LBO Budget Footnotes

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Highlights

– Russ Keller, Chief Economist

GRF tax revenue in the month of May exceeded the Office of Budget and Management (OBM) estimate by $17.3 million, following two consecutive months of sizable shortfalls largely attributable to the personal income tax (PIT).

The performance of the sales and use tax has trended downward in recent months, as the year-to-date (YTD) collections at the end of May were $37.5 million below estimate. National statistics show year-over-year growth in the dollar value of U.S. consumer spending through April, seasonally adjusted, but the growth during FY 2024 for the service sector, 6.8%, far outpaced spending growth on goods, 2.6%. In general, services are exempt from the state sales tax unless enumerated in law, whereas goods are taxable unless specifically exempted.

Through May 2024, GRF sources totaled $37.96 billion:

- The commercial activity tax (CAT) had positive monthly variances for May and the YTD of $75.8 million (22.1%) and $97.2 million (4.3%), respectively;
- Federal grants were $924.5 million below estimate.

Through May 2024, GRF uses totaled $45.28 billion:

- Program expenditures were $1.67 billion (4.2%) below estimate, as every program category was below estimate;
- The largest shortfall was Medicaid, $1.25 billion, which reflects a decline in caseloads, lower spending per member, and timing;
- GRF transfers out were $1.20 billion above estimate and will end the year with a positive variance, largely due to transfers related to the capital bill.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of May 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 03, 2024)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$176,100	$184,900	-$8,800	-4.8%
Nonauto Sales and Use	$1,008,466	$1,022,800	-$14,334	-1.4%
Total Sales and Use	*$1,184,566*	*$1,207,700*	*-$23,134*	*-1.9%*
Personal Income	$809,703	$842,700	-$32,997	-3.9%
Commercial Activity Tax	$418,513	$342,700	$75,813	22.1%
Cigarette	$67,870	$62,800	$5,070	8.1%
Kilowatt-Hour Excise	$20,581	$17,300	$3,281	19.0%
Foreign Insurance	$40,641	-$33,000	$73,641	223.2%
Domestic Insurance	-$59,146	$9,100	-$68,246	-750.0%
Financial Institution	$35,034	$35,300	-$266	-0.8%
Public Utility	$44,327	$47,100	-$2,773	-5.9%
Natural Gas Consumption	$18,270	$32,100	-$13,830	-43.1%
Alcoholic Beverage	$6,755	$5,500	$1,255	22.8%
Liquor Gallonage	$4,452	$4,800	-$348	-7.2%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$10	$0	$10	---
Business and Property	$0	$200	-$200	-100.0%
Estate	$1	$0	$1	---
Total Tax Revenue	**$2,591,579**	**$2,574,300**	**$17,279**	**0.7%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$4,320	$5,814	-$1,494	-25.7%
Other Revenue	$1,285	$1,250	$35	2.8%
Total Nontax Revenue	**$5,605**	**$7,064**	**-$1,459**	**-20.7%**
Transfers In	**$1,740**	**$0**	**$1,740**	**---**
Total State Sources	**$2,598,924**	**$2,581,364**	**$17,560**	**0.7%**
Federal Grants	**$1,689,122**	**$1,649,057**	**$40,065**	**2.4%**
Total GRF Sources	**$4,288,046**	**$4,230,421**	**$57,626**	**1.4%**

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2024 as of May 31, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 03, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$1,770,257	$1,817,100	-$46,843	-2.6%	$1,807,319	-2.1%
Nonauto Sales and Use	$10,748,158	$10,738,800	$9,358	0.1%	$10,466,076	2.7%
Total Sales and Use	*$12,518,415*	*$12,555,900*	*-$37,485*	*-0.3%*	*$12,273,394*	*2.0%*
Personal Income	$8,602,385	$9,089,300	-$486,915	-5.4%	$9,833,628	-12.5%
Commercial Activity Tax	$2,359,046	$2,261,800	$97,246	4.3%	$2,136,050	10.4%
Cigarette	$649,874	$674,400	-$24,526	-3.6%	$704,624	-7.8%
Kilowatt-Hour Excise	$266,933	$264,700	$2,233	0.8%	$263,766	1.2%
Foreign Insurance	$409,266	$353,200	$56,066	15.9%	$363,586	12.6%
Domestic Insurance	$16,715	$16,200	$515	3.2%	$23,471	-28.8%
Financial Institution	$186,096	$207,600	-$21,504	-10.4%	$211,887	-12.2%
Public Utility	$166,966	$167,300	-$334	-0.2%	$177,785	-6.1%
Natural Gas Consumption	$54,501	$67,300	-$12,799	-19.0%	$67,803	-19.6%
Alcoholic Beverage	$55,711	$56,700	-$989	-1.7%	$59,409	-6.2%
Liquor Gallonage	$51,643	$54,000	-$2,357	-4.4%	$52,343	-1.3%
Petroleum Activity Tax	$9,618	$8,200	$1,418	17.3%	$11,367	-15.4%
Corporate Franchise	$203	$0	$203	---	$106	90.6%
Business and Property	$0	$200	-$200	-100.0%	$337	-100.0%
Estate	$2	$0	$2	---	$38	-96.0%
Total Tax Revenue	**$25,347,371**	**$25,776,800**	**-$429,429**	**-1.7%**	**$26,179,596**	**-3.2%**
Nontax Revenue						
Earnings on Investments	$343,291	$128,641	$214,650	166.9%	$197,901	73.5%
Licenses and Fees	$125,519	$99,271	$26,248	26.4%	$116,429	7.8%
Other Revenue	$145,564	$97,950	$47,614	48.6%	$224,632	-35.2%
Total Nontax Revenue	**$614,374**	**$325,862**	**$288,512**	**88.5%**	**$538,961**	**14.0%**
Transfers In	**$15,288**	**$0**	**$15,288**	**---**	**$19,213**	**-20.4%**
Total State Sources	**$25,977,033**	**$26,102,662**	**-$125,629**	**-0.5%**	**$26,737,771**	**-2.8%**
Federal Grants	**$11,984,879**	**$12,909,368**	**-$924,489**	**-7.2%**	**$12,282,823**	**-2.4%**
Total GRF SOURCES	**$37,961,912**	**$39,012,030**	**-$1,050,118**	**-2.7%**	**$39,020,594**	**-2.7%**

*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]

– Philip A. Cummins, Senior Economist

Overview

May GRF total tax revenue was above OBM's estimate by $17.3 million (0.7%), following two consecutive months of sizable shortfalls. Revenues were above estimate from the CAT by $75.8 million and the foreign insurance tax by $73.6 million. On the other hand, revenues were below estimate for the domestic insurance tax by $68.2 million, PIT by $33.0 million, the total sales and use tax by $23.1 million, and the natural gas consumption tax by $13.8 million. Nontax revenue was below estimate by $1.5 million, transfers in were above estimate by $1.7 million, and federal grants were above estimate by $40.1 million. Total GRF sources for May were $57.6 million higher than estimate.

The large May variances for the insurance taxes resulted from correcting entries in the state accounting system. Domestic insurance tax revenues for the month were negative $59.1 million, generally an indicator of net refunds, when receipts of $9.1 million were expected. In contrast, foreign insurance tax receipts in May were positive $40.6 million when net refunds of $33.0 million were expected. The anomaly is explained by a $70.8 million correcting entry made in May by the Treasurer of State (TOS) for revenues booked in February and March as domestic insurance tax receipts that should instead have been entered as foreign insurance tax receipts. Most foreign insurance tax payments are made in those two months and in October. The misclassification occurred with a new TOS tax payment system launched this year. Apparently, numerous taxpayers using the new system chose the wrong account code for their payments. With the corrections, YTD foreign insurance tax receipts exceed the estimate by $56.1 million (15.9%), and YTD domestic insurance tax receipts exceed the estimate by $0.5 million (3.2%). Most domestic insurance tax payments are made in June.

Total GRF revenue consists of tax revenue, 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. Table 1 above shows GRF sources for the month of May 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 11 months of FY 2024 amounted to $25.35 billion, $429.4 million (1.7%) below estimate. The most negative YTD variance continued to be for the PIT, $486.9 million. Also below estimate for the first 11 months of the fiscal year were the auto sales and use tax, by $46.8 million; the cigarette and other tobacco products tax, by $24.5 million; the financial institution tax (FIT), by $21.5 million; and the natural gas consumption tax, by $12.8 million. Large positive variances were recorded for the CAT, by $97.2 million, and the

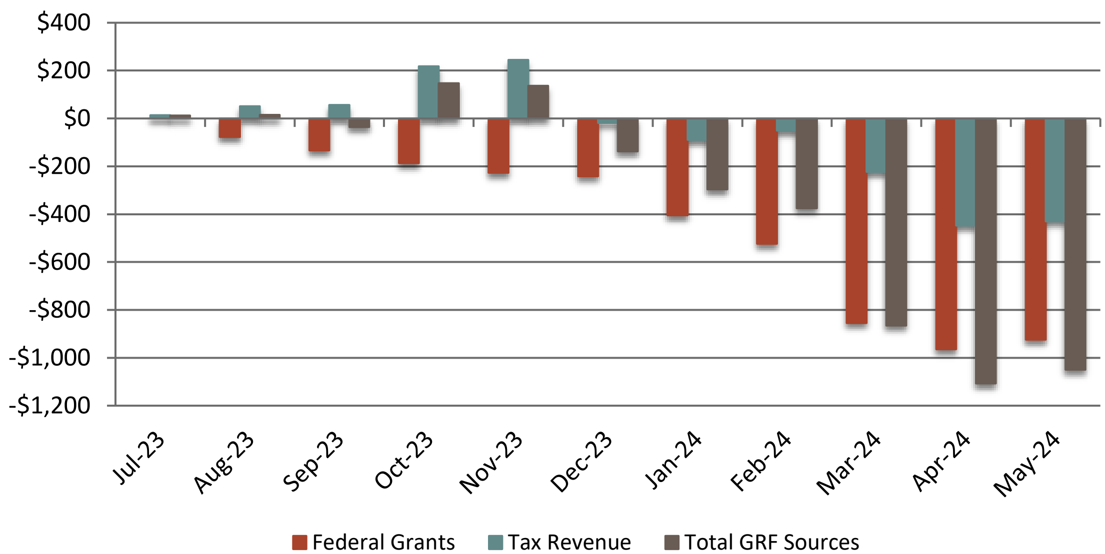
[1] This report compares actual monthly and year-to-date GRF revenue sources to estimates of the Office of Budget and Management (OBM). If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance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

nonauto sales and use tax, by $9.4 million. More details about revenue from the four largest tax sources (the sales tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

Nontax revenue for the fiscal year's first 11 months exceeded the estimate by $288.5 million, of which earnings on investment was in excess of the estimate by $214.7 million, "Other revenue" exceeded estimate by $47.6 million, and licenses and fees exceeded estimate by $26.2 million. Transfers in were $15.3 million when none were expected in the first 11 months of FY 2024. YTD federal grants were $924.5 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also well below their estimate.

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

Chart 1: Cumulative Variances of GRF Sources in FY 2024 (Variances from Estimates, $ in millions)



YTD GRF tax revenue was lower than in the first 11 months of FY 2023 by $832.2 million (3.2%). Far and away the largest year-to-year decline in GRF revenue was for the PIT, lower by $1.23 billion (12.5%). Other taxes with revenues lower than in the year-earlier period include the cigarette and other tobacco products tax, by $54.8 million (7.8%); the auto sales and use tax, by $37.1 million (2.1%); the FIT, by $25.8 million (12.2%); the natural gas consumption tax, by $13.3 million (19.6%); and the public utility excise tax, by $10.8 million (6.1%). On the positive side, taxes with YTD GRF receipts higher than a year earlier include the nonauto sales and use tax, by $282.1 million (2.7%); the CAT, by $223.0 million (10.4%); and the foreign insurance tax, by $45.7 million (12.6%). Year-to-year growth in CAT revenue to the GRF resulted from a provision in H.B. 33 of the 135th General Assembly, the main operating budget act, which increased the portion of CAT revenue allocated to the GRF.

Nontax revenue to the GRF in the first 11 months of FY 2024 was higher than a year earlier by $75.4 million, reflecting a $145.4 million (73.5%) increase in earnings on investment, partly offset by a $79.1 million (35.2%) decline in the "Other revenue" category. Total state-source revenue was lower than a year earlier by $760.7 million (2.8%). GRF revenue from federal grants was lower than in the year-earlier period by $297.9 million (2.4%).

Sales and Use Tax

May GRF receipts from the sales and use tax were $1.18 billion, $23.1 million (1.9%) below estimate. For the first 11 months of FY 2024, revenue from the tax was $12.52 billion, $37.5 million (0.3%) below estimate. Revenue in the fiscal year's first 11 months was $245.0 million (2.0%) 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 are 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. In the first eleven months of FY 2024, a positive YTD variance from the nonauto portion increased early in the year but then narrowed, while a negative YTD variance from the auto component generally trended more negative. The combined variance for the two components of the tax shifted from positive to negative, particularly in the latest three months.

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 data show growth in the dollar value of consumer spending through April, seasonally adjusted, with growth mostly in the service sector. Consumer price increases are not as rapid as two years ago, but the improvement has ended at least temporarily. In March and April, the personal consumption expenditures price index was 2.7% higher than a year earlier, up from 2.5% year-over-year increases in January and February.

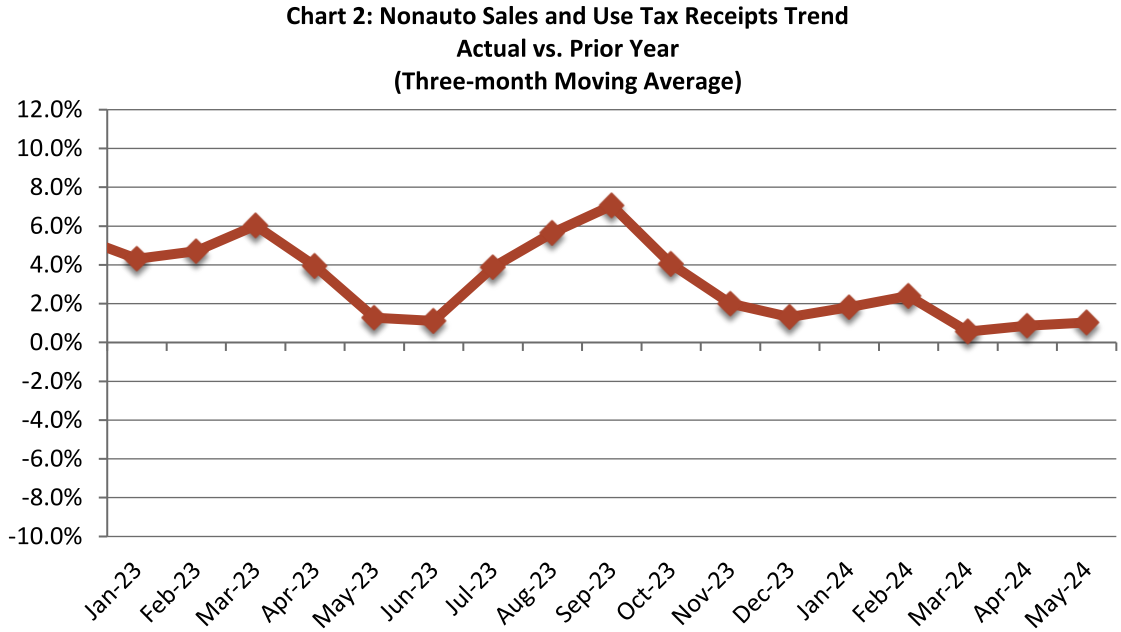
Nonauto Sales and Use Tax

May GRF receipts of $1.01 billion were $14.3 million (1.4%) below the OBM estimate but $23.6 million (2.4%) above revenue in May 2023. For the first 11 months of FY 2024, revenues were $10.75 billion, $9.4 million (0.1%) above estimate and $282.1 million (2.7%) higher than receipts a year earlier.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 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. Growth slowed from a peak early in this fiscal year.

[2] The term "tax base" here refers to whatever is subject to the tax.

[3] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during March 2023 through May 2023 to revenue received during March 2024 through May 2024.

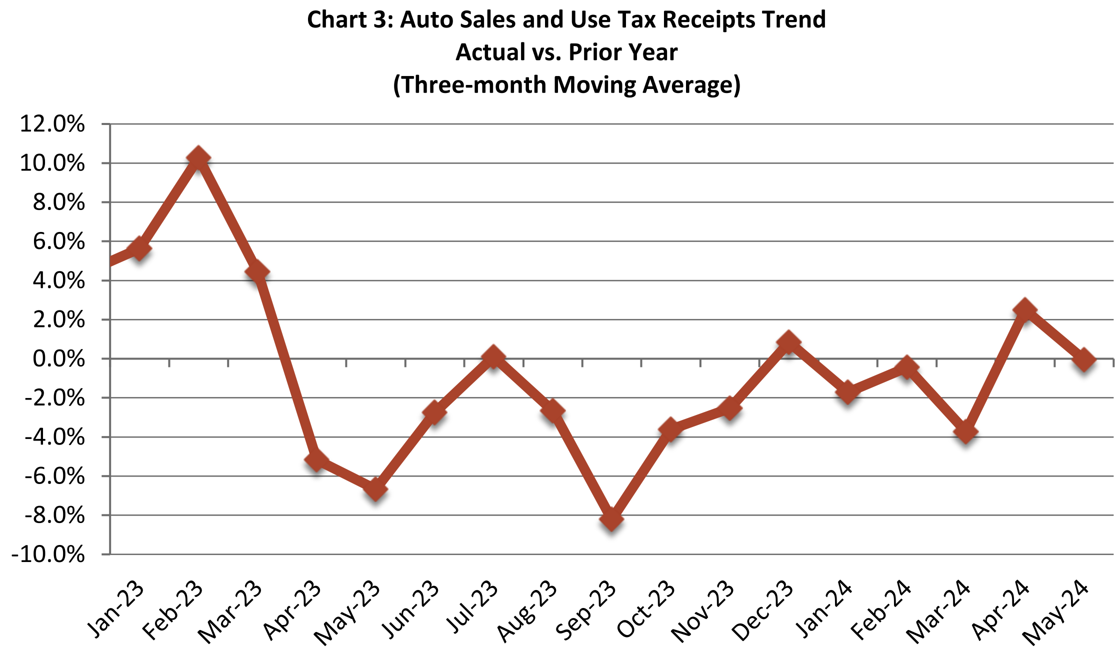


Auto Sales and Use Tax

May receipts from the auto component of the sales and use tax were $176.1 million, $8.8 million (4.8%) below estimate, and $8.6 million (4.6%) below receipts in May 2023. For the fiscal YTD through May, revenue of $1.77 billion was below the estimate by $46.8 million (2.6%) and below year-earlier revenues by $37.1 million (2.1%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the eleven months through May of around 8%, though most of this growth occurred in 2023. Dealer inventories of domestic autos nationwide have risen but remain lean by historical standards.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2023. Auto sales and use tax receipts in the latest period shown were about flat with a year ago, after being generally weaker in most months earlier in the fiscal year.



Personal Income Tax

May GRF revenue from the PIT of $809.7 million was $33.0 million (3.9%) below estimate. Revenue received during the first eleven months of FY 2024 totaled $8.60 billion, $486.9 million (5.4%) below estimate and $1.23 billion (12.5%) lower than a year earlier. Weakness appears to reflect in substantial part the tax cuts in tax year (TY) 2023 made by H.B. 33 and withholding rate cuts beginning last November. The Department of Taxation is cutting the top withholding rate further starting July 1, perhaps at least partly in response to the top marginal rate in statutory law falling from 3.75% to 3.50% in TY 2024. Also, Ohio income growth appears to have slowed, as YTD increases in private sector hourly earnings and employment were smaller this year than a year earlier.

Gross PIT tax collections 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 portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue. The primary driver of PIT revenue is withholding payments, about 79% of gross PIT collections in FY 2023.

H.B. 33 reduced both tax rates and the number of tax brackets for TY 2023 and TY 2024. Withholding rates, set administratively, were unchanged for the lowest wage brackets but were reduced by various percentages up to about 25% in higher brackets.

The table below provides details on revenue from PIT components through May relative to estimates for FY 2024 and to revenues received in the year-earlier period. FY 2024 YTD gross collections were $421.2 million (3.5%) above anticipated revenue, but $335.3 million (2.6%) below

[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.

year-earlier revenues. Shifts among payment categories, with some up substantially and others lower, were attributed by OBM to changes in tax forms associated with enactment of electing pass through entity law (S.B. 246 of the 134th General Assembly). Refunds were well in excess of estimate and of year-earlier levels. As a result, the year-to-date shortfall in GRF revenue widened relative to both the estimate, by $486.9 million (5.4%), and to a year ago, by $1.23 billion (12.5%).

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	-$98.3	-1.0%	-$405.7	-4.0%
Quarterly Estimated Payments	$323.4	39.8%	$219.9	24.0%
Trust Payments	$4.2	6.8%	-$10.8	-14.2%
Annual Return Payments	$204.8	15.7%	-$128.9	-7.9%
Miscellaneous Payments	-$12.9	-14.5%	-$9.8	-11.4%
Gross Collections	**$421.2**	**3.5%**	**-$335.3**	**-2.6%**
Less Refunds	$915.7	35.8%	$894.4	34.6%
Less LGF Distribution	-$7.6	-1.6%	$1.6	0.3%
GRF PIT Revenue	**-$486.9**	**-5.4%**	**-$1,231.2**	**-12.5%**

Commercial Activity Tax

May GRF receipts from the CAT were $418.5 million, $75.8 million (22.1%) above the estimate. GRF revenues for the fiscal year's first 11 months were $2.36 billion, $97.2 million (4.3%) above estimate. CAT payments are due in February, May, August, and November based on gross receipts in the previous calendar quarter.

YTD GRF revenue from the CAT grew by $223.0 million (10.4%) compared with the year-earlier period in FY 2023. Allocation of CAT revenue was changed by H.B. 33 to direct virtually all revenue after the first 0.65% to the GRF.[5] The 0.65% credited from CAT revenues goes to Fund 2280, used by the Department of Taxation to enforce state tax law. Prior to FY 2024 the

[5] R.C. 5751.02 as amended by H.B. 33 directs CAT revenue after the credit to Fund 2280 to any required payments to the Commercial Activity Tax Motor Fuel Receipts Fund (Fund 7019) and any amounts needed to make required payments to the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). The remainder is to be credited to the GRF. Fund 7019 received $337 of CAT revenue in July through May of FY 2024. Balances in Fund 7047 and Fund 7081 are far in excess of required payments.

GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD CAT revenue on an all-funds basis net of refunds, $2.37 billion, was $155.0 million (6.1%) below comparable CAT revenue in the first 11 months of FY 2023.

For tax periods beginning in TY 2024, another H.B. 33 provision reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less per year no longer owe the CAT, and all taxpayers that remain subject to the CAT pay quarterly; the category of annual CAT taxpayer is eliminated. This exclusion amount increases to $6 million in TY 2025 and thereafter. For the first nine months of FY 2024, cumulative CAT revenue net of refunds exceeded comparable year-earlier net revenues. Payments due in May were based on gross receipts in January through March less the exclusion amount. On an all-funds basis, CAT payments in May less refunds were $84.0 million (16.6%) lower than a year earlier, after being $72.9 million (65.8%) lower in April. The CAT revenue shortfall in April may have been related to the law change applicable to the May 2024 payment date. OBM stated in its monthly financial report that April refunds greatly exceeded refunds typically paid in that month, and the large increase was not predicted by their April estimate.

Cigarette and Other Tobacco Products Tax

May revenue from the cigarette and other tobacco products (OTP) tax totaling $67.9 million was above estimate by $5.1 million (8.1%). YTD revenue from the tax was $649.9 million, $24.5 million (3.6%) below estimate. The YTD total included $546.5 million from cigarette sales and $103.4 million from the sale of OTP.

FY 2024 revenue through May fell by $54.8 million (7.8%) compared to revenue in the first eleven months of FY 2023. OTP sales decreased by $1.4 million (1.4%) while receipts from cigarette sales decreased $53.3 million (8.9%). 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 tends to be boosted by price increases.

Taxation of cigarettes, on the other hand, is based on unit sales. Revenue from cigarette sales declines from year to year, by about 4% or 5% per year on average. This pattern has persisted for many years, with occasional months when revenues are above those a year earlier. Cigarette tax receipts were higher than a year earlier in May, for example, though YTD revenues were down sharply. Earlier, receipts were up from a year earlier for several months during the COVID-19 pandemic, after which the downtrend resumed.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2024
($ in thousands)
(Actual based on OAKS reports run June 5, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$665,798	$675,745	-$9,947	-1.5%
Higher Education	$211,044	$215,327	-$4,283	-2.0%
Other Education	$4,722	$5,004	-$282	-5.6%
Total Education	**$881,563**	**$896,076**	**-$14,512**	**-1.6%**
Medicaid	$2,367,663	$2,290,304	$77,359	3.4%
Health and Human Services	$123,052	$114,641	$8,411	7.3%
Total Health and Human Services	**$2,490,715**	**$2,404,945**	**$85,770**	**3.6%**
Justice and Public Protection	$231,015	$202,205	$28,811	14.2%
General Government	$49,375	$52,209	-$2,833	-5.4%
Total Government Operations	**$280,391**	**$254,413**	**$25,977**	**10.2%**
Property Tax Reimbursements	$359,549	$299,033	$60,516	20.2%
Debt Service	$22,431	$23,400	-$969	-4.1%
Total Other Expenditures	**$381,981**	**$322,434**	**$59,547**	**18.5%**
Total Program Expenditures	**$4,034,650**	**$3,877,868**	**$156,782**	**4.0%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$4,034,650**	**$3,877,868**	**$156,782**	**4.0%**

*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 May 31, 2024
($ in thousands)
(Actual based on OAKS reports run June 5, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$9,043,762	$9,065,541	-$21,779	-0.2%	$8,107,964	11.5%
Higher Education	$2,377,820	$2,417,367	-$39,547	-1.6%	$2,260,527	5.2%
Other Education	$98,112	$102,603	-$4,490	-4.4%	$84,757	15.8%
Total Education	**$11,519,695**	**$11,585,511**	**-$65,816**	**-0.6%**	**$10,453,249**	**10.2%**
Medicaid	$18,337,057	$19,588,866	-$1,251,808	-6.4%	$17,692,648	3.6%
Health and Human Services	$1,660,629	$1,831,090	-$170,461	-9.3%	$1,516,628	9.5%
Total Health and Human Services	**$19,997,687**	**$21,419,956**	**-$1,422,269**	**-6.6%**	**$19,209,275**	**4.1%**
Justice and Public Protection	$2,748,898	$2,804,843	-$55,945	-2.0%	$2,508,246	9.6%
General Government	$1,162,151	$1,259,953	-$97,802	-7.8%	$525,195	121.3%
Total Government Operations	**$3,911,049**	**$4,064,796**	**-$153,747**	**-3.8%**	**$3,033,440**	**28.9%**
Property Tax Reimbursements	$1,815,954	$1,836,771	-$20,816	-1.1%	$1,813,534	0.1%
Debt Service	$1,241,626	$1,250,547	-$8,921	-0.7%	$1,469,270	-15.5%
Total Other Expenditures	**$3,057,580**	**$3,087,318**	**-$29,737**	**-1.0%**	**$3,282,804**	**-6.9%**
Total Program Expenditures	**$38,486,011**	**$40,157,581**	**-$1,671,570**	**-4.2%**	**$35,978,769**	**7.0%**
Transfers Out	**$6,794,830**	**$5,597,298**	**$1,197,532**	**21.4%**	**$2,268,365**	**199.5%**
Total GRF Uses	**$45,280,841**	**$45,754,879**	**-$474,038**	**-1.0%**	**$38,247,134**	**18.4%**

*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 June 5, 2024)

	Month of May 2024				Year to Date through May 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,282,617	$2,208,889	$73,728	3.3%	$17,430,818	$18,657,973	-$1,227,156	-6.6%
Non-GRF	$869,219	$1,251,472	-$382,253	-30.5%	$13,469,906	$14,209,938	-$740,032	-5.2%
All Funds	$3,151,836	$3,460,361	-$308,525	-8.9%	$30,900,724	$32,867,911	-$1,967,187	-6.0%
Developmental Disabilities								
GRF	$73,090	$73,005	$86	0.1%	$800,819	$801,497	-$677	-0.1%
Non-GRF	$299,751	$290,949	$8,801	3.0%	$3,127,797	$3,238,311	-$110,514	-3.4%
All Funds	$372,841	$363,954	$8,887	2.4%	$3,928,617	$4,039,808	-$111,191	-2.8%
Job and Family Services								
GRF	$11,307	$7,350	$3,956	53.8%	$95,878	$118,604	-$22,726	-19.2%
Non-GRF	$17,130	$14,689	$2,441	16.6%	$156,374	$178,557	-$22,183	-12.4%
All Funds	$28,437	$22,040	$6,397	29.0%	$252,252	$297,161	-$44,909	-15.1%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education and Workforce, and Higher Education								
GRF	$649	$1,060	-$412	-38.8%	$9,542	$10,792	-$1,249	-11.6%
Non-GRF	$22,277	$7,367	$14,910	202.4%	$70,302	$109,540	-$39,239	-35.8%
All Funds	$22,926	$8,428	$14,498	172.0%	$79,844	$120,332	-$40,488	-33.6%
All Departments:								
GRF	**$2,367,663**	**$2,290,304**	**$77,359**	**3.4%**	**$18,337,057**	**$19,588,866**	**-$1,251,808**	**-6.4%**
Non-GRF	**$1,208,377**	**$1,564,478**	**-$356,101**	**-22.8%**	**$16,824,379**	**$17,736,346**	**-$911,967**	**-5.1%**
All Funds	**$3,576,040**	**$3,854,783**	**-$278,743**	**-7.2%**	**$35,161,436**	**$37,325,212**	**-$2,163,776**	**-5.8%**

*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 June 5, 2024)

	Month of May 2024				Year to Date through May 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,466,637**	**$2,728,666**	**-$262,029**	**-9.6%**	**$23,376,429**	**$25,088,384**	**-$1,711,956**	**-6.8%**
CFC†	$692,151	$816,125	-$123,974	-15.2%	$6,249,669	$7,096,957	-$847,288	-11.9%
Group VIII	$602,083	$682,979	-$80,896	-11.8%	$5,621,558	$6,186,643	-$565,086	-9.1%
ABD†	$241,998	$250,438	-$8,440	-3.4%	$2,110,576	$2,210,920	-$100,344	-4.5%
ABD Kids	$69,327	$84,750	-$15,423	-18.2%	$664,380	$737,409	-$73,029	-9.9%
My Care	$287,885	$303,113	-$15,228	-5.0%	$2,953,109	$2,995,718	-$42,609	-1.4%
OhioRise	$58,222	$54,302	$3,921	7.2%	$439,030	$466,435	-$27,405	-5.9%
SPBM	$447,036	$447,959	-$923	-0.2%	$5,270,171	$5,305,301	-$35,130	-0.7%
Pay for Performance	$67,935	$89,000	-$21,065	-23.7%	$67,935	$89,000	-$21,065	-23.7%
Fee-For-Service	**$855,912**	**$885,203**	**-$29,291**	**-3.3%**	**$9,174,212**	**$9,453,091**	**-$278,878**	**-3.0%**
ODM Services	$501,182	$538,717	-$37,535	-7.0%	$4,614,413	$4,758,175	-$143,762	-3.0%
DDD Services	$354,730	$346,486	$8,244	2.4%	$3,810,259	$3,916,916	-$106,656	-2.7%
Hospital - HCAP	$0	$0	$0	-	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$127,106**	**$141,820**	**-$14,714**	**-10.4%**	**$1,531,285**	**$1,612,154**	**-$80,869**	**-5.0%**
Medicare Buy-In	$73,610	$84,612	-$11,002	-13.0%	$911,295	$974,024	-$62,728	-6.4%
Medicare Part D	$53,497	$57,209	-$3,712	-6.5%	$619,990	$638,130	-$18,140	-2.8%
Administration	**$126,385**	**$99,093**	**$27,291**	**27.5%**	**$1,079,510**	**$1,171,583**	**-$92,073**	**-7.9%**
Total	**$3,576,040**	**$3,854,783**	**-$278,743**	**-7.2%**	**$35,161,436**	**$37,325,212**	**-$2,163,776**	**-5.8%**

*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

GRF program expenditures totaled $38.49 billion in the first 11 months of FY 2024. These expenditures were $1.67 billion (4.2%) below OBM's estimates for the YTD. GRF uses also include transfers out, which remained $1.20 billion (21.4%) over estimate for the YTD, due primarily to transfers to support capital appropriations; no transfers out occurred in the month of May. Total GRF uses for these 11 months were $45.28 billion, which was $474.0 million (1.0%) below estimate. The preceding Tables 3 and 4 show GRF uses compared to estimates for the month of May and YTD, respectively.

For May program expenditures, positive monthly variances in GRF Medicaid ($77.4 million, 3.4%), Property Tax Reimbursements ($60.5 million, 20.2%), Justice and Public Protection ($28.8 million, 14.2%), and Health and Human Services ($8.4 million, 7.3%) were slightly offset by a negative monthly variance in Primary and Secondary Education ($9.9 million, 1.5%). The remaining categories had monthly variances of less than $4.3 million. Total program expenditures were $156.8 million (4.0%) above estimate for the month of May.

For YTD program expenditures, all categories were below their FY 2024 estimate, most significantly GRF Medicaid ($1.25 billion, 6.4%), Health and Human Services ($170.5 million, 9.3%), General Government ($97.8 million, 7.8%), and Justice and Public Protection ($55.9 million, 2.0%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were above their monthly estimate in May by $77.4 million (3.4%) but below their YTD estimate by $1.25 billion (6.4%) at the end of May. Non-GRF Medicaid expenditures were below their monthly estimate by $356.1 million (22.8%) and below their YTD estimate by $912.0 million (5.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $278.7 million (7.2%) below estimate in May and $2.16 billion (5.8%) below their YTD estimate at the end of May.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and 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 of the variances in Medicaid expenditures. ODM had an all funds negative variance in May of $308.5 million (8.9%), and a YTD all funds negative variance of $1.97 billion (6.0%) at the end of

[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.

May. DODD had a May all funds positive variance of $8.9 million (2.4%) and ended the month with YTD expenditures being $111.2 million (2.8%) below estimate. The other seven "sister" agencies – Job and Family Services (ODJFS), Health (ODH), Aging, Mental Health and Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), and Higher Education – 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 May. In percentage terms, the Administration variance of $92.1 million (7.9%) was the largest. This variance has declined since February as spending which "sister" agencies deferred towards the end of the fiscal year is now taking place. In terms of absolute dollars, the largest variance was in Managed Care, which was $1.71 billion (6.8%) below the YTD estimate. The Managed Care variance throughout this fiscal year has been largely due to a lower-than-projected caseload, especially in the Covered Families and Children (CFC) population, and a lower per-member-per-month (PMPM) spending. The caseload shortfall and the PMPM account for most of the YTD negative variance. The other categories with negative variances were Fee-for-Service (FFS) at $278.9 million (3.0%) and Premium Assistance at $80.9 million (5.0%).

Due to federal requirements for states to provide continuous coverage throughout the COVID-19 public health emergency (PHE) in exchange for receiving a higher reimbursement on Medicaid expenditures, caseloads increased more than 28% from February 2020 to April 2023. The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM's net caseload had declined by April 2024 by over 460,000.

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 53.5% of the estimated expenditures for this category during the first 11 months of FY 2024, followed by OhioMHAS at 30.2% and ODH at 7.7%. Eight other agencies make up the remaining 8.5% of estimated spending.

This category's negative YTD variance decreased by $8.4 million in May to settle at $170.5 million (9.3%). All agencies were under estimate for the YTD, except for Opportunities for Ohioans with Disabilities (OOD) and the Commission on Service and Volunteerism (CSV), which were over estimate by $1.8 million and $0.1 million, respectively. OOD's mission is to provide individuals with disabilities opportunities to achieve quality employment, independence, and disability determination outcomes. CSV manages, monitors, and evaluates programs funded by AmeriCorps and promotes volunteerism and community service efforts across the state. ODJFS was under estimate for the YTD by $114.8 million, which accounted for 67.4% of the category's YTD variance.

Significant May variances for appropriation line items (ALIs) in the ODJFS budget include:

- A positive monthly variance of $11.9 million in ALI 600535, Early Care and Education, which resulted in a positive YTD variance for this ALI of $3.8 million. This ALI is used to pay for publicly funded child care services.
- A positive monthly variance of $10.4 million in ALI 600410, TANF State Maintenance of Effort, which decreased 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; its expenditures are counted toward the state's maintenance of effort (MOE) for the federal TANF Block Grant.

- A negative monthly variance of $7.0 million in ALI 600413, Child Care State Maintenance of Effort, which increased the YTD negative variance for this ALI to $7.2 million. This ALI is used primarily to support publicly funded child care programs; its expenditures are used to meet the federal Child Care and Development Fund (CCDF) matching and MOE grant requirements.

Most ALIs in OhioMHAS's budget were also under the YTD estimate, including ALI 336422, Criminal Justice Services, ALI 336504, Community Innovations, and ALI 336412, Hospital Services, which were under estimate by $12.8 million, $8.9 million, and $7.2 million, respectively. ALI 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; and ALI 336412 is used to support the operating costs of state mental health hospitals. OhioMHAS was under estimate for the YTD by 34.8 million, which accounted for 20.4% of the category's YTD variance.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In May, this category had a positive variance of $60.5 million (20.2%), decreasing its negative YTD variance to $20.8 million (1.1%).

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 69.7% of the estimated expenditures for this category for FY 2024. The 11 other agencies make up the remaining 30.3% of estimated spending.

The monthly variance in this category was above estimate by $28.8 million in May, decreasing its negative YTD variance to $55.9 million (2.0%). The variance for the month was primarily due to the Ohio Public Defender Commission (PUB), which had a positive monthly variance of $15.8 million, due mainly to ALI 019501, County Reimbursement, which was over estimate by $15.9 million in May. PUB was below estimate for the YTD by $11.5 million. ALI 019501 is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. The OBM estimate for this ALI allocates the appropriation over the entire fiscal year, but actual expenditures depend on the costs incurred by counties and the timing of requests for reimbursement. Most other agencies in this category were also under estimate for the YTD, including the Department of Public Safety (DPS) and the Department of Youth Services (DYS), which had negative YTD variances of $16.7 million and $11.7 million, respectively.

DPS's YTD variance was below anticipated levels mainly due to YTD negative variances of $7.1 million in ALI 768425, Justice Program Services, and $4.2 million in ALI 761403, Recovery Ohio Law Enforcement. ALI 768425 is used to pay the costs of administering the operations of the Office of Criminal Justice Services, including grants administration, law enforcement services, training programs, and policy and research. ALI 761403 is used to support the operating expenses of the State of Ohio Law Enforcement Virtual Exchange (SOLVE), which is a statewide data-sharing platform for Ohio's drug task forces and law enforcement agencies.

The negative YTD variance in DYS was mainly due to a negative YTD variance of $10.6 million in ALI 470401, Reclaim Ohio. This ALI is used to support the RECLAIM (Reasoned and Equitable Community and Local Alternatives to the Incarceration of Minors) funding category, which pays for a variety of services and activities associated with institutional services, juvenile court subsidies, community programs, and program management.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The Department of Development (DEV) makes up 57.7% of the estimated expenditures from this category during the first 11 months of FY 2024. Four other agencies make up another 23.2% of estimated expenditures: the Ohio Department of Transportation (ODOT, 8.3%), the Department of Natural Resources (6.1%), the Department of Administrative Services (4.4%), and the Department of Taxation (4.4%). Twenty-one other agencies make up the remaining 19.1% of estimated spending.

This category was under estimate by $2.8 million (5.4%) in May, increasing its negative YTD variance to $97.8 million (7.8%). Most other agencies in this category were also under estimate for the YTD, including DEV and ODOT, which had negative YTD variances of $55.1 million and $22.2 million, respectively. The largest ALI variance was for appropriations 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 $33.6 million for the YTD. The OBM estimate anticipated a total of $46.2 million being expended in equal installments in October and April. However, actual disbursements from this ALI were only $10.6 million in October and $2.0 million in May.

Elsewhere, within ODOT's budget, ALI 775471, State Road Improvements, was under its monthly and YTD estimate by $1.4 million and $23.7 million, respectively. This line item is used to provide supplemental funding for road improvement projects. Finally, ALI 195503, Local Development Projects, within the DEV budget, was under its monthly and YTD estimate by $0.5 million and $12.8 million, respectively. For the FY 2024-FY 2025 biennium, this line item is earmarked for 28 specific community projects.

Transfers out

No GRF transfers out occurred in the month of May, which aligned with OBM's estimate. The positive YTD variance for GRF transfers out remained at $1.20 billion (21.4%).

For the YTD at the end of May, GRF transfers out to support capital projects during the FY 2023-FY 2024 capital biennium, completed by the OBM Director and authorized pursuant to H.B. 687 of the 134th General Assembly, totaled $1,196.0 million. OBM's estimates planned for $850.0 million to be transferred for capital appropriations in FY 2024, all in June. So, $850.0 million of the YTD variance in transfers out is timing-related and will be resolved in June, but $346.0 million is resulting from transfers out for FY 2024 being higher than originally estimated. The following table summarizes the GRF transfers made so far in FY 2024 to support capital appropriations.

FY 2024 YTD GRF Transfers Out to Support Capital Appropriations	
Fund	**YTD Transfer**
School Building Program Assistance Fund (Fund 7032)	$350,000,000
Higher Education Improvement Fund (Fund 7034)	$200,000,000
Adult Correctional Building Fund (Fund 7027)	$175,000,000
Mental Health Facilities Improvement Fund (Fund 7033)	$150,000,000
Administrative Building Bond Fund (Fund 7026)	$100,000,000
Cultural and Sports Facilities Building Fund (Fund 7030)	$79,964,476
Taxable Third Frontier Research and Development Fund (Fund 7014)	$60,000,000
Clean Ohio Conservation Fund (Fund 7056)	$37,500,000
Administrative Building Taxable Bond Fund (Fund 7016)	$20,300,000
Parks and Natural Resources Fund (Fund 7031)	$17,000,000
Agricultural Easement Fund (Fund 7057)	$6,250,000
Total	**$1,196,014,476**

Issue Updates

Controlling Board Approves $235.8 Million for Summer Electronic Benefits Transfer Program

– Suveksha Bhujel, Economist

On May 6, 2024, the Controlling Board approved an ODJFS request to increase appropriations by $105.8 million in FY 2024 and by $130.0 million in FY 2025 to conduct the Summer Electronic Benefits Transfer (S-EBT) Nutrition Program. S-EBT is a new, permanent nutrition program that will provide benefits to eligible children beginning in the summer of 2024. The aim of the program is to ensure children have access to nutritious food during summer break. Families with eligible children will receive $40 per child per month for the months of June, July, and August to use at authorized grocery stores to buy food items. The funds will be provided as a one-time distribution of $120. A child will automatically receive S-EBT benefits if the child: receives free or reduced-price meals at school;[7] is school-aged and enrolled in the Supplemental Assistance Nutrition Program (SNAP), Medicaid, Head Start, or other approved program; or is school-aged and in foster care, homeless, a runaway, or a migrant. Families of children not automatically enrolled will need to fill out an application to determine if their child is eligible. Most families will be automatically enrolled.

Benefits for the S-EBT Program, like SNAP, are funded fully by the federal government.[8] Families that receive SNAP benefits receive an Ohio Direction card, which is like a debit card that can be used at participating grocery stores to purchase food products. Families with a child that is eligible for S-EBT will receive benefits as follows: those currently enrolled in SNAP will have their child's S-EBT allocation issued onto their existing Ohio Direction card; and those families that do not participate in SNAP will be issued a new Ohio Direction card.

ODM Takes Steps to Expand the MyCare Ohio Program Statewide

– Nelson V. Lindgren, Economist

On May 6, 2024, the Controlling Board approved a $600,000 request from the Ohio Department of Medicaid (ODM) to contract with Mercer Health & Benefits for project management and technical services to expand the MyCare Ohio Program. This contract was entered into to meet a requirement in H.B. 33 that ODM seek federal approval from the U.S. Centers for Medicare and Medicaid Services (CMS) to expand the program statewide.[9] Under the

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[7] This applies to schools participating in the National School Lunch Program or the School Breakfast Program.

[8] The federal government and states share SNAP administrative costs. They will also share S-EBT administrative costs.

[9] Section 333.320 of H.B. 33 requires ODM to seek federal approval by July 1, 2024.

contract, Mercer will facilitate meetings and prepare lists of considerations and decisions to address the transition of MyCare to a statewide program, assist ODM with drafting state plan Medicaid amendments to make necessary changes to support this transition, negotiate CMS approval, and develop plans to implement this transition and monitor progress meeting plan goals. The cost for this contract will be shared equally by the state and federal governments.[10]

The MyCare Ohio Program (otherwise known as the Integrated Care Delivery System) began in May 2014 as a Medicaid demonstration project.[11] MyCare Ohio is a managed care program that provides services to individuals who are dually eligible for both Medicaid and Medicare, are over 18 years of age, and reside in one of the 29 counties where MyCare Ohio is currently available. The program provides care coordination to eligible individuals to ensure that benefits are provided efficiently and better health outcomes are achieved. The goals of the program are to have one point of accountability and contact for enrollees; person-centered care in all settings; easy navigation for both enrollees and providers; and an integration of Medicaid and Medicare services into one benefit package.

Office of Criminal Justice Services Awards $3.4 Million in Second Round of Crime Lab Efficiency Grants

– Jessica Murphy, Senior Budget Analyst

On March 8, 2024, the Governor announced Office of Criminal Justice Services (OCJS) grant awards totaling nearly $3.4 million under the Ohio Crime Lab Efficiency Program. This second round of funding supplements the $10.0 million awarded in FY 2022 to certified crime labs to reduce evidence backlogs resulting from workforce issues caused by the COVID-19 pandemic and related increases in violent crime that occurred during that time period. Eligible grant expenses include hiring additional staff, purchasing new technology, and outsourcing lab work. There are 14 certified crime labs in the state that each received an initial award in FY 2022. Funding was allocated through a formula based on a variety of factors such as backlog severity, reports issued, counties served, and staffing level. Eleven of the 14 labs requested additional funding in the second round; award amounts were based on need. This is the final round of funding under the program.

OCJS, a division of the Ohio Department of Public Safety, will administer the grants. Funding for the program is 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 awards do not require matching funds. The table below summarizes the grant awards including the implementing entity and award amount. Of the additional $3.4 million,

[10] Generally, Medicaid administrative expenditures are eligible for 50% federal financial reimbursement.

[11] A demonstration project must be approved by CMS. The purpose of these projects is to provide states with flexibility in operating their Medicaid programs by allowing a state to evaluate experimental, pilot, or demonstration projects in order to better serve Medicaid populations. Demonstration projects are approved for an initial five-year period, but may receive extension approvals.

individual awards range from $9,996 (Toledo Police Department Forensic Crime Laboratory) to $835,000 (Ohio Bureau of Criminal Investigation) with an average of $305,289 per award.

Ohio Crime Lab Efficiency Program Awards		
Recipient	**Round-FY 2022**	**Round 2-FY 2024**
Canton/Stark County Crime Laboratory	$250,000	---
Central Ohio Regional Crime Laboratory	$250,000	$95,551
Columbus Police Crime Laboratory	$1,000,000	$567,000
Cuyahoga County Regional Forensic Science Laboratory	$1,000,000	$174,100
Franklin County Coroner’s Office	$250,000	$110,178
Hamilton County Coroner and Crime Laboratory	$1,000,000	---
Lake County Crime Lab	$250,000	$125,000
Lorain County Crime/Drug Lab	$250,000	$425,000
Mansfield Division of Police Forensic Science Laboratory	$250,000	---
Miami Valley Regional Crime Lab	1,000,000	$275,104
Ohio Bureau of Criminal Investigation	$2,750,000	$835,000
Ohio Division of the State Fire Marshal Forensic Lab	$250,000	$239,250
Ohio State Highway Patrol Crime Laboratory	$1,250,000	$502,000
Toledo Police Department Forensic Crime Laboratory	$250,000	$9,996
Total	**$10,000,000**	**$3,358,179**

Companies in 36 Counties to Receive Tax Credits Under the CDL Training Program

– Tom Wert, Senior Budget Analyst

In late April, DEV awarded tax credits totaling nearly $813,000 to 61 companies in 36 Ohio counties under the Commercial Driver’s License (CDL) Training Program. The program offers a temporary nonrefundable personal income tax credit for one-half of training expenses, other than wages, paid by employers to train employees to obtain a CDL or operate a commercial vehicle. In addition to tuition, eligible expenses include drug screening costs, physical examinations, endorsement fees, and instructional materials. Tax credits are limited to a maximum of $25,000 and may be carried forward for up to five years. Tax credits apply to CDL training for both current and prospective employees. The training can be conducted by CDL training providers on the Ohio-approved CDL course provider list or by qualified in-house instructors. Under the program, the training must be for Class A or Class B state-issued CDLs and endorsements and provided to Ohio resident W-2 employees. A full list of recipients for this round of tax credits is available on DEV's website at development.ohio.gov.

The program was created in H.B. 66 of the 134th General Assembly. The bill limits the total amount of credits that may be awarded each year to $1.5 million, except if the amount of credits awarded is less than $1.5 million in any year, the difference may be carried forward and added to the limit for the following year. It applies the credit to training expenses paid on or after January 1, 2024, but before January 1, 2028.

ODOT Awards $41 Million in Traffic Safety Grants

– Terry Steele, Senior Budget Analyst

On May 3, 2024 ODOT announced $40.9 million in funding for 27 new traffic safety projects in 21 counties. These safety projects aim to prevent pedestrian fatalities through installing and upgrading pedestrian hybrid beacons, building raised enhanced sidewalks, new sidewalks and multi-use paths, curb bump outs, buffered bike lanes and taking other traffic calming measures. The funding will cover all project phases from FY 2025-FY 2028, except for one project slated for FY 2030. Overall, 24 of the projects will be undertaken by cities, counties, or townships, while three will be overseen by ODOT. The table below summarizes the number and amount of awards funded in each fiscal year. A detailed list of awards can be found on ODOT's website: transportation.ohio.gov.

Traffic Safety Grant Awards		
Fiscal Year	**Projects**	**Award Funding**
FY 2025	3	$4,968,548
FY 2026	5	$5,864,097
FY 2027	12	$19,094,227
FY 2028*	7	$10,964,924
Total	**27**	**$40,891,796**

*Includes one project of $1.55 million slated for FY 2030

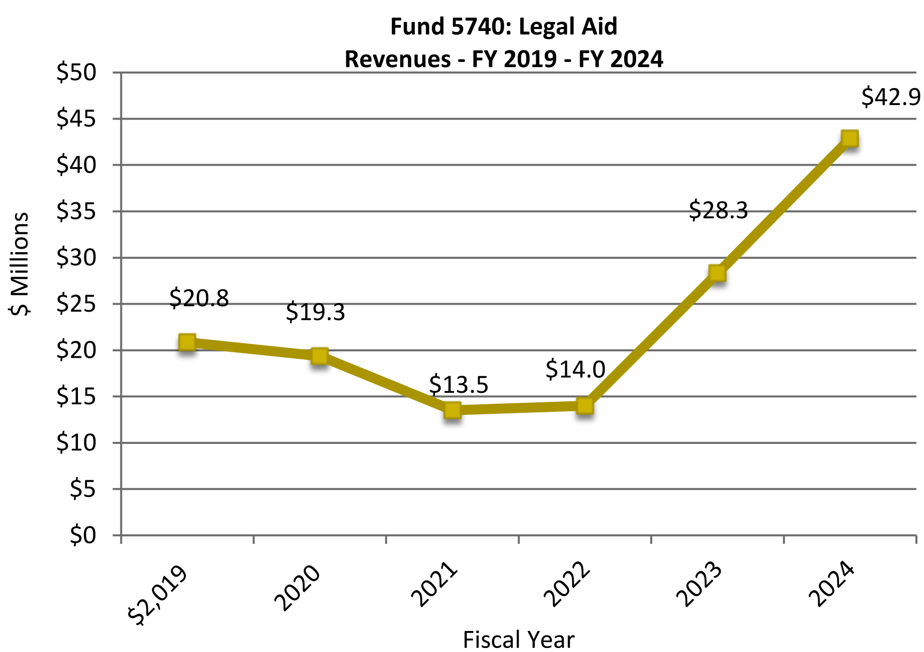
These projects are awarded under ODOT's Highway Safety Improvement Program and funded by the Highway Operating Fund (Fund 7002) under ALI 772421 Highway Construction - State. Project funding requests are submitted by eligible local transportation agencies and reviewed by a committee within ODOT. Awards are selected based on committee recommendations that take into account factors such as crash severity risk, appropriate use of proven safety measures, design and construction feasibility, and project costs.

Controlling Board Approves $19.0 Million Additional Funding for Legal Aid Organizations

– Shaina Morris, Budget Analyst

On March 4, 2024, the Controlling Board approved the Office of the Public Defender's request to spend an additional $19.0 million in FY 2024 to fund qualifying legal aid organizations. The request increases ALI 019606, Civil Legal Aid, in FY 2024 from $30.0 million to $49.0 million. The appropriation for FY 2025 remains at $28.0 million.

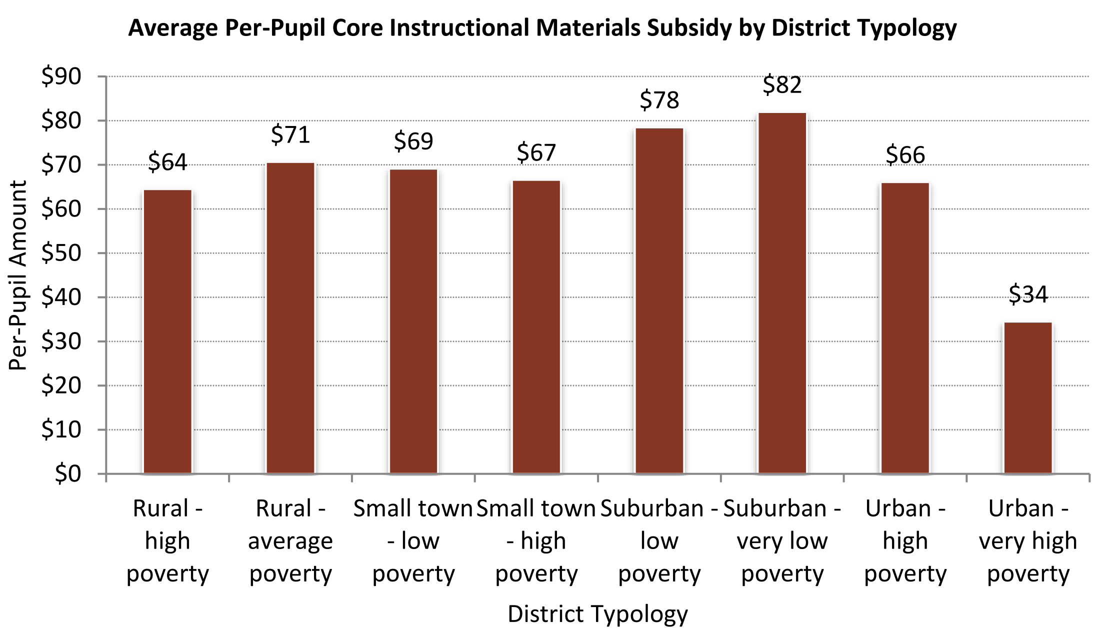
The cash to support the spending became available as a result of increased revenues credited to the Legal Aid Fund (Fund 5740) which supports the line item. This fund is used to make distributions to the Ohio Access to Justice Foundation (OAJF) and qualifying legal aid societies, as well as to cover certain other administrative expenses. Revenues consist of interest generated on private trust accounts established and maintained by attorneys, law firms, or legal professional associations, interest generated on private trust accounts established and maintained by title insurance agents or title insurance companies, and additional filing fees collected by municipal, county, and common pleas courts on each new civil action or proceeding. The interest revenues fluctuate, as they are sensitive to changes in the Federal Reserve's target federal funds rate, as well as the savings rate which is tied to the former. Since FY 2022, as shown in the chart below, revenues credited to Fund 5740 have seen unprecedented growth. The current federal funds rate of 5.25-5.50% has not been seen since January 2001, according to the agency's request. As a result, revenue for Fund 5740 has grown in excess of the original projections made in October 2022 for the then upcoming FY 2024-FY 2025 budget cycle and is expected to continue on this trajectory until the federal rates begin to lower.



DEW Distributes $64 Million to Schools to Subsidize High Quality Instructional Materials in English Language Arts

– Patrick Campbell, Budget Analyst

In April 2024, DEW distributed $64 million earmarked in H.B. 33 to subsidize the cost for school districts and other public schools to purchase high-quality instructional materials (HQIM) in English language arts and evidence-based reading intervention programs. These funds, distributed by formula, support a requirement in H.B. 33 for districts and schools to use, by FY 2025, only materials and programs that DEW has approved as aligned to the science of reading. Of the $64 million, DEW allocated $51.2 million (80.0%) towards core instructional materials. DEW allocated these funds on a weighted per-pupil basis among districts and schools for enrollment in grades preK-5. DEW based its distributions for core instructional materials on whether districts and schools' existing core curricula are aligned, partially aligned, or not aligned with the list of materials approved by the Department. Schools and districts designated as "not aligned" received a higher weight than those "partially aligned," with "aligned" schools receiving the lowest weight. Of the 882 districts and schools with preK-5 enrollment, 335 (38.0%) were not aligned and received $26.3 million, 260 (29.5%) were partially aligned and received $19.4 million, and 287 (32.5%) were aligned and received $5.4 million. Looking at the weighted per-pupil allocations by traditional school district comparison group (typology), suburban districts received the largest average per-pupil amounts ($78 to $82 per-pupil), as those types of districts had the lowest shares designated as "aligned" (20% to 25% of the districts in each group). The eight very high poverty urban districts received the lowest average per-pupil amount ($34), with almost 63% designated as "aligned."



DEW allocated the remaining $12.8 million (20.0%) of the earmark for reading intervention program materials. DEW calculated this allocation on a per-pupil basis for students in grades preK-12. Unlike the allocation for core instructional materials, DEW did not weight the per-pupil amount for reading intervention program materials. Rather, districts and schools were allocated a uniform $7.83 per pupil.

The distribution formula is not prescriptive with respect to the use of the funds. Districts and schools can choose to use their funds in any combination to support the purchase of either or both core curriculum and evidenced-based reading intervention programs and are not restricted to using the exact allocation amounts for each.

Overall, most of the $64 million went to traditional school districts ($58.0 million, 90.7%), followed by community schools and science, technology, engineering, and mathematics (STEM) schools ($5.1 million, 8.0%), educational service centers ($0.5 million, 0.8%), and joint vocational school districts ($0.4 million, 0.6%). DEW paid the subsidies from Fund 5AQ1 line item 2006A4, Literacy Improvement. Fund 5AQ1 is supported mainly by a cash transfer from the FY 2023 GRF ending balance.

DEW Releases Guidance Regarding Professional Development in the Science of Reading

– Ryan Brown, Budget Analyst

In March 2024, DEW released guidance on new professional development requirements for teachers and school administrators enacted under H.B. 33. The bill requires teachers and administrators to complete a professional development course in the science of reading and evidence-based strategies for effective literacy instruction by June 30, 2025. It also appropriates $43 million in each of FY 2024 and FY 2025 to DEW to reimburse school districts, community schools, and STEM schools for stipends paid to teachers who complete this training.

Teacher training requirements vary based on position, grade level, subject area, and prior training. DEW offers seven tailored pathways, each with specific coursework and completion hours. There are three full-length pathways, ranging from 20.5 to 22 hours of coursework, that are offered to teachers of grades K-5, English language arts teachers of grades 6-12, and teachers, intervention specialists, English learner teachers, reading specialists, or instructional coaches serving prekindergarten. Two abbreviated pathways, with 8.5 and 9 hours of coursework, are offered to teachers of grades K-5 and intervention specialists serving grades 6-12, respectively, who have completed DEW's Introduction to Dyslexia course. Two additional abbreviated pathways, with 7 and 7.5 hours of coursework, are offered to administrators and grades 6-12 teachers in subjects other than English language arts, respectively. DEW contracted with Keys to Literacy to develop the courses. The contract, totaling $423,500, is funded by federal coronavirus school relief funds.

Districts and schools are required to pay stipends to each teacher who completes one of the required professional development pathways. Teachers of subject areas other than English language arts in grades 6-12 are eligible for a $400 stipend, while all other teachers required to complete a professional development pathway are eligible for $1,200.[12] Administrators,

[12] The stipend is subject to retirement system contributions and applicable taxes. As such, DEW is also reimbursing for the employer share of retirement and Medicare contributions. The total state reimbursement per teacher is about $462 and $1,385 for each respective group.

chartered nonpublic school teachers, and teachers who have already completed similar trainings identified by DEW are not eligible for stipends. DEW will not pay stipends directly to teachers. Rather, a district or school requests reimbursement from DEW once it verifies a teacher's course completion and pays the stipend directly to the teacher. Once reimbursement is requested, DEW provides it with the district or school's routine state foundation aid payments. DEW pays the reimbursements from Fund 5AQ1 line item 2006A4, Literacy Improvement, which is supported mainly by a cash transfer from the FY 2023 GRF ending balance.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

Overview

The U.S. economy continued to expand. Total payroll employment nationwide increased by 272,000 in May, after increasing by 165,000 in April. Unemployment increased to 4.0% in May from 3.9% in April. The number of nationwide job openings decreased in April to 8.1 million, the lowest level since February 2021. Labor productivity in the nonfarm business sector slowed in the first quarter of 2024, and unit labor costs were up. Inflation-adjusted gross domestic product (U.S. real GDP) grew at a 1.3% annual rate in the first quarter, the lowest annual pace since the second quarter of 2022. Industrial production changed little in April. Manufacturing output fell. Personal income rose 0.3% in April. Housing starts increased in April, but the number of building permits decreased. Both sales of existing homes and sales of new single-family houses declined. The consumer price index (CPI) rose 0.3% in April, to 3.4% above April 2023. Consumer spending on goods fell in April, but spending on services rose. Retail sales barely changed in April, but increased by 3.0% on a year-over-year basis.

In April, Ohio employment fell by 2,500, the largest monthly decrease since October 2023. The state's unemployment rate increased during the past three consecutive months and reached 4.0% in April, the highest level since November 2022. Sales of existing homes in Ohio rose by 13.2% in April compared to sales in April 2023.

The Beige Book, a Federal Reserve System publication about current economic conditions across the 12 Federal Reserve Districts, reported that U.S. economic conditions continued to expand from early April to mid-May, but conditions varied across industries and districts with most districts reporting slight or modest growth. On the whole, employment rose at a slight pace. Nationwide retail spending flattened. According to the Cleveland Federal Reserve District, economic activity in the region grew slightly between early April and mid-May, but at a slower pace than during the period between late February and early April. On the whole labor market conditions grew slightly, with one contact in manufacturing noting that increased hiring was due to an expected increase in production in the second half of the year. Wages moderately increased. Nonlabor input costs continued to increase moderately. Retail sales in the region softened, but consumer spending at restaurants was strong. Auto sales were mixed, with one auto dealer reporting higher new vehicle sales due to incentives from manufacturers. Manufacturing activity continued to be flat. Residential real estate sales and construction expanded modestly. Nonresidential construction rose moderately.

The National Economy

In May, nonfarm payroll employment nationwide increased 272,000, according to initial estimates from the Bureau of Labor Statistics (BLS). U.S. and Ohio employment growth are shown in Chart 4. May marked a return to monthly job growth over 200,000 after falling below 200,000 in April. Job growth during the first five months in 2024 averaged 248,000, slightly below 299,000 in the same period of 2023. Monthly gains in employment have averaged 232,000 over the past 12 months. Employment gains in May were largely in health care; government; leisure and hospitality; and professional, scientific, and technical services. Employment in mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; transportation and warehousing; information; financial activities; and other services changed little or stayed constant. Average hourly earnings of all employees on private, nonagricultural payrolls increased by 0.4% in May. Average hourly earnings were up 4.1% over the past year, which continues a softening growth trend from earlier post-pandemic highs.

BLS revised downward its estimate of employment gains in March, from 315,000 to 310,000, and revised downward its estimate in April, from 175,000 to 165,000. Employment gains for the months of March and April combined were 15,000 lower than previously reported.

The national unemployment rate increased slightly to 4.0% in May, from 3.9% in April, and increased by 0.3 percentage points from 3.7% one year earlier. The U.S. unemployment rate in May was at its lowest level since January 2022. U.S. and Ohio unemployment rates are presented in Chart 5.

The number of nationwide job openings declined by 296,000 in April to 8.1 million, the lowest level since February 2021, and decreased by 1.8 million from April of last year. In April, decreases in job openings in health care and social assistance and in state and local government education outweighed an increase in job openings in private educational services. Hiring increased a little as the number of hires in durable goods manufacturing increased. Hiring in arts, entertainment, and recreation and in federal government decreased a little. Layoffs and discharges decreased slightly. The number of employees voluntarily quitting their jobs also decreased slightly. Employees are more likely to quit jobs if they are confident they can find other or better positions.

Nonfarm business sector labor productivity, which measures hourly output per worker, rose at a 0.2% annual rate in the first quarter of 2024, after increasing at a 3.5% annual rate in the fourth quarter of 2023. Output was up at a 0.9% annual rate and hours worked rose at a 0.6% annual rate. On a year-over-year basis, labor productivity in nonfarm business sector grew at a 2.9% annual rate, the largest increase since the first quarter of 2021. Unit labor costs in the nonfarm business sector increased at a 4.0% annual rate in the first quarter as hourly compensation increased at a 4.2% annual rate and productivity increased at a 0.2% annual rate. On a year-over-year basis, unit labor costs were up at a 0.9% annual rate. Labor productivity in the manufacturing sector was unchanged in the first quarter, as output and hours worked both decreased. Unit labor costs in manufacturing sector increased at a 3.1% annual rate in the first quarter of 2024, as hourly compensation increased at a 3.1% annual rate and productivity remained unchanged. Labor productivity in the manufacturing sector increased at a 1.1% annual rate on a year-over-year basis and manufacturing unit labor costs increased at a 4.1% annual rate.

U.S. real GDP grew at a 1.3% annual rate in the first quarter of 2024 according to the second estimate published by the U.S. Bureau of Economic Analysis, a downward revision from the advance estimate of a 1.6% annual rate. U.S. real GDP grew at a 3.4% rate in the fourth quarter of 2023. The second estimate is based on more complete information. Growth in the first quarter was driven by increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending. Growth was reduced by a decline in private inventory investment. Imports edged up (a subtraction in the GDP calculation).

The U.S. total industrial production index was described as virtually unchanged in April, following increases in both March and February. Manufacturing output declined 0.3% in April, after increases in those two aforementioned months. Motor vehicles and parts production dropped by 2% in April, after increasing in March and February. Mining output declined 0.6% for the month, after a decrease in March and an increase in February. Utilities output was up 2.8% in April, following an increase in March and a decrease in February. On a year-over-year basis, industrial production edged down 0.4%. Manufacturing output decreased 0.5% for the year, mining output fell 1.3%, while utilities output increased 2.3%.

Personal income rose 0.3% in April, after increasing 0.5% in March. The rise in personal income was led by increases in compensation, personal income receipts on assets, and government social benefits to persons. Wages and salaries increased for a sixth straight month. Personal savings as a percentage of disposable personal income was at 3.6% in April, the same rate as in March. The price index for consumer spending rose 0.3% in April and was 2.7% higher than a year earlier. The price index for consumer spending, excluding food and energy increased somewhat lower in April by 0.2% and higher by 2.8% over the year. Real consumer spending fell 0.1% in April, following a 0.4% increase in March. Consumer spending on goods fell in April, but spending on services rose. Advanced estimates of retail sales barely changed in April, but increased by 3.0% compared to April 2023.

Sales of light vehicles increased in May to a seasonally adjusted annual rate of 15.9 million units, up from an annual rate of 15.8 million units in April and 15.5 million in May 2023. Total light vehicles sales from January to May averaged 15.5 million units, an increase compared to the average sales during the same months in 2023.

The number of existing homes sold nationwide declined by 1.9% on a seasonally adjusted basis in April, according to the National Association of Realtors. Compared to April of last year, sales of existing homes were also down by 1.9%. Existing homes sales in the Midwest declined by 1.0% on a seasonally adjusted basis in April and also declined by 1.0% from April of last year.

Sales of new single-family houses decreased to 634,000 units on a seasonally adjusted annualized rate, 4.7% below the revised estimate in March of 665,000 units, and was 7.7% below the previous April's rate of 687,000 units. The median sales price of new houses sold in April was $433,500. In the Midwest, sales of new single-family houses increased by 10.0% in April and by 27.5% compared to April of last year.

In April, the number of building permits issued nationwide decreased by 3.0% on a seasonally adjusted basis from the revised March estimate, and was 2.0% below the April 2023 rate. The number of building permits issued in the Midwest decreased by 18.1% in April, and by 8.2% compared to April of last year. U.S. housing starts increased by 5.7% on a seasonally adjusted basis in April above the revised estimate in March, but 0.6% below the April 2023 rate. In the Midwest, housing starts increased by 19.1% in April and by 3.4% compared to April 2023.

The seasonally adjusted CPI rose 0.3% in April, following an increase by 0.4% in March. The core CPI (excluding food and energy) also increased 0.3% in April. The energy index increased 1.1% and the index for food was unchanged in April. Prices for food at home decreased by 0.2% for the month while prices for food away from home increased by 0.3%. On a year-over-year basis, the CPI was up by 3.4%. The core CPI was up by 3.6%, the energy index increased by 2.6%, and the index for food rose 2.2%. Chart 6 below shows CPI changes from a year earlier. Inflation by this measure peaked in June of 2022.

The producer price index (PPI) for final demand increased 0.5% in April, seasonally adjusted, after a 0.1% decline in March and a 0.6% increase in February. Almost three-quarters of the rise in final demand prices in April can be attributed to a 0.6% increase in the index for final demand services. The index for final demand less foods, energy, and trade services was up 0.4% in April, following a 0.2% increase in March and a 0.4% increase in February. On a year-over-year basis, the PPI was up by 2.2%. For the year, the index for final demand less foods, energy, and trade services was up by 3.1%.

The Ohio Economy

The state's unemployment rate was at 4.0% in April, which marks the third straight month that the rate increased. The state's unemployment rate ranged between 3.3% and 4.0% since November 2022. The state's unemployment rate was 3.8% in March and 3.4% in April of last year. In comparison, the U.S. unemployment rate was 3.9% in April, 3.8% in March, and 3.4% in April of last year. The number of unemployed workers in Ohio was 230,000 in April, an increase of 10,000 from March, and 33,000 more than in April of last year.

Total nonfarm payroll employment in the state, seasonally adjusted, fell by 2,500 (0.04%) in April from the revised total in March, following an increase of 7,300 jobs in March. Employment in private-service industries increased by 3,800 with gains largely in professional and business services and financial activities. Jobs in goods-producing industries declined by 3,300 with the most loss occurred in construction. Government employment decreased by 3,000, primarily in local government. Compared to a year ago, total nonfarm payroll employment rose by 35,400 (0.6%). The largest gains occurred in private educational and health services (33,800); leisure and hospitality (7,000); other services (5,300); local government (3,000); federal government (2,900); and durable goods manufacturing (2,400).

The number of existing homes sold rose by 13.2% in April compared to sales in April 2023, according to the Ohio Realtors. During the first four months of the year, existing homes sold were 4.0% higher than in the corresponding months of 2023. The statewide sales price of homes sold in the first four months of 2024 averaged $270,536, or 7.9% higher than in the comparable period in 2023.

Chart 4: U.S. and Ohio Nonfarm Payroll Employment
(in millions, not seasonally adjusted)

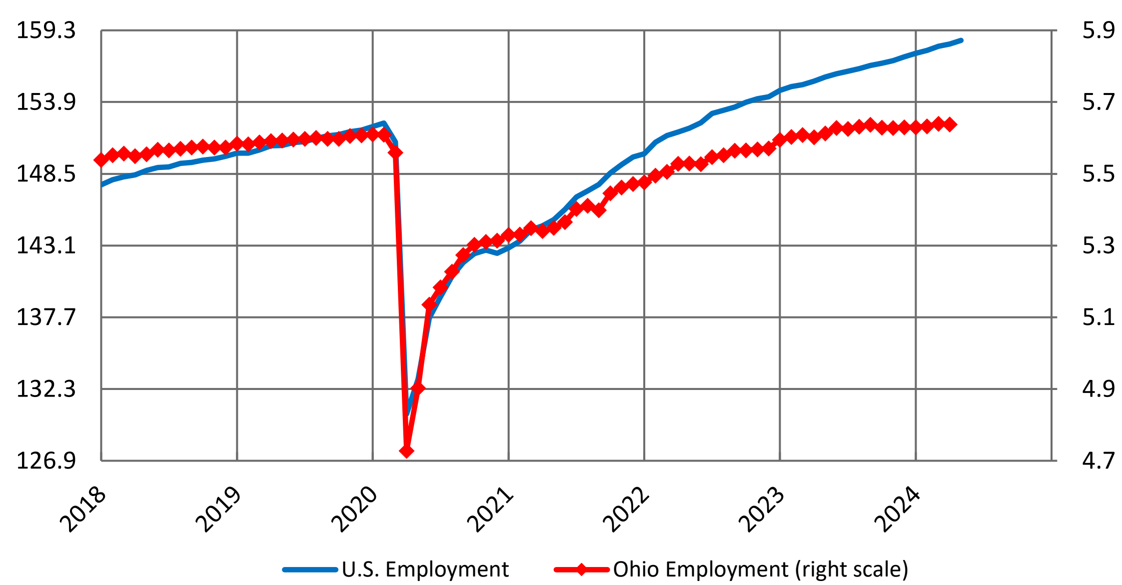


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)

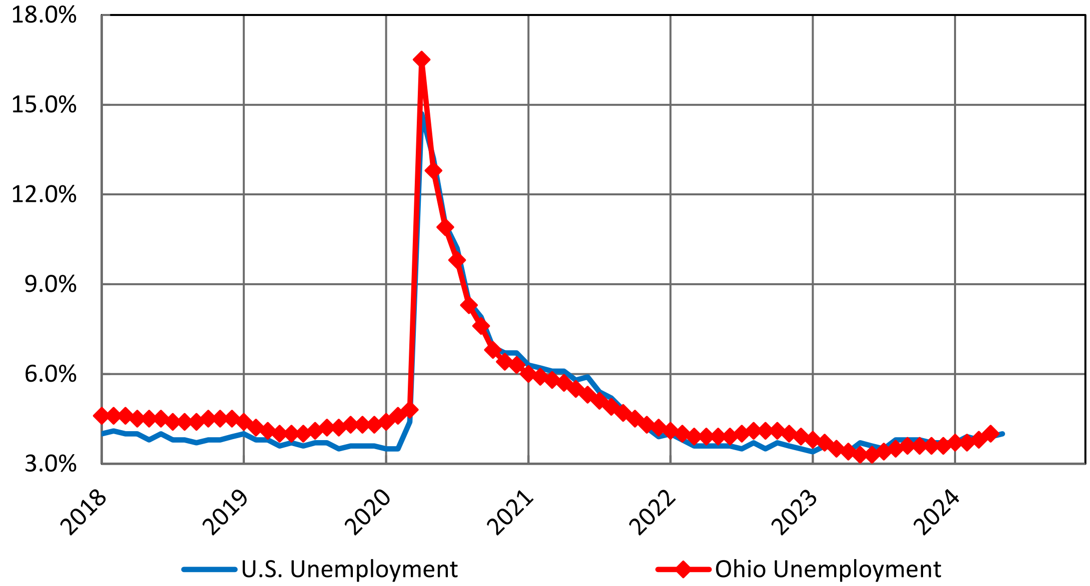


Chart 6: Consumer Prices