4,745	$4,434	$311	7.0%
Total Education	**$1,057,359**	**$1,042,233**	**$15,127**	**1.5%**
Medicaid	$1,761,709	$1,810,526	-$48,817	-2.7%
Health and Human Services	$140,913	$183,159	-$42,246	-23.1%
Total Health and Human Services	**$1,902,622**	**$1,993,685**	**-$91,063**	**-4.6%**
Justice and Public Protection	$191,371	$206,060	-$14,689	-7.1%
General Government	$48,169	$63,514	-$15,344	-24.2%
Total Government Operations	**$239,540**	**$269,574**	**-$30,034**	**-11.1%**
Property Tax Reimbursements	$968	$68,404	-$67,436	-98.6%
Debt Service	$38,129	$38,554	-$425	-1.1%
Total Other Expenditures	**$39,097**	**$106,959**	**-$67,861**	**-63.4%**
Total Program Expenditures	**$3,238,618**	**$3,412,450**	**-$173,832**	**-5.1%**
Transfers Out	**$323,714**	**$0**	**$323,714**	**---**
Total GRF Uses	**$3,562,333**	**$3,412,450**	**$149,883**	**4.4%**

*August 2023 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 2024 as of November 30, 2023
($ in thousands)
(Actual based on OAKS reports run December 6, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$4,072,767	$4,090,080	-$17,313	-0.4%	$3,717,937	9.5%
Higher Education	$1,074,186	$1,117,577	-$43,391	-3.9%	$1,031,509	4.1%
Other Education	$57,541	$59,947	-$2,406	-4.0%	$49,692	15.8%
Total Education	**$5,204,493**	**$5,267,604**	**-$63,111**	**-1.2%**	**$4,799,138**	**8.4%**
Medicaid	$9,838,639	$10,129,267	-$290,629	-2.9%	$8,708,155	13.0%
Health and Human Services	$768,198	$855,093	-$86,895	-10.2%	$716,590	7.2%
Total Health and Human Services	**$10,606,837**	**$10,984,360**	**-$377,524**	**-3.4%**	**$9,424,745**	**12.5%**
Justice and Public Protection	$1,275,564	$1,363,718	-$88,153	-6.5%	$1,188,806	7.3%
General Government	$852,419	$911,743	-$59,324	-6.5%	$242,864	251.0%
Total Government Operations	**$2,127,983**	**$2,275,460**	**-$147,477**	**-6.5%**	**$1,431,670**	**48.6%**
Property Tax Reimbursements	$916,545	$922,251	-$5,706	-0.6%	$898,579	2.0%
Debt Service	$738,066	$739,160	-$1,094	-0.1%	$929,978	-20.6%
Total Other Expenditures	**$1,654,610**	**$1,661,411**	**-$6,801**	**-0.4%**	**$1,828,557**	**-9.5%**
Total Program Expenditures	**$19,593,923**	**$20,188,835**	**-$594,912**	**-2.9%**	**$17,484,109**	**12.1%**
Transfers Out	**$6,583,788**	**$5,597,298**	**$986,490**	**17.6%**	**$1,227,964**	**436.2%**
Total GRF Uses	**$26,177,712**	**$25,786,133**	**$391,578**	**1.5%**	**$18,712,073**	**39.9%**

*August 2023 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2023.
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 December 7, 2023)

	Month of November 2023				Year to Date through November 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,676,245	$1,721,531	-$45,285	-2.6%	$9,422,112	$9,694,173	-$272,061	-2.8%
Non-GRF	$1,093,785	$1,139,733	-$45,948	-4.0%	$4,006,020	$4,146,265	-$140,245	-3.4%
All Funds	$2,770,030	$2,861,264	-$91,234	-3.2%	$13,428,132	$13,840,438	-$412,306	-3.0%
Developmental Disabilities								
GRF	$73,385	$72,774	$611	0.8%	$364,249	$360,352	$3,897	1.1%
Non-GRF	$268,292	$283,079	-$14,787	-5.2%	$1,320,299	$1,425,138	-$104,839	-7.4%
All Funds	$341,677	$355,853	-$14,177	-4.0%	$1,684,548	$1,785,490	-$100,942	-5.7%
Job and Family Services								
GRF	$11,244	$15,161	-$3,917	-25.8%	$47,628	$69,608	-$21,979	-31.6%
Non-GRF	$16,549	$22,492	-$5,943	-26.4%	$72,537	$82,006	-$9,470	-11.5%
All Funds	$27,793	$37,653	-$9,860	-26.2%	$120,165	$151,614	-$31,449	-20.7%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$835	$1,060	-$225	-21.2%	$4,649	$5,134	-$485	-9.5%
Non-GRF	$2,130	$9,546	-$7,416	-77.7%	$15,439	$43,139	-$27,701	-64.2%
All Funds	$2,965	$10,606	-$7,641	-72.0%	$20,087	$48,274	-$28,186	-58.4%
All Departments:								
GRF	**$1,761,709**	**$1,810,526**	**-$48,817**	**-2.7%**	**$9,838,639**	**$10,129,267**	**-$290,629**	**-2.9%**
Non-GRF	**$1,380,756**	**$1,454,850**	**-$74,095**	**-5.1%**	**$5,414,294**	**$5,696,548**	**-$282,254**	**-5.0%**
All Funds	**$3,142,465**	**$3,265,376**	**-$122,911**	**-3.8%**	**$15,252,933**	**$15,825,816**	**-$572,883**	**-3.6%**

*September 2023 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 December 7, 2023)

	Month of November 2023				Year to Date through November 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,869,004**	**$1,916,510**	**-$47,506**	**-2.5%**	**$9,723,808**	**$10,058,324**	**-$334,516**	**-3.3%**
CFC†	$479,127	$534,657	-$55,530	-10.4%	$2,465,644	$2,666,757	-$201,113	-7.5%
Group VIII	$437,738	$470,753	-$33,015	-7.0%	$2,305,489	$2,423,135	-$117,647	-4.9%
ABD†	$163,203	$170,306	-$7,102	-4.2%	$830,941	$856,028	-$25,087	-2.9%
ABD Kids	$54,276	$55,340	-$1,064	-1.9%	$274,453	$279,553	-$5,100	-1.8%
My Care	$256,132	$224,436	$31,696	14.1%	$1,249,600	$1,244,658	$4,942	0.4%
OhioRise	$33,193	$38,135	-$4,942	-13.0%	$157,877	$174,925	-$17,048	-9.7%
SPBM	$445,334	$422,883	$22,451	5.3%	$2,439,804	$2,413,268	$26,537	1.1%
Fee-For-Service	**$1,060,018**	**$1,107,930**	**-$47,912**	**-4.3%**	**$4,246,867**	**$4,404,884**	**-$158,018**	**-3.6%**
ODM Services	$360,820	$380,544	-$19,725	-5.2%	$1,871,132	$1,903,055	-$31,923	-1.7%
DDD Services	$323,149	$338,386	-$15,236	-4.5%	$1,624,916	$1,723,829	-$98,913	-5.7%
Hospital - HCAP	$376,049	$389,000	-$12,951	-3.3%	$750,819	$778,000	-$27,181	-3.5%
Premium Assistance	**$124,906**	**$130,069**	**-$5,164**	**-4.0%**	**$752,536**	**$771,376**	**-$18,840**	**-2.4%**
Medicare Buy-In	$74,030	$79,213	-$5,183	-6.5%	$450,393	$468,467	-$18,075	-3.9%
Medicare Part D	$50,876	$50,856	$19	0.0%	$302,143	$302,909	-$766	-0.3%
Administration	**$88,537**	**$110,867**	**-$22,330**	**-20.1%**	**$529,722**	**$591,231**	**-$61,509**	**-10.4%**
Total	**$3,142,465**	**$3,265,376**	**-$122,911**	**-3.8%**	**$15,252,933**	**$15,825,816**	**-$572,883**	**-3.6%**

*September 2023 estimates from the Department of Medicaid
†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled
Detail may not sum to total due to rounding.

Expenditures[6]

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

Overview

For the YTD through November, FY 2024 GRF program expenditures totaled $19.59 billion. These expenditures were $594.9 million (2.9%) below OBM's estimates. GRF uses also include transfers out, which totaled $6.58 billion and were $986.5 million (17.6%) over estimate for the YTD, due primarily to the timing of $986.1 million of transfers to support capital appropriations occurring in July, September, and November but not estimated to occur until June. Total GRF uses for these five months were $26.18 billion, which was $391.6 million (1.5%) above estimate.

For program expenditures, negative monthly variances in Property Tax Reimbursements ($67.4 million, 98.6%), GRF Medicaid ($48.8 million, 2.7%), Health and Human Services ($42.2 million, 23.1%), General Government ($15.3 million, 24.2%), and Justice and Public Protection ($14.7 million, 7.1%) were partially offset by positive monthly variances in Higher Education ($13.1 million, 5.2%) and Primary and Secondary Education ($1.7 million, 0.2%). The remaining categories had monthly variances of less than $0.5 million. Total program expenditures were $173.8 million below estimate for the month of November.

For the YTD, all program categories were under their OBM estimate, most significantly GRF Medicaid ($290.6 million, 2.9%), Justice and Public Protection ($88.2 million, 6.5%), Health and Human Services ($86.9 million, 10.2%), and General Government ($59.3 million, 6.5%). 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. GRF Medicaid expenditures were below their monthly estimate in November by $48.8 million (2.7%) and below their YTD estimate by $290.6 million (2.9%) at the end of November. Non-GRF Medicaid expenditures were below their monthly estimate by $74.1 million (5.1%) and below their YTD estimate by $282.3 million (5.0%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $122.9 million (3.8%) below estimate in November and $572.9 million (3.6%) below their YTD estimate at the end of November.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and seven other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority

[6] 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.

of the variances in Medicaid expenditures. ODM had an all funds negative variance in November of $91.2 million (3.2%), and a YTD all funds negative variance of $412.3 million (3.0%) at the end of November. DODD had a November all funds negative variance of $14.2 million (4.0%) and ended the month with YTD expenditures $100.9 million (5.7%) below estimate. The other seven "sister" agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, Education, and Board of Regents – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the seven "sister" agencies incur only administrative spending.

Table 6 shows all funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for all four major payment categories at the end of November. In percentage terms, the Administration variance of $61.5 million (10.4%) was the largest. This continued the recent pattern of lower administrative spending, especially by "sister" agencies. In terms of absolute dollars, the largest variance was in Managed Care, which was $334.5 million (3.3%) below the YTD estimate. The Managed Care variance is largely due to a lower-than-projected caseload, a lower per-member-per-month (PMPM) spending, and the delayed timing of delivery payments. The other categories with negative variances were Fee-for-Service (FFS) at $158.0 million (3.6%) and Premium Assistance at $18.8 million (2.4%).

Through the COVID-19 public health emergency (PHE) of 2020-2023, caseloads increased by approximately 21,400 cases per month, on average. This was the result of federal requirements for states to provide continuous coverage in exchange for receiving a higher reimbursement on Medicaid expenditures. With the conclusion of the PHE, states were once again able to evaluate the continuing eligibility of Medicaid enrollees in a process called redetermination. ODM restarted the redetermination process in the spring of 2023. Since April 2023, net caseload has declined by over 250,000. This number will fluctuate, though, due to retroactive eligibility changes.

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 69.8% of the estimated expenditures for this category for FY 2024. Eleven other agencies make up the remaining 30.2% of estimated spending.

The negative YTD variance in this category fell by $14.7 million in November to settle at $88.2 million (6.5%) at the end of the month. Both the monthly and YTD variances were primarily due to the Ohio Public Defender Commission (PUB), which had a negative monthly variance of $14.7 million and a negative YTD variance of $29.4 million. Most other agencies in this category were also under estimate for the YTD, including the DRC and the Attorney General's Office (AGO) with negative YTD variances of $28.2 million and $13.8 million, respectively.

PUB's YTD variance was below anticipated levels mainly due to a large negative YTD variance of $29.3 million in appropriation line item (ALI) 019501, County Reimbursement. This ALI is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters.

DRC's YTD variance was below anticipated levels mainly due to YTD negative variances of $9.6 million in ALI 501321, Institutional Operations, and $9.2 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.

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 2024, followed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) at 29.5% and the Ohio Department of Health (DOH) at 8.1%. Eight other agencies make up the remaining 9.0% of estimated spending.

This category's negative YTD variance increased by $42.2 million in November to $86.9 million (10.2%). All agencies were under estimate for the YTD with the exception of Opportunities for Ohioans with Disabilities (OOD), which was over its YTD estimate by $0.3 million. The agency with the largest negative YTD variance was ODJFS ($69.4 million), accounting for 79.9% of the category's YTD variance.

Significant variances for ALIs in the ODJFS budget include:

- A negative monthly variance of $10.9 million in ALI 600450, Program Operations, which resulted in a negative YTD variance for this ALI of $25.1 million. This ALI primarily supports the operating expenses of several of the offices within ODJFS.
- A negative monthly variance of $12.2 million in ALI 600535, Early Care and Education, which increased the negative YTD variance for this ALI to $17.9 million. This ALI is used to pay for publicly funded child care services.
- A negative monthly variance of $2.4 million in ALI 600523, Family and Children Services, which increased the YTD negative variance to $14.3 million. This ALI is used primarily to support county public children services agencies.
- A negative monthly variance of $5.4 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $10.5 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) program.

Most ALIs in OhioMHAS's budget were under the YTD estimate, including ALI 336422, Criminal Justice Services, and ALI 336504, Community Innovations, which were under estimate by $6.6 million and $4.0 million, respectively. Item 336422 is primarily used for forensic psychiatric evaluations and substance use disorder treatment for people involved in the court system; ALI 336504 is used for a variety of community programs that support OhioMHAS's mission. On the other hand, ALI 336421, Continuum of Care Services, was over estimate for the YTD by $7.0 million. This GRF item is used to distribute funds to the Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) boards as well as state and local partners to meet locally determined needs.

The majority of ALIs in DOH's budget were under estimate for the YTD, including ALI 440474, Infant Vitality, and ALI 440485, Health Program Support, which were under estimate by $2.6 million and $2.2 million, respectively. ALI 440459, Help Me Grow, however, was over estimate for the YTD by $7.2 million. ALI 440474 is used for programs designed to decrease infant mortality in Ohio; ALI 440485 supports earmarks for various community health and medical programs across the state; and ALI 440459 funds a family support program offered to pregnant women and new parents.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The Department of Development (DEV) makes up 71.8% of the estimated expenditures from this category in FY 2024. Four other agencies make up another 14.9% of estimated expenditures: the Ohio Department of Transportation (ODOT, 4.5%), the Department of Natural Resources (3.9%), the Department of Agriculture (3.6%), and TAX (2.9%). Twenty-one other agencies make up the remaining 13.3% of estimated spending.

This category was under estimate by $15.3 million (24.2%) in November, increasing its negative YTD variance to $59.3 million (6.5%). Most agencies in the category were under their YTD estimates. The largest ALI variance was for an appropriation made in H.B. 687 of the 134th General Assembly to support Intel's megaproject development in central Ohio. ALI 195456, Local Roads, in DEV's budget, was under estimate by $12.5 million for the first five months of the year. The OBM estimate anticipated a total of $46.2 million being expended in equal installments during October and April. Only $10.6 million, however, was actually spent from this ALI in October. Elsewhere in the AGR budget, ALI 700417, Soil and Water Phosphorus Program, was under its monthly and YTD estimate by $10.7 million. OBM originally planned for the entire $10.7 million expenditure occurring in November, but no payments have yet been made. Finally, ALI 775470, Public Transportation – State, in ODOT's budget is under its YTD estimate by $6.5 million. This line item is used to support rural and small urban transit systems by awarding grants to cover wages, fuel, insurance, training, vehicle maintenance and planning assistance.

Transfers out

Transfers out of the GRF were over the monthly estimate for November by $323.7 million, increasing the positive YTD variance in transfers out to $986.5 million (17.6%). The July, September, and November variances in transfers out were due to transfers to support capital appropriations. H.B. 687 of the 134th General Assembly authorized a total of $1.5 billion in GRF transfers out to support capital projects during the FY 2023-FY 2024 capital biennium.[7] OBM's estimates planned for $850.0 million to be transferred for this purpose in FY 2024. All of the anticipated transfers were expected to occur in June, so this timing-related variance will not resolve until the end of the fiscal year.

The following GRF transfers out to support capital projects, totaling $986.1 million, have been made so far this fiscal year:

July

- $200.0 million to the School Building Program Assistance Fund (Fund 7032);
- $20.3 million to the Administrative Building Taxable Bond Fund (Fund 7016).

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

September

- $175.0 million to the Adult Correctional Building Fund (Fund 7027);
- $150.0 million to the Mental Health Facilities Improvement Fund (Fund 7033);
- $100.0 million to the Administrative Building Bond Fund (Fund 7026);
- $17.0 million to the Parks and Natural Resources Fund (Fund 7031).

November

- $200.0 million to the Higher Education Improvement Fund (Fund 7034);
- $80.0 million to the Cultural and Sports Facilities Building Fund (Fund 7030);
- $37.5 million to the Clean Ohio Conservation Fund (Fund 7056);
- $6.3 million to the Agricultural Easement Fund (Fund 7057).

Prior-year Encumbrances

As reported in the July 2023 issue of *Budget Footnotes*, state agencies carried into FY 2024 $1.63 billion in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2024. An agency generally has five months to spend prior-year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

As shown in the table below, as of December 1, 2023, $473.3 million of the $1.63 billion (29.0%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. ODOT had the largest share (30.3%) of the total outstanding encumbrances as of December 1, followed by the Ohio Department of Medicaid (ODM) at 14.8%, the Department of Development (DEV) at 12.2%, the Ohio Department of Job and Family Services (ODJFS) at 11.9%, and the Ohio Department of Higher Education (ODHE) at 10.6%. Together, these five agencies had $377.8 million (79.8%) of the $473.3 million in total outstanding prior-year encumbrances. The Ohio Department of Education and Workforce (DEW) also had $16.5 million in encumbrances. The nature of the significant outstanding encumbrances is discussed below.

Prior-year GRF Encumbrances by Agency ($ in thousands)

Agency	Prior-year Encumbrances as of July 1, 2023	Percentage of Total	Outstanding Encumbrances as of December 1, 2023	Percentage of Total
Development	$685,232	41.9%	$57,707	12.2%
Medicaid	$182,179	11.2%	$70,120	14.8%
Transportation	$171,735	10.5%	$143,251	30.3%

Prior-year GRF Encumbrances by Agency ($ in thousands)				
Agency	Prior-year Encumbrances as of July 1, 2023	Percentage of Total	Outstanding Encumbrances as of December 1, 2023	Percentage of Total
Job and Family Services	$134,872	8.3%	$56,454	11.9%
Rehabilitation and Correction	$109,529	6.7%	$1,155	0.2%
Education	$108,059	6.6%	$16,541	3.5%
Higher Education	$64,379	3.9%	$50,259	10.6%
Other	$177,531	10.9%	$77,767	16.4%
Total	$1,633,516	100.0%	$473,254	100.0%

Ohio Department of Transportation

ODOT had $143.3 million in outstanding prior-year encumbrances. Most of this encumbrance ($93.1 million, 65.0%) was in ALI 775471, State Road Improvements, to provide supplemental funding for road improvement project construction and engineering. An additional $40.5 million (28.2%) was outstanding for ALI 775470, Public Transportation – State, which is used primarily for competitive grants to public transit systems across the state.

Ohio Department of Medicaid

ODM had $70.1 million in outstanding prior-year encumbrances. Most of this encumbrance ($67.6 million, 96.4%) was in ALI 651526, Medicare Part D, to provide clawback payments to the federal Centers for Medicare & Medicaid Services to reflect the reduced state expenditures on prescription drugs for individuals enrolled in both Medicare and Medicaid. An additional $2.5 million (3.6%) was outstanding for ALI 651525, Medicaid Health Care Services, which is used to reimburse health care providers for covered services to Medicaid recipients.

Department of Development

DEV had $57.7 million in outstanding prior-year encumbrances. Of that amount, $35.6 million (61.6%) was in ALI 195456, Local Roads. A total appropriation of $95.0 million for this ALI was made in H.B. 687 of the 134th General Assembly. This amount was awarded to the city of New Albany in Licking County to support local road projects necessary for Intel's construction of factories in the area. The next largest encumbrance was in ALI 195455, Appalachia Assistance, with an encumbrance of $7.8 million (13.6%). This encumbrance is for programs targeting the Appalachian region of Ohio. Finally, ALI 195503, Local Development Projects, had outstanding encumbrances of $6.0 million (10.3%). ALI 195503 is earmarked for various development programs; the largest encumbrance is for the Coalition on Homelessness and Housing in Ohio.

Ohio Department of Job and Family Services

ODJFS had $56.5 million in outstanding prior-year encumbrances. Encumbrances in three ALIs account for $39.2 million (69.4%) of the total. These ALIs are 655523, Medicaid Program Support – Local Transportation, at $19.0 million (33.7%); 600523, Family and Children Services, at $11.2 million (19.9%); and 655522, Medicaid Program Support – Local, at $8.9 million (15.8%).

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

Ohio Department of Higher Education

ODHE had $50.3 million in outstanding prior-year encumbrances. The majority of the total was in ALIs 235438, Choose Ohio First Scholarship, at $48.3 million (96.0%) and 235599, National Guard Scholarship Program, at $1.1 million (2.3%). These encumbrances will be used to pay the state's obligations to scholarship recipients. Another $0.9 million (1.7%) was outstanding in ALI 235595, Commercial Truck Diver Student Aid Program; these funds will be used to provide a combination of grants and loans to eligible students training for a commercial driver's license.

Ohio Department of Education and Workforce

DEW had $16.5 million in outstanding prior-year encumbrances. Four ALIs with significant outstanding encumbrances are: (1) 200502, Pupil Transportation, at $6.4 million (38.4%), (2) 200572, Adult Education Programs, at $3.2 million (19.1%), (3) 200550, Foundation Funding – All Students, at $2.9 million (17.4%), and (4) 200408, Early Childhood Education, at $1.6 million (9.9%). These four ALIs account for $14.0 million (84.8%) of DEW's total outstanding encumbrances.

Funds encumbered in ALI 200502 will be used mainly to support public school operating costs for transporting public and nonpublic school students to and from school. Funds encumbered in ALI 200572 will support various programs assisting individuals who left high school without graduating obtain a diploma or equivalence certificate. Funds encumbered in ALI 200550 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. And lastly, funds encumbered in ALI 200408 will be used to pay providers for early childhood education services for children from lower income families.

Issue Updates

OhioMHAS Receives $100 million in Federal State Opioid and Stimulant Response Funds

– Ryan Sherrock, Economist

On October 11, 2023, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) announced that $100.0 million in funding from the federal State Opioid Stimulant Response Grant (SOS Program) will be used to help communities fight opioid addiction. The SOS Program is intended to support prevention, early intervention, harm reduction, treatment, and recovery supports for opioid use disorder, stimulant use disorder, and co-occurring disorders. Key priorities of the initiative include reducing unintentional overdose deaths, increasing access to addiction treatment, preventing youth alcohol and drug use, increasing recovery supports, supporting responsible prescribing practices, and promoting harm reduction practices. Of these funds, $58.7 million will be allocated to county alcohol, drug addiction, and mental health services (ADAMHS) boards and $16.6 million will be provided directly to community partners. Remaining funds will be used for a variety of activities including: to support state agency partnerships (e.g., a partnership between OhioMHAS and the Ohio Department of Health to distribute naloxone); to provide funds to Maternal Opiate Medical Supports programs that provide treatment to pregnant women with opioid use disorders during and after pregnancy; and to raise awareness through public campaigns.

The grant is administered by the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA). SAMHSA has provided funds to states to fight opioid addiction since 2016 through either the State Targeted Response Grant or the State Opioid Response Grant. The funds discussed above will be used to expand upon previous efforts to fight opioid addiction.

Criminal Justice Services Awards $1.3 million in Federal Residential Substance Use Disorder Treatment Grants

– Robert Meeker, Senior Budget Analyst

On October 25, 2023, the Office of Criminal Justice Services (OCJS) announced the award of $1.3 million in Residential Substance Use Disorder Treatment Program (RSUDT) grants for nine projects in eight counties. All projects are funded for a 12-month period, require a 25% cash or in-kind match, and are subject to quarterly reporting requirements. The goals of the RSUDT program are to (1) increase the number of residential treatment services and beds for substance abusing offenders with high risk and needs within jails, prisons, juvenile detention centers, and community correctional facilities, (2) increase the number offenders assessed for their individual criminogenic and substance abuse needs in order to increase the number of offenders who receive evidence-based programming and treatment, and (3) improve offender reentry to the community and aftercare services, through coordination between local resources and correctional institutions, thereby reducing recidivism.

The table below summarizes the nine RSUDT grant awards including the implementing agency, county, and award amount. Individual awards ranged from $82,057 (Allen) to $255,903 (Montgomery) with an average of just under $150,000 per award.

2023 Residential Substance Use Disorder Treatment Program Grant Awards		
Agency	**County**	**Award Amount**
WORTH Center	Allen	$82,057
Franklin County Office of Justice Policy and Programs	Franklin	$200,467
Franklin County Community Based Correctional Facility	Franklin	$100,000
Talbert House	Hamilton	$150,000
Eastern Ohio Correction Center	Jefferson	$150,000
Lorain/Medina Community Based Correctional Facility	Lorain	$100,000
MonDay Community Correctional Institution	Montgomery	$255,903
Shelby County Sheriff's Office	Shelby	$203,907
West Central Community Correctional Facility	Union	$100,000
	Total	**$1,342,334**

RSUDT, funded by the federal Bureau of Justice Assistance's Residential Substance Abuse Treatment for State Prisoners Program (RSAT), assists state and local governments in developing and implementing substance use treatment programs for incarcerated offenders within state and local facilities, as well as in creating and maintaining community-based aftercare services for offenders. RSAT funding allocations are based on a formula that provides each state and territory with a base amount, plus an allocation in proportion to the ratio that its prison population bears to the total prison population of all states and territories; for federal fiscal year (FFY) 2023, Ohio was awarded a total of $1.6 million. From FFY 2019 through FFY 2023, Ohio has received a total of $5.9 million through RSAT, of which OCJS uses 10% for administrative costs.

Ohio Receives $5.9 million in Federal Grants to Build 988 Capacity

– Suveksha Bhujel, Economist

On September 27, 2023, the U.S. Department of Health and Human Services (HHS) announced that Ohio received two grants totaling $5.9 million to build local capacity for the 988 Suicide and Crisis Lifeline. The first grant, totaling $5.4 million, was provided through the Cooperative Agreements for States and Territories to Improve Local 988 Capacity Grant Program to the Ohio Department of Mental Health and Addiction Services (OhioMHAS). OhioMHAS will use these funds for activities that improve responses to 988 contacts (e.g., calls, chats, and texts) originating in the state. These activities include: enhancing recruitment, hiring, and training of the 988 workforce; implementing effective crisis care coordination; improving 988 support and services for high-risk and underserved populations; and developing quality assurance plans to help identify and review critical incidents. These grants were open to state and territorial government agencies. The second grant, in the amount of $500,000, was provided through the Cooperative Agreements for 988 Suicide and Crisis Lifeline Crisis Center Follow-up Grant Program to the Netcare Corporation in Columbus. The Netcare Corporation will primarily use the funds to increase 988 post-contact follow-up services for suicidal persons. Additionally, the funds will be used to provide enhanced coordination of crisis stabilization services and will help reduce unnecessary police engagement. Eligible applicants for these grant funds were crisis centers that are part of the 988 Suicide and Lifeline Crisis network that provide services 24 hours a day seven days a week.

In total, HHS provided $182.4 million in grant funds to states and territories to improve local 988 capacity and $5.0 million in grant funds to crisis centers to enhance follow-up 988 services. These grant awards are available for up to three years depending on federal appropriations. In addition to these awards, HHS made $18.3 million available to tribal communities to improve responses to 988 contacts originating in their communities.

$2.3 million Reimbursed to Deputy Registrars over First Seven Months for Issuing Free State ID Cards

– Maggie West, Senior Budget Analyst

As of October 31, 2023, the Bureau of Motor Vehicles (BMV) had reimbursed deputy registrars statewide approximately $2.3 million from the Public Safety – Highway Purposes Fund (Fund 5TM0) for free state identification (ID) cards issued in accordance with H.B. 458 of the 134th General Assembly. Under H.B. 458, individuals age 17 and over who do not have a valid driver's license or whose driver's license is currently suspended are eligible to receive a state ID card at no cost. Each month the state reimburses deputy registrars for forgone service fee and document authentication fee revenue that would otherwise have been collected and retained by deputy registrars for the issuance or renewal of each free four-year ($6.50), eight-year ($13.00), and duplicate, reprint, or replacement ($5.00) state ID card issued during the preceding month.

H.B. 458 took effect on April 7, 2023, opening the program with the issuance of 1,601 free state ID cards on the first day. During the first seven months of the program, from April 7 through October 31, deputy registrars have issued a total of 236,879 free state ID cards, of which 127,422 (53.8%) were first issuances, 56,619 (23.9%) were renewals, and 52,838 (22.3%) were duplicates, reprints, or replacements.

Fund 5TM0 consists of various taxes, fees, and fines related to the registration and operation of vehicles on public highways and is used in part by the BMV to pay for its operating expenses. Over the last five fiscal years, revenue credited to the fund has averaged around $483.4 million annually.

DEW Releases Details for State Reimbursements That Make Reduced-Price School Meals Free

– Andrew Ephlin, Budget Analyst

On November 6, 2023, DEW announced the policies and procedures it will use to reimburse schools to make school meals free for students eligible under federal law for reduced-price meals. H.B. 33 requires public and chartered nonpublic schools that participate in the federal school lunch and school breakfast programs[8] to provide meals at no cost to each student eligible for reduced-price meals and requires DEW to provide state reimbursement in support of the policy. DEW will reimburse 40¢ per lunch and 30¢ per breakfast, the difference between the federal reimbursement rates paid to schools for free meals and reduced-price meals. However, a school participating in the federal Community Eligibility Provision (CEP)[9] will not receive state reimbursement since all students in the school receive free meals regardless of household income. Non-CEP schools will continue to certify students for free, reduced-price, or paid meals in accordance with federal requirements and submit claims for meals served in each of those categories.

In late October, DEW sent an upfront payment to schools based on 60% of the total reduced-price breakfasts and lunches served during the 2022-2023 school year. This payment amounted to $2.4 million statewide. After schools submit all meal reimbursement claims for the current 2023-2024 school year, DEW will reconcile the state reimbursement required for reduced-price meals with the upfront payment and pay schools the difference. Beginning with the 2024-2025 school year, DEW will pay the state reimbursements automatically as schools submit routine monthly claims for federal reimbursement. The number of reduced-price meals served during the 2022-2023 school year suggests that the state reimbursements will total roughly $4 million each fiscal year. DEW pays the state reimbursements from GRF line item 200505, School Meal Programs.

Controlling Board Approves $39.6 million in Multi-Year Awards for Choose Ohio First Scholarship Program

– Jason Glover, Senior Budget Analyst

On November 13, 2023, the Controlling Board approved a request from the Ohio Department of Higher Education (ODHE) to award approximately $39.6 million in Choose Ohio First scholarships to 45 public and private institutions of higher education across the state to fund scholarships to new students who enroll from FY 2025 to FY 2029. The 45 institutions were

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[8] These federal programs support free and reduced-price meals for students meeting income eligibility guidelines through reimbursements on a per-meal basis that DEW passes through to schools. Under federal law, students with a household income of up to 130% of the federal poverty level (FPL) are eligible for free meals and students with a household income between 130% and 185% of FPL are eligible for reduced-price meals.

[9] A school or district is eligible for CEP if at least 40% of students (decreasing to at least 25% of students beginning with the 2024-2025 school year) meet certain criteria for other types of federal benefits, such as the Supplemental Nutrition Assistance Program (SNAP) or Medicaid, or are in certain defined eligibility groups.

selected for awards through a competitive grant process based on their recruitment and retention plans. Awards range from $144,000 each for Rhodes State College and Hocking College to $1.2 million each for ten colleges and universities. Recipient institutions will distribute scholarships to their students. ODHE estimates that approximately 4,400 students will receive scholarships from the new award.

Since 2008, the Choose Ohio First Scholarship Program has provided scholarships to students pursuing degrees in science, technology, engineering, mathematics, medicine (STEMM) and dentistry fields or STEMM education at one of Ohio's institutions of higher education. Subject to certain exceptions, the annual Choose Ohio First scholarship for an undergraduate or graduate student must be at least $1,500 but no more than 50% of the highest in-state undergraduate instructional and general fees charged by all state universities ($8,904 for the 2023-2024 academic year).

For more information on the Choose Ohio First Scholarship Program, see the Choose Ohio First Scholarship Program Members Brief (PDF), which may be accessed on LSC's website: lsc.ohio.gov.

Department of Commerce Awards Financial Literacy Education Grants to Four Recipients

– Jared Cape, Budget Analyst

On October 31, 2023, the Department of Commerce announced funding of $50,000 to four organizations under the Financial Literacy Education Grant Program. The purpose of the grant is to support innovative education programs that strengthen financial literacy. This year, grants were awarded to programs focused on providing children and young adults the knowledge and skills needed to develop and integrate personal financial literacy in their lives. Grants are awarded to applicants that demonstrate the need for financial education in their community. The table below displays the award recipients and the total amount awarded. More detail on each grant recipient can be found on the Department of Commerce website: com.ohio.gov.

Financial Literacy Education Grant Recipients, FY 2024		
County	**Grant Recipient**	**Award Amount**
Fairfield	Connexion West	$18,750
Tuscarawas	DoverPhila Federal Credit Union	$18,750
Ashtabula, Columbiana, Mahoning, and Trumbull	Junior Achievement of Mahoning Valley	$10,000
Ashland, Medina, Portage, Richland, Summit, and Wayne	BBB Marketplace Education Initiative (BBBME)	$2,500
	Total	**$50,000**

The grant is financed through quarterly transfers of 5% of all charges, penalties, and forfeitures levied by the Consumer Finance Section within the Division of Financial Institutions. This revenue is deposited into the Financial Literacy Education Fund (Fund 5FW0). The current fund balance of Fund 5FW0 is nearly $155,000. Grant guidelines require that at least half of the financial literacy education programs be conducted by or offered at public community colleges or state institutions of higher education.

Ohio's industrial mineral production topped $16.3 billion in Calendar Year 2022

– Tom Wert, Senior Budget Analyst

On November 17, 2023, the Ohio Department of Natural Resources (ODNR) released the 2022 Report on Ohio Mineral Industries. The report, which ODNR publishes each year, summarizes various information about mining including sales volume and value of industrial minerals, employment in industrial mineral operations, and the number of industrial mineral mines and their locations. According to the report, the value of Ohio's industrial mineral production, including oil and natural gas, totaled more than $16.3 billion.

Natural gas represented the lion's share of Ohio's industrial mineral value with 2022 production values totaling nearly $12.8 billion. Oil placed second with nearly $1.8 billion. Limestone and dolomite ($984.2 million), sand and gravel ($306.4 million), and salt ($240.0 million) round out the top five minerals in production value. The table below shows 2022 production volume and value for the ten industrial minerals covered in the report. The full report can be found on the ODNR website: ohiodnr.gov.

Ohio Industrial Mineral Production CY 2022			
Industrial Mineral	**Production Volume**	**Production Value**	**Percent of Total Value**
Gas	2,215,565,214 MCF*	$12,783,811,285	78.4%
Oil	19,886,972 barrels	$1,797,583,399	11.0%
Limestone and dolomite	72,375,240 tons	$984,216,077	6.0%
Sand and gravel	31,942,328 tons	$306,414,324	1.9%
Salt	4,343,060 tons	$239,963,638	1.5%
Coal	2,701,276 tons	$130,625,344	0.8%
Sandstone and conglomerate	1,374,101 tons	$51,848,905	0.3%
Clay	722,204 tons	$9,227,917	0.1%
Shale	555,477 tons	$4,905,802	Less than 0.1%

Ohio Industrial Mineral Production CY 2022			
Industrial Mineral	**Production Volume**	**Production Value**	**Percent of Total Value**
Peat	500 tons	$4,000	Less than 0.1%
Total value		**$16,308,600,691**	**100.0%**

MCF = thousand cubic feet

Tracking the Economy

– Michael Kerr, Budget Analyst

Overview

U.S. economic growth has slowed in recent months. Inflation broadly has continued to ease. Industrial output declined 0.6% and manufacturing output decreased 0.7% in October. U.S. payroll employment grew by 199,000 in November as unemployment fell to 3.7%.

Inflation, measured by the all-items consumer price index (CPI), was up 3.2% over the 12-month period ending in October. Though the CPI, seasonally adjusted, remained flat from September to October, the shelter and food indices rose again by 0.3% each for the month. Compared to October 2022, the core index (all items excluding food and energy) was up 4.0%, whereas the energy index declined 4.5%.

New York Federal Reserve president, and vice-chair of the Federal Open Market Committee (FOMC), John Williams stated in prepared remarks at a joint conference with the Bretton Woods Committee at the end of November that inflation was still too high but that he thought the target range of the federal funds rate was at or near its peak. The Federal Reserve (the Fed), the nation's central bank, sets monetary policy through changes in its federal funds target. Williams commented that the current restrictive stance of monetary policy, estimated to be the most restrictive in 25 years, is expected to remain in place for "quite some time" in order to bring inflation back down, on a sustained basis, to the FOMC's longer-run 2% goal. Officials at the FOMC are scheduled to meet December 12-13.

Ohio's unemployment rate increased to 3.6% in October, inching slightly above its lowest recorded level (3.3% in July) in records kept since 1976 by the U.S. Bureau of Labor Statistics. Ohio's total nonfarm payroll employment rose by 7,700 in October, growth of 0.1% for the month, and was 2.0% higher than in the preceding October. Employment growth for the year was largely driven by educational and health services (46,800), and leisure and hospitality (27,900). Statewide, existing housing prices have increased 7.3% from October of last year, as the number of existing homes sold continues to decrease.

The high cost of available credit, reduction of built-up personal savings, and the recent ending of the moratorium on student loan payments contributed to downward pressure on consumer spending. The resumption of the student loan payments is expected to impact the Ohio economy in the coming months, as Ohioans with student loans will have less unobligated disposable income. The extent of that impact, however, is still unclear.

The National Economy

In November, the U.S. economy added 199,000 jobs and the national unemployment rate fell to 3.7%. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5. Growth of U.S. nonfarm payroll employment for the prior 12 months averaged 240,000 per month. The U.S. Bureau of Labor Statistics (BLS) further revised downward their nonfarm employment estimates in September by another 35,000; this revised figure was included in the YTD average cited above. For the month, there were job gains in health care, government, and manufacturing. Employment changed little in most other major industries, with the exception of retail, where it declined 38,000 in November. The rise in manufacturing by 28,000 jobs for the month reflects the return of motor vehicles and parts workers following a strike.

The number of people counted as unemployed nationally was 6.3 million in November, a small decrease from the 6.5 million unemployed in October. While the monthly change was relatively modest, November's level represents a 634,000 person increase in the number of unemployed since recent lows in April of this year. Of the 6.3 million unemployed, 1.2 million had been without jobs and actively looking for work for six months or more, a value that decreased 10% since the prior month. The number of people working part-time for economic reasons was 4.0 million in November, 295,000 fewer than in October. The labor force participation rate, the share of the population that is either employed or actively seeking work, also remained relatively steady at 62.8%.

Job openings decreased to 8.7 million at the end of October. This number is also below the prior year level for October, in which there were 10.5 million job openings. Decreases in job openings were primarily reported in health care and social assistance, finance and insurance, and real estate and leasing. Increased job openings were reported in information services. For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were described by BLS as changing little compared to the previous month. The rate at which people chose to quit remained constant, at a relatively low 2.3%, a trend that has persisted for four consecutive months. Employees are more likely to quit jobs if they are confident they can find other or better positions.

U.S. real GDP grew at a 5.2% annual rate in the third quarter of 2023 according to the revised estimate published by the U.S. Bureau of Economic Analysis (BEA). The update from the advance estimate of 4.9% reflected upward revisions in business, housing, and inventory investment along with government spending. Growth in the third quarter was driven by increases in consumer spending, private inventory investment, exports, and government spending, in addition to housing and business investment.

Industrial production declined 0.6% nationwide in October, following a revised 0.1% increase in the month of September. Total industrial output in October was 0.7% lower than a year earlier; this is mainly attributed to a 10% decline in output of motor vehicles and parts due to strikes affecting several major manufacturers of motor vehicles. Manufacturing output itself also fell 0.7% for the month. Mining production increased 0.4% and utility output decreased 1.6%.

The CPI, seasonally adjusted, remained unchanged in October following a 0.4% increase in September. Compared to a year ago, the CPI increased 3.2%. Chart 6 shows CPI changes from the year prior. The shelter index rose again in October by 0.3%, following a rise of 0.6% in September. This was partially offset by a falling gasoline index. The food index rose 0.3% and the energy index fell 2.5% in October. The CPI core index increased 0.2% in October, after rising 0.3% the previous month. Compared to October 2022, the core index was up 4.0%. Meanwhile, the food at home index was up 2.1% and the energy index declined 4.5% over the same period.

The producer price index for final demand (PPI) decreased 0.5% in October, seasonally adjusted, after a 0.4% increase in September. Since October of last year, the index for final demand rose 1.3% before seasonal adjustment. The monthly decrease in October was driven by a 1.4% decrease in prices for final demand goods, which was spurred by lower gasoline costs. Elsewhere, the index for final demand services remained flat for the month, following six months of increases. The index for final demand less food, energy, and trade services increased 0.1% in October and by 2.9% over the previous year.

Personal income, not adjusted for inflation, increased 0.2% in October largely driven by increases in compensation, interest and dividends, nonfarm proprietors' income, and rental income of persons. A related measure of inflation, an indicator used by the Fed, the personal consumption expenditures (PCE) price index remained flat in October but was 3.0% higher than a year earlier. Excluding food and energy, the PCE price index increased 0.2% in October and was up 3.5% over the year. Real personal consumption expenditures increased by 0.2% for the month.

Approximately 1.2 million light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of November. Unit sales for this month were 2.0% higher than the number of units sold in October. Year-to-date vehicle sales totaled 14.0 million, which is 12.2% higher than the quantity sold during the same months in calendar year 2022.

Housing starts in the U.S. rose 1.9% in October from the revised September estimate, seasonally adjusted, but decreased 4.2% compared to October 2022. Building permits for new housing units in the U.S. increased 1.1% from September to October, but declined by 4.4% compared to the preceding year. Midwest housing starts increased 28.4% for the month. However, building permits in the Midwest fell more sharply than changes elsewhere in the nation, by 10.6% from September to October. New home sales fell 5.6% nationally in October, seasonally adjusted, but rose 17.7% compared to a year earlier. In the Midwest, the number of new houses sold fell by 16.4% from September to October. National median sales price and average sales price for new homes both decreased from September to October, continuing a general trend of falling home prices for the last year.

The Ohio Economy

In October, Ohio's total nonfarm payroll employment increased slightly along with the unemployment rate, which rose to 3.6%. Ohio's unemployment rate was 4.2% in October of last year. The number of unemployed Ohioans was 206,900 in October, 7,700 more than in September, but 30,600 less than in October of last year. The state's unemployment rate in October was lower than the U.S. unemployment rate, a trend that started in May; the U.S. unemployment rate was 3.9% in October and 3.8% in both August and September.

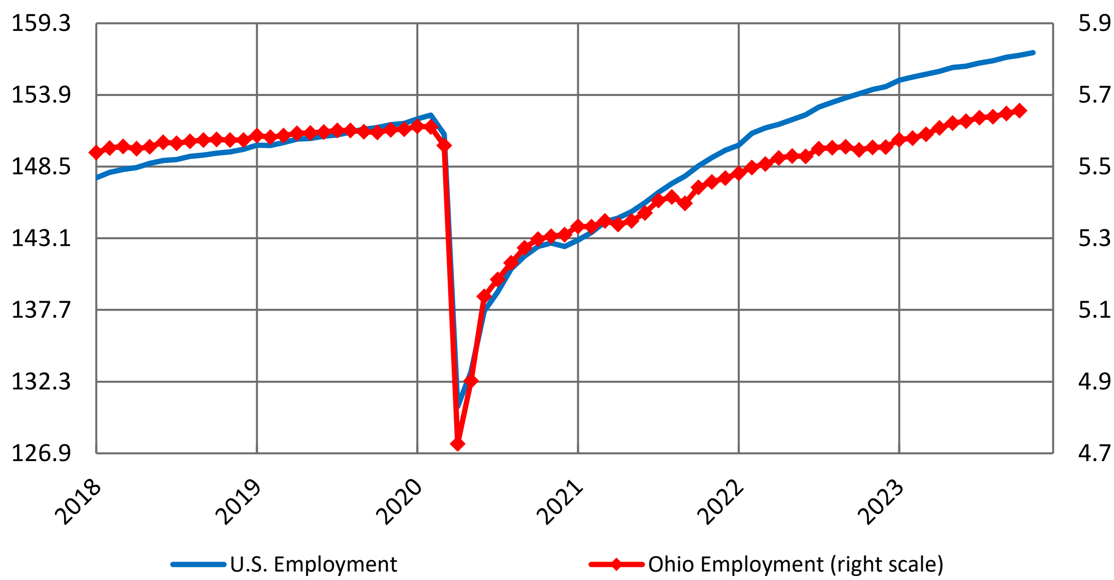
Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 7,700 or 0.1% in October from the revised total in September. In October, employment in private service-producing industries increased by 500, employment in goods producing industries increased by 5,300, and government employment rose by 1,900. Job gains were particularly large in educational and health services (6,300) and construction (6,000). Job gains in those sectors and lesser gains in others were partially offset by losses in trade, transportation, and utilities (4,400) and accommodation and food services (3,400).

Compared to October of last year, the state's nonfarm payroll employment increased 109,600, or 2.0%. Employment in private service-producing industries, goods-producing industries, and government increased by 75,400, 21,200, and 13,000, respectively. Year-over-year employment gains occurred in most industries, largely in educational and health services (46,800), as well as leisure and hospitality (27,900). The largest job losses occurred in administrative, support, waste management and remediation services (6,900), retail trade (5,600), and financial activities (5,300).

The number of existing homes sold in Ohio in October decreased by 9.2% compared to October of last year, according to the Ohio Realtors. The statewide average home sale price in October reached $273,683, a 7.3% increase from the same month a year ago. For the first ten months of 2023, unit home sales were 16.2% below the same period in 2022, but the average sale price was up 4.7% over that timeframe.

Business activity in the Cleveland Federal Reserve District[10] declined slightly overall in recent weeks, according to the Fed's Beige Book.[11] Consumer spending was reported to be down, especially on discretionary goods. And high interest rates continued to spur lower loan volumes for commercial and consumer loans. Demand for manufactured goods, however, was flat in recent weeks, as orders for intermediate goods in auto production slowed, attributed by contacts mostly to the UAW strike. Price pressures likewise changed little, with the exception of cost increases for health insurance, software licenses, and technical support services, along with a recent uptick in prices for beef, chicken, and dairy products. However, nearly two-thirds of contacts reported keeping their prices unchanged.

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



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

[11] The Beige Book is the Fed's compilation of reports from contacts outside the Federal Reserve System itself, primarily in business.

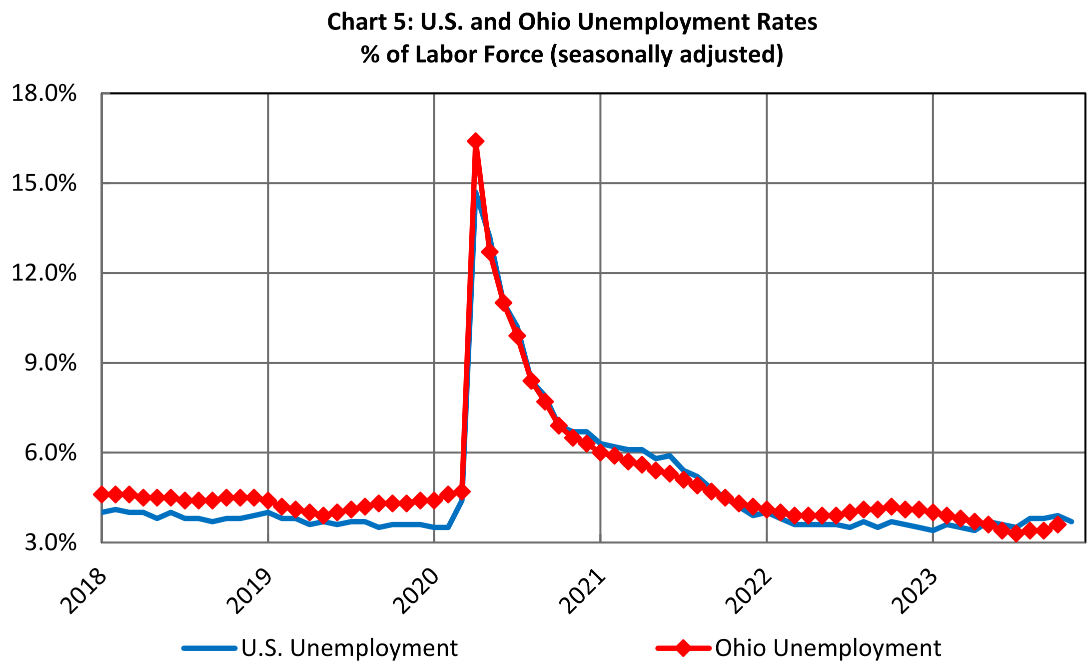


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
U.S. Unemployment
Ohio Unemployment

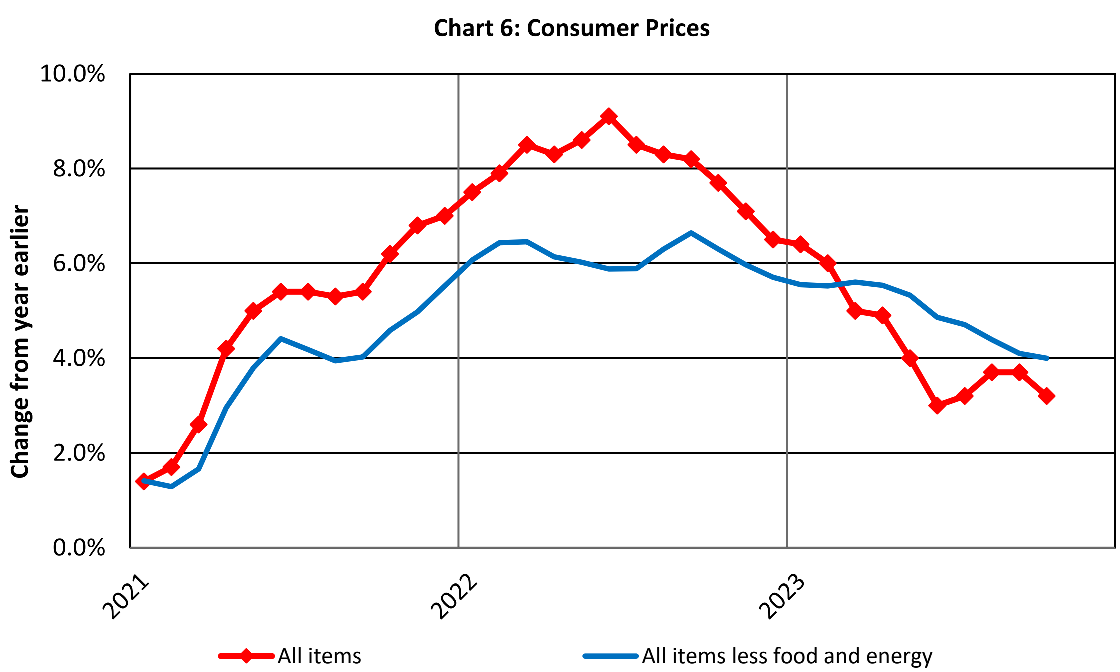


Chart 6: Consumer Prices
Change from year earlier
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2021
2022
2023
All items
All items less food and energy