LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– Russ Keller, Chief Economist

GRF tax revenue in the month of February exceeded the Office of Budget and Management (OBM) estimate by $38.4 million after two consecutive months of shortfalls. The sales and use tax yielded a positive variance in February and for the year-to-date (YTD), based on performance of its nonauto tax base.

Inflation measures generally exhibited a cooling trend in the latter months of calendar year 2023, but the January statistics showed a small uptick. A temporary rise in inflation can boost tax receipts from the sales and use tax as well as the commercial activity tax (CAT), but persistent inflation has traditionally been linked with economic downturns that weakened associated tax collections.

Through February 2024, GRF sources totaled $27.85 billion:

- Revenue from the personal income tax (PIT) was $174.3 million below estimate; the sales and use tax exceeded its estimate by $68.1 million;
- Federal grants were $523.5 million below estimate.

Through February 2024, GRF uses totaled $34.55 billion:

- Program expenditures were $989.4 million (3.4%) below estimate, as nearly every program category was below estimate;
- The largest shortfall was Medicaid, $701.5 million, which reflects both timing issues and a decline in caseloads;
- GRF transfers out $986.7 million above estimate due to timing issues.

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

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$143,763	$134,100	$9,663	7.2%
Nonauto Sales and Use	$810,452	$788,100	$22,352	2.8%
Total Sales and Use	*$954,216*	*$922,200*	*$32,016*	*3.5%*
Personal Income	$278,216	$293,000	-$14,784	-5.0%
Commercial Activity Tax	$524,151	$526,500	-$2,349	-0.4%
Cigarette	$59,631	$55,000	$4,631	8.4%
Kilowatt-Hour Excise	$28,712	$26,400	$2,312	8.8%
Foreign Insurance	$100,652	$136,000	-$35,348	-26.0%
Domestic Insurance	$38,529	$400	$38,129	9532.2%
Financial Institution	$65,502	$57,700	$7,802	13.5%
Public Utility	$39,937	$36,300	$3,637	10.0%
Natural Gas Consumption	$16,617	$16,300	$317	1.9%
Alcoholic Beverage	$6,351	$4,100	$2,251	54.9%
Liquor Gallonage	$3,986	$4,200	-$214	-5.1%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$13	$0	$13	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,116,511**	**$2,078,100**	**$38,411**	**1.8%**
Nontax Revenue				
Earnings on Investments	$8	$0	$8	---
Licenses and Fees	$7,714	$6,988	$726	10.4%
Other Revenue	$719	$1,250	-$531	-42.5%
Total Nontax Revenue	**$8,442**	**$8,238**	**$203**	**2.5%**
Transfers In	**$2,157**	**$0**	**$2,157**	**---**
Total State Sources	**$2,127,110**	**$2,086,338**	**$40,771**	**2.0%**
Federal Grants	**$665,037**	**$784,711**	**-$119,674**	**-15.3%**
Total GRF Sources	**$2,792,147**	**$2,871,050**	**-$78,903**	**-2.7%**

*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 February 29, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 1, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$1,254,294	$1,273,600	-$19,306	-1.5%	$1,291,131	-2.9%
Nonauto Sales and Use	$7,884,835	$7,797,400	$87,435	1.1%	$7,631,736	3.3%
Total Sales and Use	*$9,139,129*	*$9,071,000*	*$68,129*	*0.8%*	*$8,922,868*	*2.4%*
Personal Income	$6,339,066	$6,513,400	-$174,334	-2.7%	$6,796,059	-6.7%
Commercial Activity Tax	$1,889,506	$1,814,200	$75,306	4.2%	$1,596,851	18.3%
Cigarette	$469,252	$489,300	-$20,048	-4.1%	$512,630	-8.5%
Kilowatt-Hour Excise	$190,225	$193,700	-$3,475	-1.8%	$194,473	-2.2%
Foreign Insurance	$303,956	$328,400	-$24,444	-7.4%	$335,485	-9.4%
Domestic Insurance	$39,374	$6,800	$32,574	479.0%	$18,740	110.1%
Financial Institution	$89,527	$98,700	-$9,173	-9.3%	$122,024	-26.6%
Public Utility	$120,534	$116,500	$4,034	3.5%	$126,815	-5.0%
Natural Gas Consumption	$36,031	$35,200	$831	2.4%	$37,196	-3.1%
Alcoholic Beverage	$40,905	$41,400	-$495	-1.2%	$41,211	-0.7%
Liquor Gallonage	$38,335	$40,000	-$1,665	-4.2%	$38,984	-1.7%
Petroleum Activity Tax	$6,398	$4,800	$1,598	33.3%	$6,032	6.1%
Corporate Franchise	$152	$0	$152	---	$65	132.3%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$33	-99.8%
Total Tax Revenue	**$18,702,389**	**$18,753,400**	**-$51,011**	**-0.3%**	**$18,749,467**	**-0.3%**
Nontax Revenue						
Earnings on Investments	$230,999	$91,264	$139,735	153.1%	$113,389	103.7%
Licenses and Fees	$25,882	$24,174	$1,708	7.1%	$23,840	8.6%
Other Revenue	$142,940	$94,200	$48,740	51.7%	$150,966	-5.3%
Total Nontax Revenue	**$399,822**	**$209,638**	**$190,183**	**90.7%**	**$288,195**	**38.7%**
Transfers In	**$9,200**	**$0**	**$9,200**	**---**	**$18,535**	**-50.4%**
Total State Sources	**$19,111,410**	**$18,963,038**	**$148,372**	**0.8%**	**$19,056,196**	**0.3%**
Federal Grants	**$8,743,124**	**$9,266,644**	**-$523,519**	**-5.6%**	**$8,924,921**	**-2.0%**
Total GRF SOURCES	**$27,854,534**	**$28,229,682**	**-$375,148**	**-1.3%**	**$27,981,118**	**-0.5%**

*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]

– Phil Cummins, Senior Economist

Overview

February GRF total tax revenue was above estimate by $38.4 million (1.8%). Revenues were above estimate from the domestic insurance tax by $38.1 million and the nonauto sales and use tax by $22.4 million, but were below estimate from the foreign insurance tax by $35.3 million and the PIT by $14.8 million. Other taxes showed smaller variances, totaling a net $28.1 million above the estimate. The variance for the domestic insurance tax resulted from actual revenues of $38.5 million when only $0.4 million was expected; OBM is looking into this apparent anomaly.[2]

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. A positive variance in February for licenses and fees of $0.7 million was partly offset by a negative variance for the other revenue category of $0.5 million. Transfers in were $2.2 million when none were expected. Federal grants were $119.7 million below the estimate. Total GRF sources for the month were $78.9 million lower than estimate. Table 1 above shows GRF sources for the month of February 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 eight months of FY 2024 amounted to $18.70 billion, $51.0 million (0.3%) below estimate. The most negative YTD variance continued to be for the PIT, $174.3 million. Also below estimate for July-February were the foreign insurance tax, by $24.4 million; the cigarette and other tobacco products (OTP) tax, by $20.0 million; and the auto sales and use tax, by $19.3 million. The largest positive variances were for the nonauto sales and use tax, by $87.4 million; the CAT, by $75.3 million; and the domestic insurance tax, by $32.6 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 eight months exceeded the estimate by $190.2 million, of which the largest component was earnings on investments, in excess of the estimate by $139.7 million. "Other revenue" exceeded estimate by $48.7 million, and transfers in were above estimate by $9.2 million.

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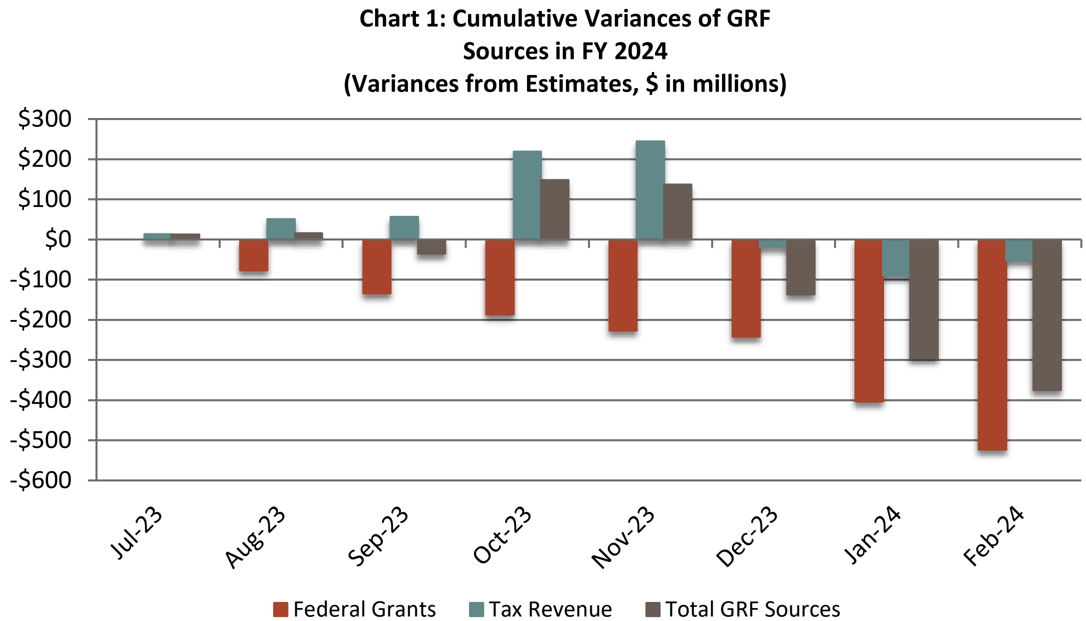
[1] This report compares actual monthly and YTD GRF revenue sources to estimates of the Office of Budget and Management (OBM). If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual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

[2] OBM is investigating whether the February variances in the foreign and domestic insurance taxes could be due to an account coding issue. If so, there may be a correction in March.

YTD federal grants were $523.5 million below estimate. For federal grants, large negative variances typically occur when Medicaid expenditures are also below their estimate by large magnitudes, as continued to be the case through the first eight months of FY 2024.

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



YTD GRF tax revenue was lower than in the first eight months of FY 2023 by $47.1 million (0.3%). By far the weakest component of GRF revenue on this basis was the PIT, lower by $457.0 million (6.7%). Other taxes with revenues lower than in the year-earlier period include the cigarette and other tobacco products tax, by $43.4 million (8.5%); the auto sales tax, by $36.8 million (2.9%); the financial institution tax, by $32.5 million (26.6%); and the foreign insurance tax, by $31.5 million (9.4%). On the positive side, taxes with YTD GRF receipts higher than a year earlier include the CAT, by $292.7 million (18.3%); the nonauto sales and use tax, by $253.1 million (3.3%); and the domestic insurance tax, by $20.6 million (110.1%). Year-to-year growth in CAT revenue to the GRF resulted almost entirely from a provision of H.B. 33 of the 135th General Assembly that increased the portion of CAT revenue allocated to the GRF.

Nontax revenue to the GRF in the first eight months of FY 2024 was higher than a year earlier by $111.6 million, reflecting a $117.6 million (103.7%) increase in earnings on investment. Total state-source revenue was higher than a year earlier by $55.2 million (0.3%). GRF revenue from federal grants was lower than in the year-earlier period by $181.8 million (2.0%).

Sales and Use Tax

February GRF receipts from the sales and use tax were $954.2 million, $32.0 million (3.5%) higher than the estimate. For the first eight months of FY 2024, revenue from the tax was $9.14 billion, $68.1 million (0.8%) above estimate. Revenue in the fiscal year's first eight months was $216.3 million (2.4%) 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 from the auto component.

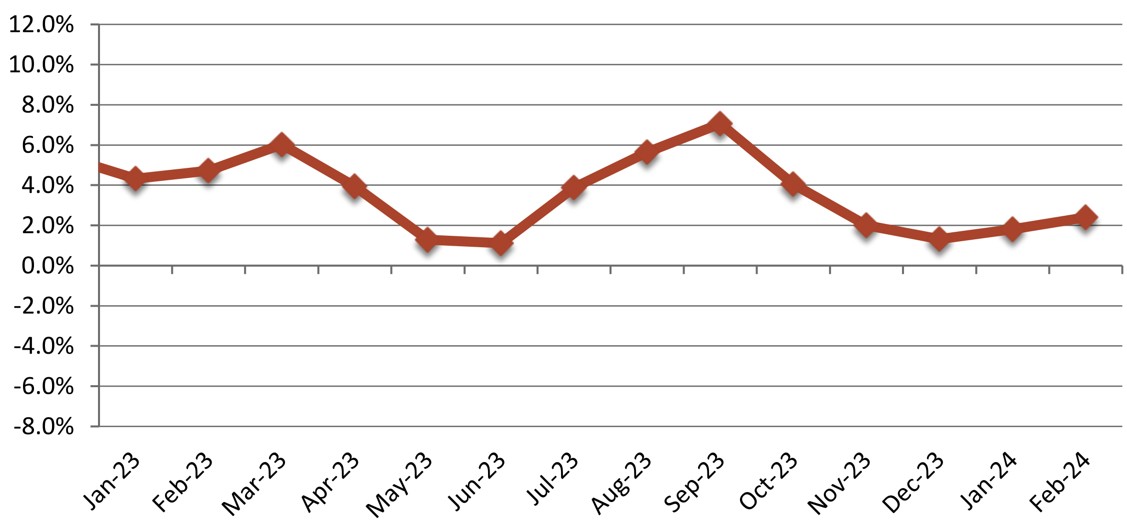
The tax base[3] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product (GDP) data show growth in the dollar value of consumer spending to January. Price inflation has generally moderated from peaks two years ago, though it ticked higher in January.

Nonauto Sales and Use Tax

February GRF receipts of $810.5 million were $22.4 million (2.8%) above the OBM estimate and $17.4 million (2.2%) above revenue in February 2023. For the first eight months of FY 2024, revenues were $7.88 billion, $87.4 million (1.1%) above estimate and $253.1 million (3.3%) 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[4] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Growth slowed late last year but has begun to edge up in the current calendar year.

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



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

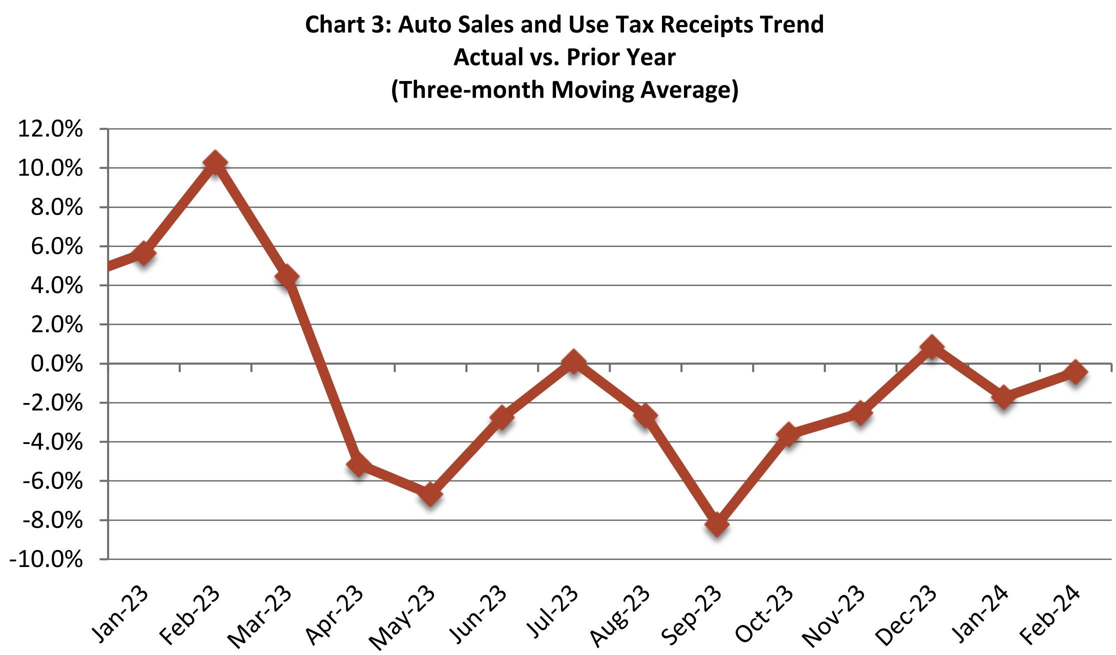
[4] A three-month moving average means, for example, that the most recent data point shown is the percentage growth from revenue received during December 2022 through February 2023 to revenue received during December 2023 through February 2024.

Auto Sales and Use Tax

February receipts from the auto component of the sales and use tax were $143.8 million, $9.7 million (7.2%) above estimate, and $3.4 million (2.4%) above receipts in February 2023. For the fiscal YTD through February, revenue of $1.25 billion was below the estimate by $19.3 million (1.5%) and below year-earlier revenues by $36.8 million (2.9%).

National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in the eight months through February of around 11%. Dealer inventories nationwide have increased, facilitating sales, though they remain tight compared with historical norms.

Chart 3, below, shows the year-over-year change in auto sales and use tax collections since January 2023. On a three-month moving average basis, auto sales and use tax receipts were lower than a year earlier in nearly every month since April 2023, but the decline has been less rapid in recent months. Revenues recovered after plummeting in the pandemic's initial months, but the uptrend slowed thereafter, and turned negative last year.



Personal Income Tax

February GRF revenue from the PIT of $278.2 million was $14.8 million (5.0%) below estimate. Revenue received during the first eight months of FY 2024 totaled $6.34 billion, $174.3 million (2.7%) below estimate. Compared with a year earlier, YTD revenue was lower by $457.0 million (6.7%).

Gross tax collections under the PIT include withholding payments, quarterly estimated payments,[5] 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 GRF revenue from the PIT is withholding payments, which were about 79% of gross collections from the tax in FY 2023. Lower PIT rates were enacted in H.B. 33 of the 135th General Assembly, the main operating budget act. In response, the Department of Taxation (TAX) issued new withholding tables, in effect for payrolls that end on or after November 1, 2023.

The table below provides details on revenue from PIT components through February relative to estimates for FY 2024 and to revenues received in the year-earlier period. FY 2024 YTD gross collections were $475.6 million (5.9%) above anticipated revenue and $140.9 million (1.7%) above year-earlier revenues. The strength in gross collections reflected both elevated payments with annual returns and higher estimated payments, partly offset by withholding below the year-earlier amount and the YTD estimate, due in part to new withholding tables for the H.B. 33 tax cut. Also, the Office of Budget and Management last month attributed shifts between payment categories to changes in tax forms associated with enactment of electing pass-through entity law (S.B. 246 of the 134th General Assembly), and described as strong employer withholding excluding the effects of these changes. Refunds far in excess of estimate and of year-earlier levels resulted in GRF revenue that was $174.3 million (2.7%) below estimate and $457.0 million (6.7%) less than a year earlier.

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	-$109.1	-1.5%	-$313.5	-4.3%
Quarterly Estimated Payments	$293.2	46.6%	$232.5	33.7%
Trust Payments	$2.3	9.9%	-$14.9	-36.9%
Annual Return Payments	$300.0	151.2%	$247.3	98.4%
Miscellaneous Payments	-$10.8	-20.7%	-$10.4	-20.0%
Gross Collections	**$475.6**	**5.9%**	**$140.9**	**1.7%**
Less Refunds	$651.6	55.4%	$590.3	47.7%
Less LGF Distribution	-$1.6	-0.4%	$7.6	2.2%
GRF PIT Revenue	**-$174.3**	**-2.7%**	**-$457.0**	**-6.7%**

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

Commercial Activity Tax

February GRF receipts from the CAT were $524.2 million, $2.3 million (0.4%) below the estimate. GRF revenues for the fiscal year's first eight months were $1.89 billion, $75.3 million (4.2%) above estimate. CAT taxpayers pay the tax in February, May, August, and November based on their gross receipts in the previous calendar quarter.

YTD GRF revenue from the CAT grew by $292.7 million (18.3%) compared with the first eight months of FY 2023. Increased economic activity accounts for only a small part of this growth. Allocation of CAT revenue was changed by H.B. 33 of the 135th General Assembly, which directs virtually all revenue after the first 0.65% to the GRF.[6] The 0.65% credited from CAT revenues goes to Fund 2280, used by TAX to enforce state tax law. Prior to FY 2024 the GRF received 85% of total CAT revenue net of the Fund 2280 portion. YTD CAT revenue on an all-funds basis net of refunds, $1.90 billion, was $10.9 million (0.6%) higher than comparable CAT revenue in the first eight 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. Revenue comparisons with FY 2023 will become more complex starting with payments due in May 2024, which will be based on gross receipts in January through March less the exclusion amount.

Cigarette and Other Tobacco Products Tax

February revenue from the cigarette and OPT tax totaling $59.6 million was above estimate by $4.6 million (8.4%). YTD revenue from the tax was $469.3 million, $20.0 million (4.1%) below estimate. The YTD total included $393.2 million from cigarette sales and $76.1 million from the sale of OTP.

FY 2024 revenue through February fell by $43.4 million (8.5%) compared to revenue in the first eight months of FY 2023. OTP sales decreased by $2.2 million (2.8%) while receipts from cigarette sales decreased $41.2 million (9.5%). 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 grow 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.

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[6] 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), with the remainder to be credited to the GRF. Fund 7019 received $337 of CAT revenue in the first eight months of FY 2024. Balances in Fund 7047 and Fund 7081 are ample to make the required payments from those funds.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of February 2024
($ in thousands)
(Actual based on OAKS reports run March 4, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$555,351	$521,257	$34,093	6.5%
Higher Education	$251,493	$257,829	-$6,336	-2.5%
Other Education	$5,765	$6,675	-$910	-13.6%
Total Education	**$812,609**	**$785,762**	**$26,847**	**3.4%**
Medicaid	$915,731	$1,080,091	-$164,360	-15.2%
Health and Human Services	$137,120	$151,723	-$14,603	-9.6%
Total Health and Human Services	**$1,052,851**	**$1,231,814**	**-$178,963**	**-14.5%**
Justice and Public Protection	$217,793	$207,382	$10,411	5.0%
General Government	$41,449	$45,903	-$4,454	-9.7%
Total Government Operations	**$259,242**	**$253,285**	**$5,957**	**2.4%**
Property Tax Reimbursements	$8,680	$0	$8,680	---
Debt Service	$161,059	$105,136	$55,923	53.2%
Total Other Expenditures	**$169,739**	**$105,136**	**$64,603**	**61.4%**
Total Program Expenditures	**$2,294,441**	**$2,375,997**	**-$81,556**	**-3.4%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$2,294,441**	**$2,375,997**	**-$81,556**	**-3.4%**

*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 February 29, 2024
($ in thousands)
(Actual based on OAKS reports run March 4, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$6,588,916	$6,575,879	$13,037	0.2%	$6,195,108	6.4%
Higher Education	$1,741,347	$1,780,165	-$38,818	-2.2%	$1,650,403	5.5%
Other Education	$78,092	$81,388	-$3,296	-4.0%	$67,357	15.9%
Total Education	**$8,408,355**	**$8,437,431**	**-$29,076**	**-0.3%**	**$7,912,868**	**6.3%**
Medicaid	$13,339,097	$14,040,628	-$701,531	-5.0%	$12,928,105	3.2%
Health and Human Services	$1,240,556	$1,405,132	-$164,577	-11.7%	$1,166,993	6.3%
Total Health and Human Services	**$14,579,653**	**$15,445,760**	**-$866,107**	**-5.6%**	**$14,095,098**	**3.4%**
Justice and Public Protection	$1,998,187	$2,067,372	-$69,185	-3.3%	$1,832,156	9.1%
General Government	$989,178	$1,062,779	-$73,601	-6.9%	$369,855	167.4%
Total Government Operations	**$2,987,365**	**$3,130,151**	**-$142,786**	**-4.6%**	**$2,202,012**	**35.7%**
Property Tax Reimbursements	$925,235	$931,413	-$6,178	-0.7%	$912,139	1.4%
Debt Service	$1,061,508	$1,006,714	$54,793	5.4%	$1,205,273	-11.9%
Total Other Expenditures	**$1,986,743**	**$1,938,127**	**$48,615**	**2.5%**	**$2,117,412**	**-6.2%**
Total Program Expenditures	**$27,962,116**	**$28,951,470**	**-$989,354**	**-3.4%**	**$26,327,389**	**6.2%**
Transfers Out	**$6,584,019**	**$5,597,298**	**$986,721**	**17.6%**	**$1,975,666**	**233.3%**
Total GRF Uses	**$34,546,134**	**$34,548,768**	**-$2,633**	**0.0%**	**$28,303,055**	**22.1%**

*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 March 5, 2024)

	Month of February 2024				Year to Date through February 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$835,204	$996,082	-$160,878	-16.2%	$12,679,186	$13,357,172	-$677,985	-5.1%
Non-GRF	$1,723,404	$1,782,301	-$58,897	-3.3%	$9,334,701	$9,628,322	-$293,621	-3.0%
All Funds	$2,558,608	$2,778,383	-$219,775	-7.9%	$22,013,887	$22,985,494	-$971,607	-4.2%
Developmental Disabilities								
GRF	$73,221	$73,668	-$447	-0.6%	$582,637	$579,826	$2,811	0.5%
Non-GRF	$273,980	$288,642	-$14,662	-5.1%	$2,125,091	$2,250,618	-$125,527	-5.6%
All Funds	$347,201	$362,309	-$15,108	-4.2%	$2,707,728	$2,830,444	-$122,717	-4.3%
Job and Family Services								
GRF	$6,498	$9,453	-$2,956	-31.3%	$70,163	$95,833	-$25,671	-26.8%
Non-GRF	$12,516	$16,203	-$3,688	-22.8%	$114,158	$131,666	-$17,508	-13.3%
All Funds	$19,013	$25,657	-$6,643	-25.9%	$184,321	$227,499	-$43,178	-19.0%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$808	$888	-$79	-9.0%	$7,111	$7,797	-$685	-8.8%
Non-GRF	$3,023	$8,153	-$5,131	-62.9%	$22,988	$81,758	-$58,770	-71.9%
All Funds	$3,831	$9,041	-$5,210	-57.6%	$30,100	$89,555	-$59,455	-66.4%
All Departments:								
GRF	**$915,731**	**$1,080,091**	**-$164,360**	**-15.2%**	**$13,339,097**	**$14,040,628**	**-$701,531**	**-5.0%**
Non-GRF	**$2,012,923**	**$2,095,300**	**-$82,377**	**-3.9%**	**$11,596,939**	**$12,092,365**	**-$495,426**	**-4.1%**
All Funds	**$2,928,654**	**$3,175,390**	**-$246,737**	**-7.8%**	**$24,936,036**	**$26,132,993**	**-$1,196,957**	**-4.6%**

*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 March 5, 2024)

	Month of February 2024				Year to Date through February 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,980,906**	**$2,183,829**	**-$202,923**	**-9.3%**	**$16,446,171**	**$17,377,504**	**-$931,333**	**-5.4%**
CFC†	$516,746	$621,315	-$104,569	-16.8%	$4,354,034	$4,843,287	-$489,254	-10.1%
Group VIII	$462,100	$542,873	-$80,773	-14.9%	$3,950,373	$4,278,119	-$327,746	-7.7%
ABD†	$173,727	$187,914	-$14,187	-7.5%	$1,455,806	$1,522,135	-$66,328	-4.4%
ABD Kids	$59,154	$64,848	-$5,694	-8.8%	$466,927	$503,061	-$36,134	-7.2%
My Care	$289,558	$293,340	-$3,783	-1.3%	$2,086,688	$2,097,378	-$10,690	-0.5%
OhioRise	$39,456	$48,368	-$8,912	-18.4%	$284,172	$309,568	-$25,396	-8.2%
SPBM	$440,166	$425,171	$14,994	3.5%	$3,848,171	$3,823,957	$24,215	0.6%
Fee-For-Service	**$749,260**	**$750,108**	**-$848**	**-0.1%**	**$6,599,344**	**$6,690,149**	**-$90,806**	**-1.4%**
ODM Services	$410,572	$405,266	$5,305	1.3%	$3,219,115	$3,173,120	$45,994	1.4%
DDD Services	$338,688	$344,842	-$6,153	-1.8%	$2,630,688	$2,739,029	-$108,340	-4.0%
Hospital - HCAP	$0	$0	$0	-	$749,540	$778,000	-$28,460	-3.7%
Premium Assistance	**$132,730**	**$140,753**	**-$8,023**	**-5.7%**	**$1,140,273**	**$1,187,668**	**-$47,394**	**-4.0%**
Medicare Buy-In	$77,559	$84,156	-$6,597	-7.8%	$683,047	$720,614	-$37,567	-5.2%
Medicare Part D	$55,171	$56,597	-$1,426	-2.5%	$457,226	$467,054	-$9,827	-2.1%
Administration	**$65,757**	**$100,700**	**-$34,942**	**-34.7%**	**$750,248**	**$877,671**	**-$127,423**	**-14.5%**
Total	**$2,928,654**	**$3,175,390**	**-$246,737**	**-7.8%**	**$24,936,036**	**$26,132,993**	**-$1,196,957**	**-4.6%**

*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[7]

– *Lin Kong, Budget Analyst*

– *Ivy Chen, Division Chief*

Overview

GRF program expenditures totaled $27.96 billion in the first eight months of FY 2024. These expenditures were $989.4 million (3.4%) below OBM's estimates for the YTD. GRF uses also include transfers out, which totaled $6.58 billion and were $986.7 million (17.6%) over estimate for the YTD, due primarily to the timing of $986.1 million in transfers to support capital appropriations that were not anticipated to occur until June. Total GRF uses for these eight months were $34.55 billion, which was $2.6 million (0.0%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of February and YTD, respectively.

For February program expenditures, negative monthly variances in GRF Medicaid ($164.4 million, 15.2%), Health and Human Services ($14.6 million, 9.6%), and Higher Education ($6.3 million, 2.5%), were slightly offset by a positive monthly variance in Primary and Secondary Education ($34.1 million, 6.5%), Justice and Public Protection ($10.4 million, 5.0%), and Debt Service ($55.9 million, 53.2%). The remaining categories had monthly variances of about $5 million or less. Total program expenditures were $81.6 million (3.4%) below estimate for the month of February.

For YTD program expenditures, all categories except for Primary and Secondary Education ($13.0 million, 0.2%) and Debt Service ($54.8 million, 5.4%) were below their FY 2024 estimate. The categories with the largest negative variances include Medicaid ($701.5 million, 5.0%), Health and Human Services ($164.6 million, 11.7%), and General Government ($73.6 million, 6.9%). The larger GRF variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were below their monthly estimate in February by $164.4 million (15.2%) and below their YTD estimate by $701.5 million (5.0%) at the end of February. Non-GRF Medicaid expenditures were below their monthly estimate by $82.4 million (3.9%) and below their YTD estimate by $495.4 million (4.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $246.7 million (7.8%) below estimate in February and $1.20 billion (4.6%) below their YTD estimate at the end of February.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and 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 February

[7] 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 $219.8 million (7.9%), and a YTD all funds negative variance of $971.6 million (4.2%) at the end of February. DODD had a February all funds negative variance of $15.1 million (4.2%) and ended the month with YTD expenditures being $122.7 million (4.3%) 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 February. In percentage terms, the Administration variance of $127.4 million (14.5%) 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 $931.3 million (5.4%) below the YTD estimate. The Managed Care variance throughout this fiscal year has been largely due to a lower-than-projected caseload and a lower per-member-per-month (PMPM) spending. The other categories with negative variances were Fee-for-Service (FFS) at $90.8 million (1.4%) and Premium Assistance at $47.4 million (4.0%).

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 January 2024 by over 378,000. Caseload numbers will continue to fluctuate through the redetermination process due to retroactive eligibility changes.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. The Ohio Department of Job and Family Services (ODJFS) accounts for a majority of the actual expenditures for this category in FY 2024 (52.4%).

This category's negative YTD variance increased by $14.6 million in February to reach $164.6 million (11.7%). The largest contributor towards the negative YTD variance was ODJFS, the category's largest component. ODJFS was under estimate for the YTD by $124.6 million, which accounted for 75.7% of the category's YTD variance.

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

- A negative monthly variance of $4.0 million in ALI 600450, Program Operations, which increased the YTD negative variance for this ALI to $44.5 million. This ALI is used for administrative functions, operating expenses, and various information technology projects for the Department.
- A negative monthly variance of $4.0 million in ALI 600410, TANF State Maintenance of Effort, which increased the negative YTD variance for this ALI to $35.7 million. This ALI is used in conjunction with other sources of funding to support Ohio's Temporary Assistance for Needy Families (TANF) Program. Negative YTD variance for this line item is largely due to timing of reimbursements. With quarterly federal reconciliations, ODJFS expects the

entirety of the budgeted amount for this program to be obligated or expended prior to the end of the fiscal year.

- A negative monthly variance of $0.2 million in ALI 600523, Children and Families Subsidy, which resulted in a negative YTD variance for this ALI of $19.1 million. This ALI primarily supports family and children services, including foster parent stipends, education training vouchers, and public children services agencies.

Other notable variances include ALI 336422, Criminal Justice Services, within the Ohio Department of Mental Health and Addiction Services (OhioMHAS) and ALI 440459, Help Me Grow, which is a discontinued Department of Health (DOH) line item. The OhioMHAS item was below estimate by $10.4 million thus far in FY 2024. The ALI is used to provide forensic psychiatric evaluations and conduct evaluations of patients in OhioMHAS facilities. On the other hand, the DOH item exceeded its YTD estimate by $6.5 million. The main operating budget recently transferred responsibility regarding Help Me Grow, Infant Vitality, and Maternal and Child Health Block Grant activities from DOH to the Department of Children and Youth, which the bill established. The positive variance in FY 2024 for item 440459 reflects expenditures of prior year encumbrances.

Debt Service

The debt service program category funds general obligation bond debt service payments incurred by several state agencies for various capital improvement projects at the state and local levels. It also includes lease rental payments made pursuant to leases and agreements relating to bonds, notes, or other obligations of the state.

The February expenditures in this category were above its monthly estimate by $55.9 million (53.2%) resulting in a positive YTD variance of $54.7 million (5.4%). This large variance for the month is primarily due to ALI 230908, Common Schools General Obligation Bond Debt Service, which had a positive February variance of $59.5 million. This line item is used for debt service payments on general obligation bonds issued to raise funds for the state share of school facilities project costs. The $59.5 million debt payment was originally projected to occur in March, but was instead disbursed in February. There is expected to be a corresponding negative variance for this line item in March as a result.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The February expenditures in this category were below its monthly estimate by $4.5 million (9.7%), increasing its negative YTD variance to $73.6 million (6.9%).

The most significant line items that contributed to the negative YTD variance thus far relate to infrastructure improvements. ALI 775471, State Road Improvements, was under its YTD estimate by $16.7 million. This line item is used to provide supplemental funding for road improvement projects in conjunction with a Highway Operating Fund appropriation. ALI 195456, Local Roads, was below its YTD estimate by $12.5 million. This now discontinued line item is used to fund local road improvements for economic development purposes.

Transfers out

No transfers out occurred in February, so the positive YTD variance remained unchanged at $986.7 million (17.6%). Earlier GRF transfer activity occurring in July, September, and November to support capital appropriations incurred a positive variance totaling $986.1 million.

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.[8] 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. Please refer the December 2023 issue of *Budget Footnotes* for a listing of transfers out to support capital projects.

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

Issue Updates

Tax Credit Authority Approves $100 Million in Tax Credits to Support Mixed-Use Development Projects

– Jared Cape, Budget Analyst

On January 29, 2024, the Ohio Tax Credit Authority (TCA) approved a total of $100.0 million in tax credits for 15 mixed-use development projects for FY 2024 under the Transformational Mixed-Use Development Program. Specifically, the Department of Development awarded $78.0 million to seven major city projects and $22.0 million to eight projects in other areas. The table below shows these projects and their location, as well as the total development costs and amount of the tax credits awarded.

Transformational Mixed-Use Development Program Projects, FY 2024				
Project	City	County	Total Development Cost ($ in millions)	Total Tax Credit ($ in millions)
Cincinnati Convention Hotel*	Cincinnati	Hamilton	$637.2	$40.0
Dayton Arcade District*	Dayton	Montgomery	$200.0	$14.0
Valor Acres Phase I*	Brecksville	Cuyahoga	$678.7	$10.0
The Silos	Marysville	Union	$81.4	$8.0
Salvation Army Site Redevelopment	Delaware	Delaware	$89.2	$4.9
Water Street District Phase II*	Dayton	Montgomery	$214.8	$4.3
Carew Tower*	Cincinnati	Hamilton	$175.1	$4.3
Central Park	Heath	Licking	$218.2	$4.1
Assembly*	Columbus	Franklin	$155.6	$3.5
Fairfield Shoe Factory	Lancaster	Fairfield	$20.0	$2.0
Playhouse Square*	Cleveland	Cuyahoga	$185.9	$2.0
The Lostro Building	Athens	Athens	$11.0	$1.0
The Ohio Building	Sidney	Shelby	$11.2	$1.0

Transformational Mixed-Use Development Program Projects, FY 2024				
Project	City	County	Total Development Cost	Total Tax Credit
			($ in millions)	
8 Main	Zanesville	Muskingum	$8.7	$0.8
The Thompson Building	East Liverpool	Columbiana	$2.1	$0.2
		Total	**$2,689.0**	**$100.00**

* Major City Projects

The Transformational Mixed-Use Development Program was created by S.B. 39 of the 133rd General Assembly. The total amount of tax credits that can be issued is $100 million per fiscal year. The program allows the tax credits to be used against development costs for the new construction or improvement of vacant buildings for mixed-use developments. Projects may include an entire development or contiguous phases within the development. Factors such as the location, building square footage, project cost, number of uses, projected tax collection increases, capital committed, and tax credit impact determine project eligibility and selection. Projects within ten miles of a major city are eligible to receive up to $80 million in aggregate of the $100 million allocated in estimated tax credits each fiscal year. The maximum tax credit that a development may receive is $40 million. For property owners, the tax credit is 10% of the estimated development costs for the project as defined in the application. For insurance companies, the tax credit is 10% of the companies' capital contribution to the project as defined in the application. The Department of Development describes the program and lists past recipients on its website: development.ohio.gov/business.

ODOT Distributes $106.4 Million for Local Transit Programs

– Terry Steele, Senior Budget Analyst

On February 13, the Ohio Department of Transportation (ODOT) announced $106.4 million in awards to support 384 transit projects as part of Ohio Loves Transit Week. ODOT's Office of Transit made the awards under seven different programs: The Rural Transit Program (RTP), Ohio Transportation Partnership Program (OTPP), Specialized Seniors and Individuals with Disabilities Program (SSID), Ohio Workforce Mobility Partnership Program (WMP), Buses and Bus Facilities Program (BBFP), Mobility Management Program (MMP), and Ohio Intercity Bus Program (IBP). A more detailed description of these programs can be found on ODOT's website: transportation.ohio.gov. The table below summarizes these awards, including the portions funded through GRF and federal funding paid from the Highway Operating Fund (Fund 7002).

Public Transit Awards ($ in millions)				
Program	**Projects**	**GRF Portion**	**Federal Portion**	**Total Award**
RTP	42	-	$39.0	$39.0
OTPP*	120	$4.1	$33.0	$37.1
SSID	83	$0.3	$8.4	$8.7
WMP	31	-	$8.6	$8.6
BBFP	66	-	$5.0	$5.0
MMP	39	$2.2	$2.4	$4.6
IBP	3	-	$3.3	$3.3
Total	**384**	**$6.7**	**$99.7**	**$106.4**

*Includes other Highway Operating Fund (Fund 7002) project contributions

The GRF portion of funding for these programs comes from a total of $37.0 million in each fiscal year appropriated in H.B. 23, the transportation budget for the FY 2024-FY 2025 biennium, under ALI 775470, Public Transportation – State. Federal funding for six of these programs comes from the Federal Transit Administration (FTA) appropriated under Fund 7002 ALI 775452, Public Transportation – Federal. In contrast, the OTPP projects are funded through annual Federal Flexible Spending Program earmarks of $33.0 million for public transit under Fund 7002 ALI 772422 Highway Construction – Federal, in addition to a portion of GRF.

$18.2 Million Approved to Fund Recommendations of the PCB Advisory Board

– Robert Meeker, Senior Budget Analyst

On January 29, 2024, the Controlling Board approved Ohio EPA's request to increase spending in FY 2024 by $18.2 million for projects approved by the PCB Advisory Board: $11.6 million from Fund 5410 ALI 715670, Site Specific Cleanup, and $6.6 million from Fund 3CS0 ALI 715688, Federal NRD Settlements. The increases are supported by a portion of an $80.0 million settlement between the state and the Monsanto Company.

The PCB Advisory Board was established to advise Ohio EPA and make recommendations for projects that meet approved purposes defined by the terms of the settlement with the Monsanto Company. In March 2022, the state reached a settlement and entered into a memorandum of understanding with the Monsanto Company and certain affiliates to resolve claims alleging impairments to the environment, waterbodies, and other natural resources from their use of polychlorinated biphenyls (PCBs). The production of PCBs, with limited exceptions, were prohibited nationwide in 1979 when the U.S. Environmental Protection Agency promulgated final regulations banning PCBs under the federal Toxic Substances Control Act.[9] The Board includes the Ohio Attorney General and the directors of the Ohio EPA, Department of Health, Department of Agriculture, and Department of Natural Resources, or their respective designees.

At their most recent meeting, the Board authorized Ohio EPA to award funding for ten projects including transfers of $1.0 million each to the Department of Agriculture (AGR), the Department of Natural Resources (DNR), DOH, and the Office of the Attorney General (AGO). In addition to the funding described below, the Controlling Board has previously approved spending of $45.1 million for other projects approved by the PCB Advisory Board: $6.2 million in FY 2024 and $38.9 million in FY 2023 (not included in the table).

PCB Advisory Board Funding Recommendations (related spending increases approved on January 29, 2024)	
Purpose	**Amount**
Fund 5410 ALI 715670, Site Specific Cleanup	
Remove the Main Street Dam in Warren (Trumbull County)	$5,000,000
Investigate lead-contaminated properties in Roseville (Muskingum and Perry counties)	$1,100,000
Remediate sediment in the Ottawa River (Lucas County)	$1,493,001
Improve the State Pesticide and Fertilizer Regulatory Program (AGR)	$1,000,000
Increase stream quality monitoring to collect scientific data to protect the state's rivers and streams (DNR)	$1,000,000
Improve the Ohio Sport Fish Consumption Advisory Program (ODH, Bureau of Environmental Health and Radiation Protection)	$1,000,000
Assist local law enforcement agencies and prosecutors in combatting open dumping in their neighborhoods (AGO)	$1,000,000
Subtotal – ALI 715670, Site Specific Cleanup:	**$11,593,001**
Fund 3CS0 ALI 715688, Federal NRD Settlements	
Collect and destroy fire-fighting foam containing PFAS	$3,000,000
Remediate sediment in the Ottawa River (Lucas County)	$843,001
Remove phosphorus from agricultural fields	$2,800,000
Subtotal – ALI 715688, Federal NRD Settlements:	**$6,643,001**
Total Increases:	**$18,236,002**

[9] *Dave Yost v. Monsanto Co., et. al.*, Case No. A 1801237, March 21, 2022.

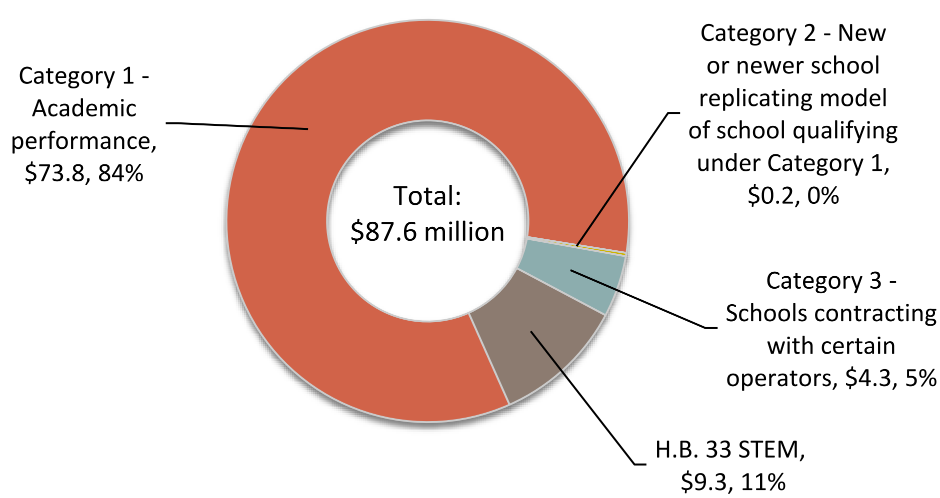
DEW Announces Quality Community and Independent STEM School Support Awards

– Joshua Sherer, Budget Analyst

In February 2024, the Department of Education and Workforce (DEW) released the list of 72 schools awarded $87.6 million in Quality Community and Independent STEM School Support funds for FY 2024. The program rewards community schools that meet certain criteria with respect to sponsor ratings, report card performance, and other factors. Beginning in FY 2024, H.B. 33 expanded eligibility for the program to science, technology, engineering, and mathematics (STEM) schools. Designated schools receive payments supported by lottery profits of $3,000 for every student identified as economically disadvantaged and $2,250 for every other student in FY 2024, increased from $1,750 and $1,000 respectively in prior years. The designated schools serve about 30,400 full-time equivalent (FTE) students, of whom 25,500 (84%) are economically disadvantaged.

A community school must meet at least one of three categories of criteria to qualify for the Quality Community School designation, all of which require that a school's sponsor must be rated "exemplary" or "effective" on the sponsor's most recent evaluation. The three categories allow schools to qualify based on a variety of metrics and capture different dimensions of school quality. Schools that meet the designation criteria for a given fiscal year, in general, retain the designation for the subsequent two fiscal years, for a total of three years of eligibility. The chart below illustrates the portion of FY 2024 funding distributed by designation category.

Quality Community School Support Funds by Designation Category ($ in millions), FY 2024



Of the 72 schools designated, 60 schools, receiving $73.8 million, qualified under Category 1, which focuses on the academic performance of the schools. In general, this category takes into account performance index scores relative to the school district in which the school is located, the value-added progress dimension on the report cards (a statistical measure intended to capture students' learning over the course of a school year), and the school's concentration of economically disadvantaged students. Two schools, receiving about $235,000, qualified under

Category 2, which designates certain schools that are new or opened within the last four years and that are replicating an instructional or operational model of a school designated under Category 1, and whose operator, if any, meets certain performance requirements. Three schools, receiving $4.3 million, qualified under Category 3, which applies to schools contracting with certain operators that also operate schools in other states. Seven independent STEM schools also qualified for funding, receiving $9.3 million, or about 10.6% of awarded funds.

ODHE Awards 89 Institutions $40.0 Million in Super RAPIDS Grants

– Jason Glover, Senior Budget Analyst

In December 2023, the Ohio Department of Higher Education (ODHE) awarded a total of $40.0 million to 89 institutions under the Super RAPIDS Program, which provides funding for equipment, facilities, and essential implementation-related expenses to strengthen education and training opportunities that maximize workforce development efforts. These funds build on capital funds currently provided under ODHE's Regionally Aligned Priorities in Delivering Skills (RAPIDS) Program. Super RAPIDS awards must be spent in one or more of the following areas: broadband/5G, cybersecurity, healthcare, transportation, advanced manufacturing, and trades. This round of funding supports regional collaborative projects among 44 Ohio Technical Centers (OTCs), all 14 public universities and 23 community colleges, three regional campuses, and five private, nonprofit colleges and universities across nine ODHE-defined Super RAPIDS regions. According to the program's request for proposals, work began in December 2023 and will continue through the end of June 2025, with a final expense report due to ODHE by the end of September 2025.

The table below summarizes the grant recipients and total awards by region. As the table shows, six regions each received $4.9 million, while three other ones in the Northeast area of the state each received $3.6 million. ODHE allocated funds to each region and the institutions within those regions collaborated to determine the individual institution award amounts, which ranged from about $31,000 to more than $1.4 million. More information on the Super RAPIDS Program can be accessed by conducting a keyword "Super RAPIDS" search on ODHE's website: highered.ohio.gov.

Super RAPIDS Grants, FY 2024		
Region	Number of Institutions	Total Awards
Central	14	$4,875,000
Northern Appalachia	7	$4,875,000
Northwest	16	$4,875,000
Southeast	11	$4,875,000
Southwest	7	$4,875,000

Super RAPIDS Grants, FY 2024		
Region	**Number of Institutions**	**Total Awards**
West	7	$4,875,000
Northeast – Central	10	$3,583,334
Northeast – East	6	$3,583,333
Northeast –West	11	$3,583,333
Total	**89**	**$40,000,000**

Source: Ohio Department of Higher Education

H.B. 33 funds Super RAPIDS with an appropriation of $94.5 million in FY 2024 from Fund 5AH1 ALI 235688, Super RAPIDS. Fund 5AH1 is supported by a transfer of cash from FY 2023 GRF surplus revenues. According to an ODHE spokesperson, the Department has yet to decide when another round of funding will take place, but it expects the remaining $54.5 million will be used to support urgent workforce needs across the state aligning with statewide strategies, primarily in the areas of broadband/5G, cybersecurity, and semiconductors.

$65.8 Million in Illegal Drugs Seized by OOCIC Drug Interdiction Taskforces in 2023

–Jessica Murphy, Senior Budget Analyst

In CY 2023, eight major drug interdiction task forces organized under the Attorney General's Ohio Organized Crime Investigations Commission (OOCIC) seized $65.8 million in illegal drugs according to its estimated street value. The task forces also seized 413 firearms and $6.5 million in U.S. currency.

As shown in the table below, the quantity of marijuana has continued to exceed the quantity of other drugs seized over the past five years, although decreasing by 43% (1,451 pounds) from 2022. Quantity of drugs seized over this same time period hit a high in the following categories: cocaine, khat, xylazine, prescription pills, and fentanyl. Seizure increases are partially a reflection of additional funding that has been made available for task forces across the state, including several federal grants. Additionally, with the enactment of H.B. 166 of the 133rd General Assembly, the state began funding grants through the Department of Public Safety's RecoveryOhio initiative for drug task forces. Up to $3.4 million in GRF funding was earmarked in FY 2020 and FY 2021 for task forces that focus on cartel trafficking interdiction. Through subsequent budget bills, the same level of funding has been provided for this purpose annually thereafter.

OOCIC task forces are formed through collaborative efforts and often involve local, state, and federal law enforcement agencies. OOCIC serves as a facilitator for these collaborative efforts. Upon the filing of a complaint or upon its own initiative, the Commission is authorized to establish task forces to investigate organized criminal activity in a county or adjacent counties.

Major drug interdiction task forces operate throughout the state with a focus on seizing illegal drugs, weapons, and cash before they impact Ohio communities.

OOCIC Task Force Drug Seizures – CY 2019 - CY 2023 (quantity in pounds unless otherwise noted)					
Category	**2019**	**2020**	**2021**	**2022**	**2023**
Heroin	170.8	28.7	20.4	15.4	2.5
Prescription Pills (unit doses)	27,917.0	40,507.5	24,137.0	18,744.0	68,525.0
Cocaine	229.2	250.3	386.2	305.9	604.2
Marijuana	2,290.7	3,783.3	2,828.7	3,336.8	1,885.9
Crack Cocaine	0.5	0.9	5.0	1.6	3.5
Methamphetamine	302.8	319.7	533.7	511.9	366.3
Khat	82.0	252.6	23.1	221.0	664.4
Fentanyl	104.4	175.9	225.1	195.9	279.5
MDMA	7.4	2.6	0.6	1.1	2.5
Xylazine	0.0	0.0	0.0	0.0	2.3
Street Value of Seized Drugs	$45,972,447	$57,672,024	$71,937,693	$62,284,275	$65,848,042

Federal Government Releases Updated HHS Poverty Guidelines

– Nelson V. Lindgren, Economist

The U.S. Department of Health and Human Services (HHS) recently released the updated Federal Poverty Guidelines (FPG) standards for 2024. These guidelines are used to set eligibility criteria for many assistance programs, such as the Medicaid Program, Supplemental Nutrition Assistance Program (SNAP), and the Children's Health Insurance Program (CHIP). Assistance programs often use a percentage of the FPG to determine eligibility (e.g., 138% or 200% FPG). The FPG is adjusted for household size and geographic region. The 48 contiguous states and the District of Columbia (D.C.) all use the same FPG while Alaska and Hawaii each have their own to account for higher costs of living in those regions.

2024 Poverty Guidelines for the 48 Contiguous States and D.C.	
Persons in Household	Poverty Guideline
1	$15,060
2	$20,440
3	$25,820
4	$31,200
5	$36,580
6	$41,960

Note: For households with more than 6 persons, add $5,380 for each additional person.

FPGs are published annually and become effective each January. The 2024 guidelines are calculated by taking the 2022 Census Bureau's poverty thresholds and adjusting them, using the Consumer Price Index (CPI), for price changes between 2022 and 2023. The FPG represents the minimum amount of income required to provide basic necessities such as food, clothing, and shelter.

Controlling Board Approves $252,000 for Remote STI Testing

– Suveksha Bhujel, Economist

On February 12, 2024, the Controlling Board approved a request for $252,000 from DOH to contract with a company to provide testing for sexually transmitted infections (STIs) and hepatitis C. Specifically, funds will be used as follows: $232,000 to provide remote sample collection and laboratory testing for chlamydia, gonorrhea, syphilis, HIV, and hepatitis C; $5,000 to create and administer an online portal to assist in linking clients with a positive test result to treatment; and $15,000 to develop and disseminate marketing materials regarding the program. The goal of providing these remote testing services is to increase the accessibility of testing, as well as to provide both privacy and reduced wait times to individuals being tested.

Delayed detection and treatment of a STI can cause serious and irreversible health consequences, such as infertility, cancer, or death. STIs can also contribute to preterm births, low birthweights, and infant deaths. Because of this, healthcare providers are required to report information concerning STIs to ODH to assist in their prevention and surveillance efforts. In recent years, total syphilis cases have been increasing in Ohio. Congenital syphilis, in particular, has increased substantially – almost tripling from 32 cases in 2020 to 93 cases in 2022.[10] The table below shows the number of cases of each infection reported to ODH from 2020 to 2022.

Ohio STI and Hepatitis C Cases			
Disease	**2020**	**2021**	**2022**
Chlamydia	59,042	56,607	54,509
Gonorrhea	30,697	27,928	22,987
Syphilis (total)	2,446	3,970	5,306
Congenital Syphilis	32	49	93
HIV (new diagnoses)	887	919	866
Hepatitis C	12,914	12,307	10,795
Total	**106,018**	**101,780**	**94,556**

[10] Congenital syphilis occurs when a mother with syphilis passes the infection to her baby during pregnancy. According to ODH, ten stillbirths were attributed to congenital syphilis in 2022.

Tracking the Economy

– Ruhaiza Ridzwan, Senior Economist

– Michael Kerr, Budget Analyst

Overview

The national economy continued to expand in early 2024. Employment nationwide increased 275,000 in February and the unemployment rate rose to 3.9%. The net job gain in February was larger than the monthly gain in employment for January, and it exceeded the average monthly gain in the past 12 months. Job openings changed little in January. Inflation-adjusted gross domestic product (real GDP) rose at a 3.2% annual rate in last year's fourth quarter, after increasing at a 4.9% annual rate in the third quarter. Industrial production decreased in January as both manufacturing and mining output declined. Both personal income and consumer spending rose. Inflation, as measured by the all-item CPI has trended lower, at 3.1% over the year ending in January, which was substantially lower than the peak of 9.0% for the year ending in June 2022. Sales of cars and light trucks picked up. U.S. housing market indicators were mixed.

In testimonies on March 6 and 7 before the Committee on Financial Services, U.S. House of Representatives and the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, respectively, the Federal Reserve Chairman reiterated the Federal Reserve's expectation that interest rate cuts would occur this year and "is strongly committed to returning inflation to its 2 percent objective." In January, the indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index increased 2.4% from a year ago. The Chairman indicated that "high interest rates also appear to have been weighing on business fixed investment" and the Federal Open Market Committee's "restrictive stance of monetary policy is putting downward pressure on economic activity and inflation." Additionally, the latest Federal Reserve's Beige Book reported that since early January through late February economic activity grew modestly in most districts, including in the Fourth district, which includes Ohio.

In Ohio, total nonagricultural wage and salary employment increased by 12,900 in January following a rise of 2,200 the month prior. Year-over-year employment rose by 47,700. The state's unemployment rate increased slightly to 3.7% for the month, up from a revised 3.6% in December. The number of Ohio homes sold in January increased by 4.4% compared to the same month last year, the first increase since 2022. The March release of the Federal Reserve's Beige Book reported a slight increase in economic activity in recent weeks in the Ohio region.

The National Economy

In February, the U.S. economy added 275,000 jobs and the national unemployment rate rose at 3.9%. The U.S. unemployment rate was 3.7% in January. Growth of U.S. nonfarm payroll employment for the prior 12 months averaged 230,000 per month. For the month, there were job gains in health care, in government, in food services and drinking places, in social assistance, and in transportation and warehousing. Employment changed little in most other major industries, with the exception of construction, which saw an increase that is slightly higher than the average monthly gain during the past 12 months. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5.

The number of people counted as unemployed nationally was 6.5 million in February, an increase from the 6.1 million unemployed in January. Compared to a year earlier, the number of people counted as unemployed nationally was 6.0 million. Of the 6.5 million unemployed in February, 1.2 million had been without jobs and actively looking for work for six months or more, a number that has little changed since last month. The number of people working part-time for economic reasons was 4.4 million in February, little changed from January. The labor force participation rate, the share of the population that is either employed or actively seeking work, also remained relatively steady at 62.5%, remaining at this level for three consecutive months.

The number of nationwide job openings in January changed little at 8.9 million. The number of openings for every unemployed person in January was up from 1.45 compared to 1.42 in December. Job openings for the month were below the prior year level, in which there were 10.4 million job openings. For the month, increased job openings were reported in nondurable goods manufacturing, but openings decreased in private educational services. In the Midwest, the number of job openings in January was also changed little. In January, the number of hiring nationwide decreased 0.1%, but hiring in the Midwest increased 0.1%. Total separations in the nation (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were comparable to the previous month, but total separations in the Midwest dropped slightly. The number of people choosing to quit nationwide also changed little, at a relatively low rate of 2.1%. Increased number of quits were reported in the information sector, but decreased in real estate and rental and leasing sector. In the Midwest, the number of people choosing to quit declined slightly. Employees are more likely to quit jobs if they are confident they can find other or better positions.

Real GDP rose at a 3.2% annual rate in the fourth quarter of last year, in the second estimate from the U.S. Bureau of Economic Analysis (BEA), slightly slower than initially estimated (3.3%). Consumer spending, exports, government spending at all levels, and nonresidential fixed investment expanded. Private inventory investment slowed. Imports rose. Growth was slower than in the third quarter of last year, when real GDP rose at a 4.9% annual rate, but faster than in the second quarter when real GDP rose at a 2.1% annual rate.

Industrial production fell 0.1% in January after decreasing at a 2.3% annual rate in last year's fourth quarter. The drop in January resulted from a 2.3% fall in mining output and a 0.5% decrease in manufacturing output. Utilities' production edged up 6.0%, due to increased demand for heating, which resulted from unusually mild temperatures in December transitioning to unusually cold temperatures in January. Among market groups, output of consumer goods increased by 0.6%. Output of business supplies decreased 0.2% and output of construction supplies decreased 0.9%.

The CPI rose 0.3% in January on a seasonally adjusted basis, the largest monthly increase since September 2023, as shelter costs rose 0.6%. Compared with a year earlier, the CPI for all items was 3.1% higher, a slight decrease from the annual rate of inflation in December (3.4%). The index for energy decreased 0.9% in January as prices for gasoline decreased. However, the food index rose 0.4% due to increases in indexes for prices of food for consumption at home as well as food for consumption away from home. The CPI for all items less food and energy rose 0.4% for the month to 3.9% above its year-earlier level, the same year-over-year change in December. Chart 6 below shows percentage increases from the prior year in the CPI since the beginning of 2021. Inflation by this measure peaked in June 2022.

The producer price index for final demand (PPI) increased 0.3% in January, seasonally adjusted, following a 0.1% decrease in December. The monthly increase in January was driven by a 0.6% increase in prices for final demand services, which was largely driven by prices for hospital outpatient care. The prices for chemicals and allied products wholesaling, machinery and equipment wholesaling, portfolio management, traveler accommodation services, and legal services also increased. Elsewhere, the index for final demand goods decreased 0.2% for the month, following decreases during the past three consecutive months. The monthly decrease in January was driven by decline in the price for gasoline. The index for final demand foods declined 0.3%. The index for final demand less food, energy, and trade services rose 0.3% from December to January, and by 2.6% over the previous 12 months.

Personal income, not adjusted for inflation, increased 1.0% in January largely driven by increases in government social benefits, personal income receipts on assets, and compensation. A related measure of inflation, an indicator used by the Federal Reserve, the PCE price index increased 0.3% in January and was 2.4% higher than a year earlier. Excluding food and energy, the PCE price index increased 0.4% in January and was up 2.8% over the year. Real personal consumption expenditures decreased by 0.1% for the month.

Approximately 1.2 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of February. Unit sales for the month were 16.6% higher than the number of units sold in January. YTD vehicle sales totaled 2.3 million, which is 6.0% higher than the quantity sold during the same two months in calendar year 2023.

Existing home sales nationwide increased 3.1% in January and were 1.7% below year-ago levels, according to the National Association of REALTORS. In the Midwest, existing home sales rose 2.2% in January, but decreased 3.1% from the prior year. Housing starts in the U.S. declined 14.8% in January compared to the revised December estimate, seasonally adjusted, and declined by 0.7% compared to January 2023. Building permits for new housing units in the U.S. decreased 1.5% from the revised December estimate to January, but increased 8.6% from the preceding year. Midwest housing starts decreased 30.0% in January. However, building permits in the Midwest increased by 6.6% from December to January. New home sales increased 1.5% nationally in January compared to the revised December estimate, seasonally adjusted, and increased 1.8% from a year earlier. In the Midwest, the number of new houses sold increased by 7.7% for the month.

The Ohio Economy

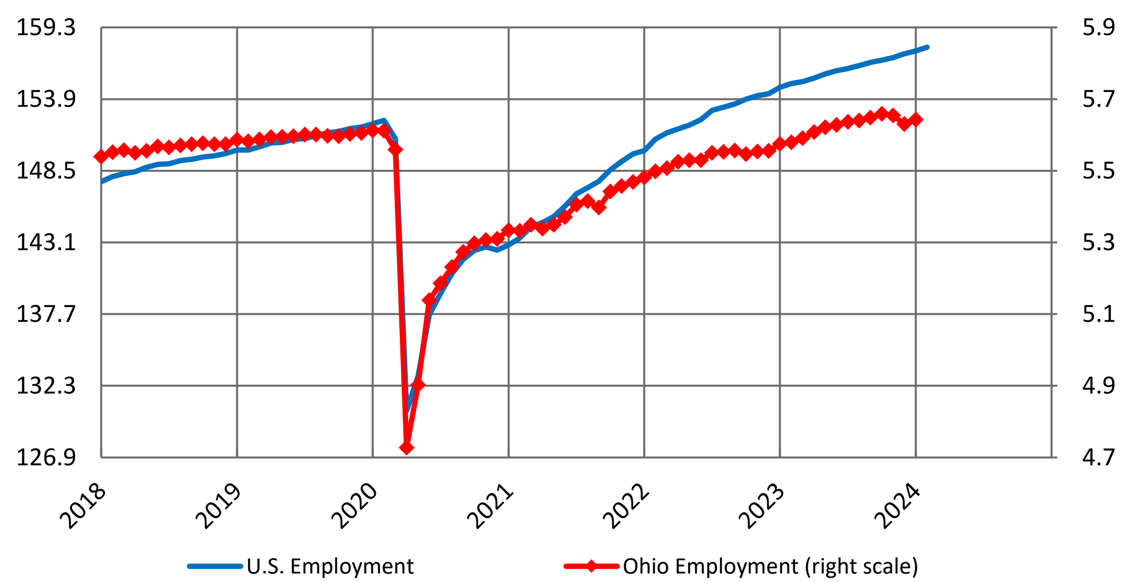
Ohio’s total nonfarm payroll employment, seasonally adjusted, rose by 12,900 (0.2%) in January following a revised December estimate. In January, overall employment in the service-providing sector and government increased by 6,700 (0.2%) and 6,500 (0.8%), respectively. January’s job gains largely occurred in administrative, support, and waste services (8,200), local government (5,000), and health care and social assistance (1,700). Monthly losses were reported in leisure and hospitality (2,000) and construction (1,500). Compared to January of last year, the state’s nonfarm payroll employment was 47,700 (0.9%) higher. Over the last 12 months, the largest job gains were reported in the health care and social assistance (34,100), and state and local government (14,200). Employment, however, declined in professional and business services (5,000), trade, transportation, and utilities (4,800), information (2,900), and financial activities (2,600).

In January, Ohio's unemployment rate was 3.7%, up slightly from a revised 3.6% in December, but down from 3.8% in January of last year. The number of unemployed workers in Ohio was 212,000 in January, 2,000 more than the revised December estimate but 6,000 fewer than in January of last year. The state's unemployment rate in January again mirrored the national unemployment rate, having just ended in December a seven month streak of the Ohio rate holding lower than the U.S. unemployment rate.

In March, the Federal Reserve published the latest edition of its Beige Book, which details current economic conditions across the 12 Federal Reserve Districts. The report prepared by the Federal Reserve Bank of Cleveland, summarizes the economic outlook for Ohio and portions of surrounding states. The publication noted a slight increase in business activity in recent weeks with a modest rise expected in the coming months. Consumer spending, however, moderated subsequent to the holiday season with softer spending in discretionary categories across retail segments. Demand for manufactured goods, on the other hand, edged up, though customer predictability and seasonal patterns appear to have become less certain following the pandemic. Residential construction demand also increased as mortgage rates declined from their relative high several months prior; however, housing inventory has remained low. Overall, employment was flat, wage and nonlabor cost pressures were largely unchanged, and loan demand stabilized from the declines observed in 2023.

In January, the number of homes sold in Ohio increased by 4.4% compared to the same month last year, according to the Ohio REALTORS association. This marks the first increase in the number of homes sold, both new and existing, in the state since 2022. Additionally, data provided by Ohio's Multiple Listing Services note the average sale price for the month rose in ten out of the 15 markets tracked, compared to January of last year. The average home price in January was $254,943, a 7.4% increase from the $237,467 recorded for the same month last year.

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



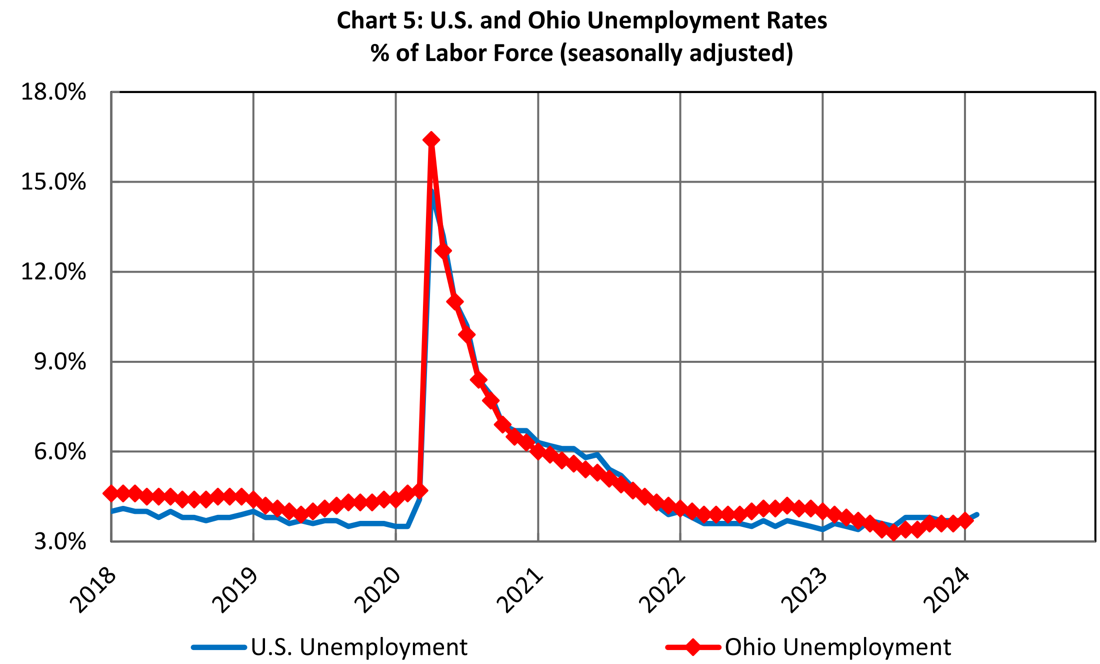


Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)
18.0%
15.0%
12.0%
9.0%
6.0%
3.0%
2018
2019
2020
2021
2022
2023
2024
U.S. Unemployment
Ohio Unemployment

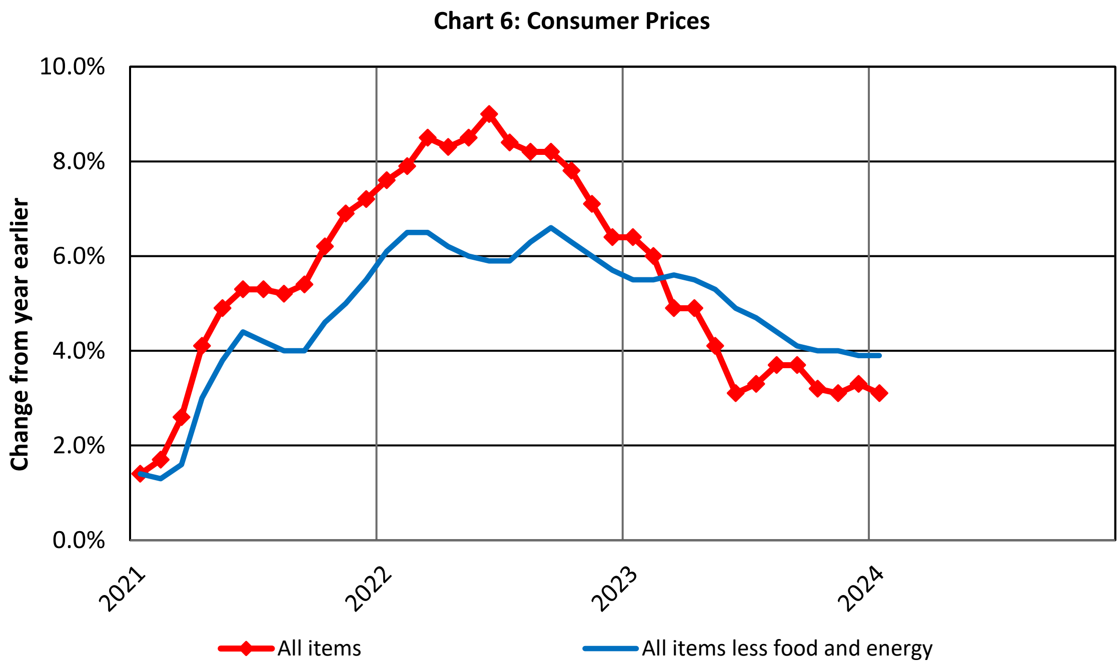


Chart 6: Consumer Prices
Change from year earlier
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2021
2022
2023
2024
All items
All items less food and energy