LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2024 **Issue: October 2023**

Highlights

– Phil Cummins, Senior Economist

GRF sources through September had a $35.6 million negative variance compared with the Office of Budget and Management (OBM) FY 2024 estimate. GRF uses were $171.2 million above estimate through the first three months of the fiscal year.

Ohio's unemployment rate rose to 3.4% in August from 3.3% in July, lowest on records kept since 1976. Personal income in Ohio rose at a 4.7% annual rate in the second calendar quarter to 5.0% above a year earlier. Inflation continued to trend downward through August but remained elevated.

Through September 2023, GRF sources totaled $11.35 billion:

- ❖ Federal grants, the chief source of the year-to-date (YTD) negative variance, were $133.9 million below estimate;
- ❖ Revenue from the nonauto sales and use tax was $102.5 million above estimate; personal income tax (PIT) was $28.6 million below estimate.

Through September 2023, GRF uses totaled $18.52 billion:

- ❖ Program expenditures were $490.7 million below estimate, with all program categories below estimate;
- ❖ The largest shortfalls were Medicaid, $170.7 million, and Property Tax Reimbursements, $169.4 million;
- ❖ GRF transfers out totaled $6.26 billion, $661.9 million (11.8%) more than OBM's estimate. Most of the positive variance was in September, a result of transfers earlier in the fiscal year than anticipated.

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of September 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 2, 2023)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$156,342	$168,200	-$11,858	-7.0%
Nonauto Sales and Use	$945,425	$911,200	$34,225	3.8%
Total Sales and Use	*$1,101,768*	*$1,079,400*	*$22,368*	*2.1%*
Personal Income	$1,075,165	$1,079,400	-$4,235	-0.4%
Commercial Activity Tax	$21,171	$23,400	-$2,229	-9.5%
Cigarette	$68,265	$71,300	-$3,035	-4.3%
Kilowatt-Hour Excise	$26,833	$27,500	-$667	-2.4%
Foreign Insurance	$8,734	$10,700	-$1,966	-18.4%
Domestic Insurance	$324	$0	$324	---
Financial Institution	-$7,751	-$3,500	-$4,251	-121.5%
Public Utility	-$628	$0	-$628	---
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$3,923	$5,300	-$1,377	-26.0%
Liquor Gallonage	$4,790	$4,900	-$110	-2.2%
Petroleum Activity Tax	$2,931	$2,000	$931	46.5%
Corporate Franchise	$26	$0	$26	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,305,551**	**$2,300,400**	**$5,151**	**0.2%**
Nontax Revenue				
Earnings on Investments	$8	$0	$8	---
Licenses and Fees	$1,262	$3,730	-$2,468	-66.2%
Other Revenue	$2,680	$1,250	$1,430	114.4%
Total Nontax Revenue	**$3,950**	**$4,980**	**-$1,030**	**-20.7%**
Transfers In	**$1,909**	**$0**	**$1,909**	**---**
Total State Sources	**$2,311,411**	**$2,305,380**	**$6,031**	**0.3%**
Federal Grants	**$1,094,760**	**$1,151,854**	**-$57,095**	**-5.0%**
Total GRF Sources	**$3,406,171**	**$3,457,235**	**-$51,064**	**-1.5%**

*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 September 30, 2023
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 2, 2023)

State Sources	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Tax Revenue						
Auto Sales	$490,859	$532,000	-$41,141	-7.7%	$534,782	-8.2%
Nonauto Sales and Use	$2,941,660	$2,839,200	$102,460	3.6%	$2,747,706	7.1%
Total Sales and Use	*$3,432,519*	*$3,371,200*	*$61,319*	*1.8%*	*$3,282,488*	*4.6%*
Personal Income	$2,678,798	$2,707,400	-$28,602	-1.1%	$2,681,285	-0.1%
Commercial Activity Tax	$599,931	$549,600	$50,331	9.2%	$495,726	21.0%
Cigarette	$159,774	$171,600	-$11,826	-6.9%	$179,634	-11.1%
Kilowatt-Hour Excise	$74,275	$77,500	-$3,225	-4.2%	$82,574	-10.1%
Foreign Insurance	$9,976	$10,900	-$924	-8.5%	$13,807	-27.7%
Domestic Insurance	$1,145	$6,200	-$5,055	-81.5%	$17,530	-93.5%
Financial Institution	-$8,496	-$2,300	-$6,196	-269.4%	-$1,795	---
Public Utility	$41,049	$39,900	$1,149	2.9%	$44,100	-6.9%
Natural Gas Consumption	$13,497	$13,400	$97	0.7%	$13,899	-2.9%
Alcoholic Beverage	$15,537	$17,000	-$1,463	-8.6%	$19,117	-18.7%
Liquor Gallonage	$14,534	$15,200	-$666	-4.4%	$14,713	-1.2%
Petroleum Activity Tax	$2,931	$2,000	$931	46.5%	$2,538	15.5%
Corporate Franchise	$111	$0	$111	---	-$20	---
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$5	-98.9%
Total Tax Revenue	**$7,035,580**	**$6,979,600**	**$55,980**	**0.8%**	**$6,845,603**	**2.8%**
Nontax Revenue						
Earnings on Investments	$23	$0	$23	---	$1	2141.5%
Licenses and Fees	$9,445	$10,342	-$897	-8.7%	$10,584	-10.8%
Other Revenue	$119,243	$78,350	$40,893	52.2%	$135,589	-12.1%
Total Nontax Revenue	**$128,711**	**$88,692**	**$40,019**	**45.1%**	**$146,175**	**-11.9%**
Transfers In	**$2,308**	**$0**	**$2,308**	**---**	**$5,635**	**-59.0%**
Total State Sources	**$7,166,600**	**$7,068,292**	**$98,308**	**1.4%**	**$6,997,413**	**2.4%**
Federal Grants	**$4,183,486**	**$4,317,419**	**-$133,934**	**-3.1%**	**$4,174,847**	**0.2%**
Total GRF SOURCES	**$11,350,085**	**$11,385,711**	**-$35,626**	**-0.3%**	**$11,172,259**	**1.6%**

*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]

– Ross Miller, Chief Economist Emeritus

Overview

September GRF tax revenue was close to expectations, exceeding the OBM estimate by $5.2 million (0.2%). A healthy positive variance for the nonauto sales tax, amounting to $34.2 million, was largely offset by negative variances for most other taxes. Total GRF revenue consists of GRF 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 $57.1 million negative variance for federal grants in September drove the negative variance for total GRF sources of $51.1 million for the month. Table 1 above shows GRF sources for the month of September compared to estimates, while Table 2 shows YTD GRF sources compared to both estimates and FY 2023 YTD revenue.

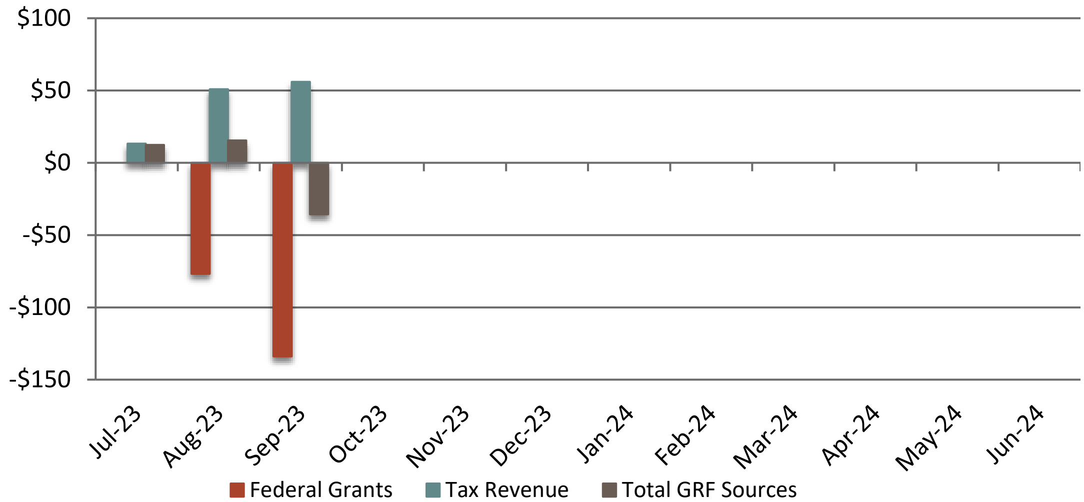
GRF tax receipts in the first quarter of FY 2024 amounted to $7.04 billion, $56.0 million (0.8%) above estimate. The positive YTD variance was due primarily to the nonauto sales tax, above estimate by $102.5 million, and the commercial activity tax (CAT), above estimate by $50.3 million. Those variances were partially offset by negative variances for the auto sales tax ($41.1 million), the PIT ($28.6 million), and the cigarette and other tobacco products (OTP) tax ($11.8 million), along with smaller negative variances for a few other taxes. More details about revenue from the four largest tax sources (the sales tax, PIT, CAT, and cigarette tax) are provided in separate sections below.

The positive YTD variance for tax revenue was augmented by a $40.0 million positive variance for nontax revenue. That was largely due to an overage in August that last month's OBM Monthly Financial Report described as a deferred payment of liquor profits from JobsOhio that exceeded expectations by $39.3 million. The variances for other nontax revenue categories were small, but federal grants were $133.9 million below estimate for the YTD. That is primarily due to GRF spending on Medicaid having been $170.7 million below estimate during the first quarter.

Chart 1 below shows cumulative YTD variances of GRF sources in July, August, and September.

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

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



As shown in Table 2, YTD GRF tax revenue grew $190.0 million (2.8%) compared to tax revenue received during the first quarter of FY 2023. Revenue growth was driven by the nonauto component of the sales tax, which grew $194.0 million (7.1%) compared to the prior year and revenue from the CAT, which grew $104.2 million (21.0%). Much of the growth in CAT revenue was due to a tax policy change in H.B. 33 that increased the share of CAT revenue allocated to the GRF (see the CAT section below for details). Revenue from several other taxes declined, partially offsetting the growth from those two taxes. Most notably, auto sales tax revenue decreased by $43.9 million, cigarette and OTP tax revenue declined by $19.9 million (continuing a long term trend), and domestic insurance tax revenue declined by $16.4 million. PIT revenue was almost flat, decreasing by $2.5 million (0.1%). That was almost entirely due to growth in refunds paid, which grew by $130.9 million; gross PIT collections grew by $136.0 million (4.6%). Although PIT rates were reduced for tax year (TY) 2023 in H.B. 33, withholding rates have not yet changed (see the PIT section below), so while that will affect year over year revenue growth later in the fiscal year, it is having no more than a minimal effect so far. The growth in tax revenue is partially offset by a $17.5 million decrease in YTD nontax revenue.

Sales and Use Tax

The sales and use tax is the largest tax revenue source for the state, having raised $13.74 billion (all funds) in FY 2023 as compared to the PIT (the second largest tax source), which raised $11.29 billion that year. September GRF receipts from the sales and use tax were $1.10 billion, $22.4 million (2.1%) above estimate. For the first quarter of FY 2024, revenue from the tax amounted to $3.43 billion, $61.3 million (1.8%) above estimate. Revenue during the first quarter of the fiscal year grew by $150.0 million (4.6%) compared to the first three months of FY 2023.

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 negative variances under the auto component more than offset by positive variances from the nonauto portion.

The tax base[2] for this tax is mostly goods, but includes some services; importantly 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. Inflation-adjusted data on gross domestic product (GDP) indicate that consumers nationally increased their spending after inflation by a healthy 3.8% in the first quarter of 2023, but spending growth moderated to 0.8% in the second quarter. This deceleration in spending growth occurred for both goods and services, with 0.5% and 1.0% growth in the second quarter, respectively. In addition, price inflation moderated in the second quarter. The combined effect was a deceleration in growth of sales tax revenue in the final fiscal quarter of FY 2023. Data for the recently completed third quarter, relevant to tax revenue for the first fiscal quarter this year is not scheduled for release by the U.S. Bureau of Economic Analysis until October 26.

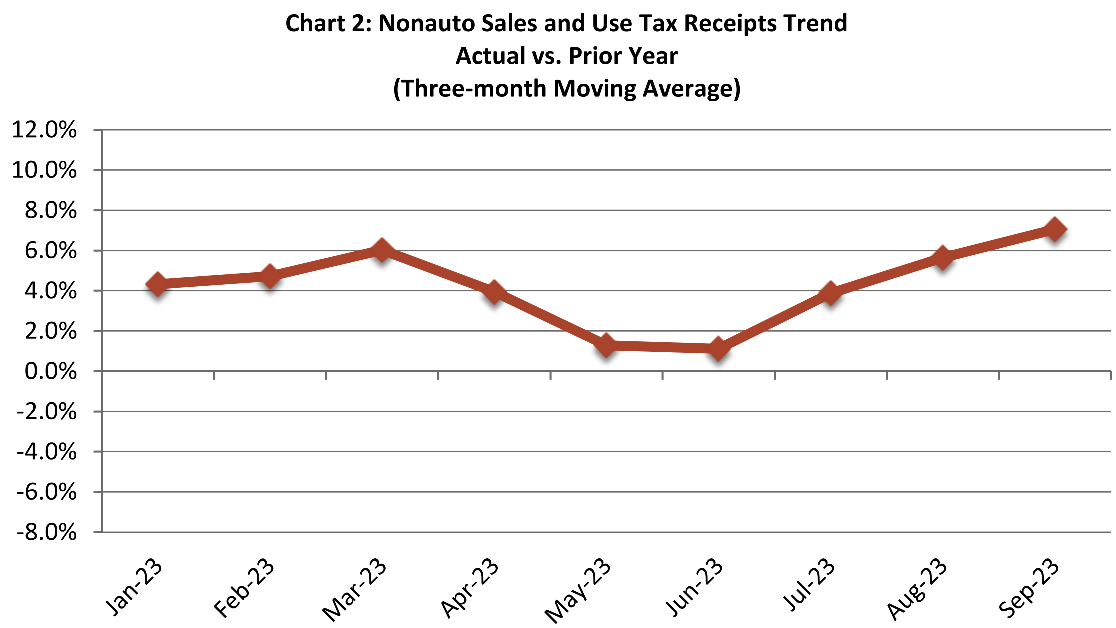
Nonauto Sales and Use Tax

September GRF receipts of $945.4 million were $34.2 million (3.8%) above the OBM estimate, and $68.0 million (7.7%) above revenue in September 2022. This monthly performance increased the positive variance of this component of the tax for the first quarter of the fiscal year to $102.5 million (3.6%). For the first three months of FY 2024, revenue grew $194.0 million (7.1%) compared to the first quarter of FY 2023.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections in 2023. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Growth rose to 6%, on average, in the first calendar quarter (shown as the data point for March in the chart), and then slowed to about 1.1%, on average, in the second (June in the chart). The growth slowdown tracks the national GDP data as described above, but growth appears to be accelerating again in the most recent three to four months.

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

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



Auto Sales and Use Tax

September receipts from the auto component of the sales and use tax amounted to $156.3 million, $11.9 million (7.0%) below estimate, and 12.1% below receipts in September 2022. Revenue from the tax was below estimate in both July and August as well, so for the YTD through September, revenue amounting to $490.9 million was below the estimate by $41.1 million (7.7%). YTD revenue decreased by $43.9 million (8.2%) from the first three months of FY 2023.

The table below provides information from the Ohio Bureau of Motor Vehicles (BMV) on vehicles titled during the first quarter of FY 2024 and growth compared to the prior year.

New and Used Passenger Vehicles and Trucks Titled			
FY 2024 1st Quarter	Titles	Spending ($ in millions)	Average Purchase Price
New vehicles	89,676	$4,339	$48,387
Used vehicles	379,520	$5,400	$14,229
Total	**469,196**	**$9,739**	**$20,757**
Growth from FY 2023			
New vehicles	3.5%	3.2%	-0.3%
Used vehicles	-3.3%	-9.7%	-6.7%
Total	**-2.0%**	**-4.4%**	**-2.4%**

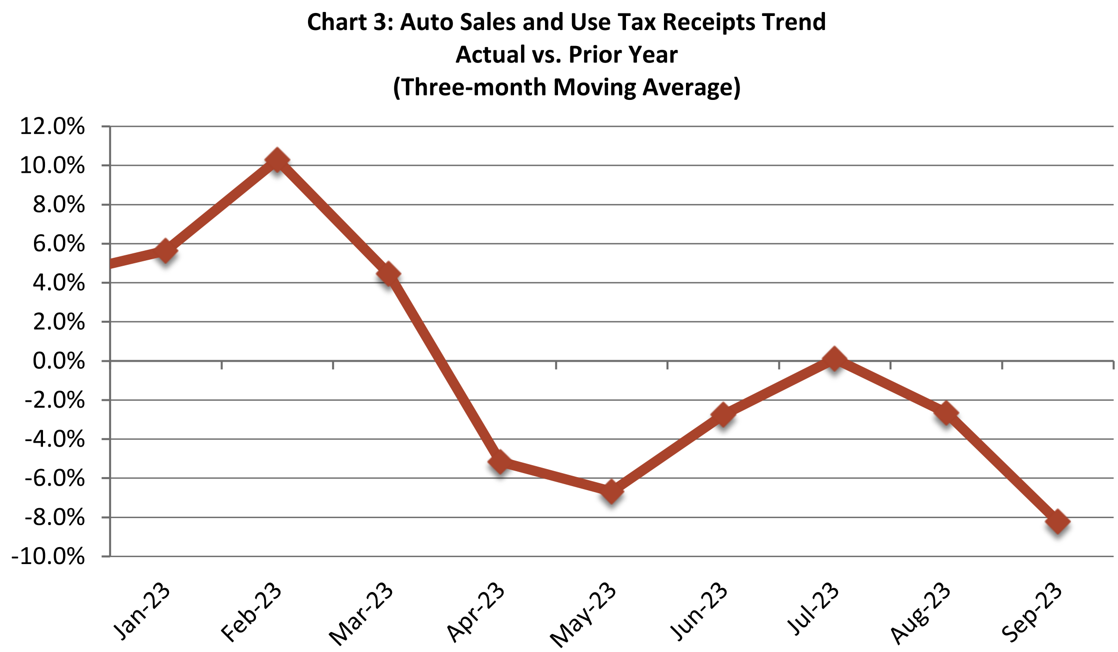
The number of new motor vehicles titled picked up in Ohio over the last year, according to these data, but the average purchase price declined slightly,[4] resulting in overall spending on new vehicles growing 3.2%. In contrast, for used cars both the number titled and the average price decreased, so spending on used vehicles decreased 9.7% over the last year. The decline in spending on used cars titled outweighed the gain for new cars, so that spending on all vehicles titled declined 4.4% over the year. National data on unit sales of light vehicles (i.e., automobiles and light trucks) show a similar year-over-year increase in the July through September quarter of around 17%. Supply chain problems that hampered unit sales in recent years seem to have largely been overcome.

Chart 3, below, shows year-over-year growth in auto sales and use tax collections in 2023. The pattern is similar to that for the nonauto sales tax but more volatile, in that growth at the outset of the calendar year peaks at over 10% for the three months ending in February, but then plunges, taking on negative growth for the three months ending in April, and continuing the year-over-year decline in every succeeding three-month period except May through July. Prior to the pandemic, auto sales traditionally slowed at the outset of a year until income tax refunds are received and buying activity picks up further momentum in the summer months. Sales usually surged at the end of a calendar year as dealers seek to move outgoing-year models with the arrival of new model-year vehicles. However, some of the longstanding seasonal purchasing patterns were altered during the COVID-19 pandemic and its immediate aftermath.

Contacts at auto dealers in Ohio and neighboring states[5] told officials at the Cleveland Federal Reserve Bank that recent sales declines are due to higher interest rates and some contacts mentioned the exhaustion of pent up demand (left over from the limited supply of recent years, due to supply chain disruptions, and a temporary demand boost from federal income support programs that have since expired).

[4] The average price is calculated from the total spending figure, the amount labeled “purchase price” in the BMV data.

[5] Some contacts may be in western Pennsylvania, the West Virginia panhandle, or part of Kentucky.



Personal Income Tax

September GRF revenue of $1.08 billion was $4.2 million (0.4%) below the estimate, having declined by $34.2 million (3.1%) from September 2022. Revenue received during the first quarter of FY 2024 amounted to $2.68 billion, $28.6 million (1.1%) below estimate. YTD revenue has been almost flat, declining $2.5 million (0.1%) compared to July through September last year.

Normally a useful way of analyzing income tax revenue is to examine the performance of different components of the tax revenue (but see below). Gross tax collections under the PIT include withholding payments, quarterly estimated payments,[6] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. To arrive at GRF revenue from the tax, refunds are subtracted from gross collections, and some of the revenue is transferred to the Local Government Fund (LGF). The primary driver of GRF revenue from the PIT is withholding payments; that component of revenue accounted for about 79% of FY 2023 gross collections from the tax. Larger or smaller than expected refunds (which reduce net collections) could also greatly affect the monthly performance of the tax.

Gross collections in September were $12.0 million above estimate, a more positive result than the $4.2 million negative GRF variance for the month. The swing from a positive variance for gross collections to a negative GRF variance was primarily due to paying $15.6 million more in refunds than expected. The $12.0 million variance in gross collections masks much larger variances for key components: withholding payments were $104.4 million less than expected, while payments with annual returns amounted to $104.5 million more than expected. But those largely offsetting amounts are due in part to administrative decisions related to implementing a new voluntary tax on pass-through entities (PTEs) that was enacted by S.B. 246 of the

[6] 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.

134th General Assembly. The Department of Taxation determines how payments are classified into these components based on the particular tax form with which the payment is remitted. PTEs that elected to pay the new tax initially submitted estimated payments with an already existing form (Form 1140ES) for which payments are classified under withholding. When a PTE files its first full-year filing for the new tax (Form 4738), estimated payments they previously remitted are subtracted from withholding and added to payments with annual returns. This accounts for some portion of the variances for those two components this year, and the amounts involved clearly offset each other, but LBO does not know the size of that portion. The deadline for filing extended tax returns is October 16; we may know more about payments with annual returns, withholding, and refunds after that date.

The table below provides details on first quarter revenue from each component of the PIT relative to (1) estimates for FY 2024 through September and (2) revenue received in FY 2023 through September 2022. FY 2024 YTD gross collections were $91.0 million (3.1%) above anticipated revenue. Receipts from withholding, though, were $121.3 million (4.7%) below expectations. The positive variance for gross collections was driven by payments with annual returns, which exceeded estimate by $156.9 million, and quarterly estimated payments ($59.8 million). As explained above for the month of September, the positive variance for gross collections was converted to a negative GRF variance due primarily to refunds, which exceeded estimate by $118.7 million (92.0%).

FY 2024 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Changes from FY 2023	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	-$121.3	-4.7%	-$24.9	-1.0%
Quarterly Estimated Payments	$59.8	22.5%	$31.8	10.8%
Trust Payments	$0.6	7.1%	-$7.8	-44.6%
Annual Return Payments	$156.9	281.6%	$143.4	207.5%
Miscellaneous Payments	-$5.0	-24.8%	-$6.6	-30.1%
Gross Collections	**$91.0**	**3.1%**	**$136.0**	**4.6%**
Less Refunds	$118.7	92.0%	$130.9	112.0%
Less LGF Distribution	$0.9	0.7%	$7.6	5.9%
GRF PIT Revenue	**-$28.6**	**-1.1%**	**-$2.5**	**-0.1%**

As noted above, GRF revenue so far in FY 2024 is almost flat compared with FY 2023 revenue, having declined by 0.1%. That was also due to refunds, which amounted to $130.9 million more than was paid out during the first quarter of FY 2023. Gross collections grew

$136.0 million, or 4.6%, from the months of July through September 2022 to the corresponding months of 2023. This was driven primarily by payments with annual returns, which grew $143.4 million (207.5%), which were partially offset by reduced withholding receipts, which declined $24.9 million (1.0%). Quarterly estimated payments grew $31.8 million. Growth in GRF revenue from the tax was restrained in part, too, by growth of $7.6 million in the amount allocated to the LGF. LGF payments grew due to the overall increase so far this year in GRF tax revenue, but also due to an increase in the share of that revenue allocated to the LGF, from 1.66% in FY 2023 to 1.7% this year, due to a provision of H.B. 33.

Growth in withholding receipts is not yet affected by reductions in PIT rates that were enacted in H.B. 33; the Tax Commissioner recently released new withholding tables that reflect those reductions, but the new withholding rates take effect for payrolls ending on or after November 1.

Commercial Activity Tax

September GRF receipts from the CAT amounted to $21.2 million, $2.2 million (9.5%) less than estimate. But healthy receipts in July and August resulted in revenue for the first fiscal quarter of $599.9 million, $50.3 million (9.2%) above estimate. Quarterly CAT taxpayers pay the tax in February, May, August, and November (based on their respective gross receipts from the preceding quarter), so September receipts are typically much smaller than revenue received in those months.[7]

YTD GRF revenue from the CAT grew by $104.2 million (21.0%) compared with the first three months of FY 2023. Increased economic activity is responsible for a relatively small portion of the year-over-year growth. H.B. 33 enacted a significant change in the allocation of CAT revenue. Under ongoing law, the first 0.65% of revenue is allocated to a fund used by the Department of Taxation to enforce state tax law. Under prior law, the GRF received 85% of the remaining revenue, with the other 15% split between two property tax replacement funds used to reimburse school districts and other local governments for the phase out of tangible personal property taxes. Those funds built up substantial cash balances over time, sufficient to make the required reimbursements for several years, so H.B. 33 redirected that 15% to the GRF. Starting in July 2023, 100% of CAT revenue (after the Department's share) is retained in the GRF.[8] YTD all funds CAT revenue (after refunds) amounted to $604.1 million, having grown 2.9% compared to the first three months of FY 2023.[9] The 2.9% growth is a better indicator of growth in businesses' gross receipts from the second calendar quarter of 2022 to the corresponding quarter of this year; such gross receipts might be considered a rough proxy for overall economic activity.

[7] During FY 2023, GRF revenue from the four months of receipts from quarterly taxpayers (listed above) accounted for 77% of the full-year GRF revenue from the tax. And the time lag in tax payments means, for example, that the $599.9 million in YTD tax receipts primarily reflects gross receipts that businesses received during the months of April, May, and June.

[8] So 17.6 percentage points of year-over-year growth in revenue during FY 2024 is due to this change (because .176 equals 15% divided by 85%).

[9] Part of the 2.9% growth was due to a $9.0 million decrease in refunds paid during the two comparison periods. The volume of refunds depends in part on the value of tax credits claimed.

Reports of revenue growth from FY 2023 will get even more complicated after January 1, 2024, due to another H.B. 33 provision. Starting then, that provision will reduce the CAT tax base by excluding the first $3 million of a company's gross receipts from tax. Though this provision does not affect year-over-year revenue growth yet, it will reduce such growth significantly in the second half of the fiscal year.

Cigarette and Other Tobacco Products Tax

September revenue from the cigarette and OTP tax totaling $68.3 million was below estimate by $3.0 million (4.3%). YTD revenue from the tax was $159.8 million, $11.8 million (6.9%) below estimate. The YTD total included $130.6 million derived from the sale of cigarettes and $29.2 million from the sale of OTP.

FY 2024 revenue through September fell by $19.9 million (11.1%) compared to FY 2023 revenue through September 2022. OTP sales decreased by $2.0 million (6.5%) while receipts from cigarette sales decreased $17.8 million (12.0%). The smaller percentage decrease in OTP revenue may be due in part to growth in OTP prices. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base grows with price increases.

On a yearly basis, revenue from sales of cigarettes usually trends downward, generally at a slow pace. The COVID-19 pandemic temporarily upended historical trends in the first half of FY 2021, as revenue from cigarette sales increased during that time. However, cigarette tax receipts appear to have reverted to prepandemic trend since FY 2022. The tax on cigarettes is based on unit sales rather than value.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of September 2023
($ in thousands)
(Actual based on OAKS reports run October 10, 2023)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$674,382	$693,201	-$18,819	-2.7%
Higher Education	$212,319	$221,260	-$8,940	-4.0%
Other Education	$8,778	$14,487	-$5,709	-39.4%
Total Education	**$895,479**	**$928,947**	**-$33,468**	**-3.6%**
Medicaid	$1,662,896	$1,716,176	-$53,280	-3.1%
Health and Human Services	$167,521	$179,698	-$12,177	-6.8%
Total Health and Human Services	**$1,830,417**	**$1,895,874**	**-$65,456**	**-3.5%**
Justice and Public Protection	$261,675	$295,841	-$34,166	-11.5%
General Government	$651,966	$656,956	-$4,991	-0.8%
Total Government Operations	**$913,641**	**$952,798**	**-$39,157**	**-4.1%**
Property Tax Reimbursements	$259,523	$321,251	-$61,728	-19.2%
Debt Service	$308,309	$308,872	-$563	-0.2%
Total Other Expenditures	**$567,831**	**$630,122**	**-$62,291**	**-9.9%**
Total Program Expenditures	**$4,207,369**	**$4,407,741**	**-$200,372**	**-4.5%**
Transfers Out	**$442,000**	**$0**	**$442,000**	**---**
Total GRF Uses	**$4,649,369**	**$4,407,741**	**$241,628**	**5.5%**

*September 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 September 30, 2023
($ in thousands)
(Actual based on OAKS reports run October 10, 2023)

Program Category	Actual	Estimate*	Variance	Percent	FY 2023**	Percent
Primary and Secondary Education	$2,377,061	$2,399,319	-$22,258	-0.9%	$2,246,567	5.8%
Higher Education	$593,126	$602,014	-$8,888	-1.5%	$608,177	-2.5%
Other Education	$38,475	$40,992	-$2,516	-6.1%	$35,638	8.0%
Total Education	**$3,008,662**	**$3,042,325**	**-$33,662**	**-1.1%**	**$2,890,382**	**4.1%**
Medicaid	$6,254,286	$6,424,983	-$170,697	-2.7%	$5,851,023	6.9%
Health and Human Services	$440,860	$460,586	-$19,726	-4.3%	$394,246	11.8%
Total Health and Human Services	**$6,695,147**	**$6,885,569**	**-$190,423**	**-2.8%**	**$6,245,268**	**7.2%**
Justice and Public Protection	$794,905	$868,928	-$74,023	-8.5%	$691,937	14.9%
General Government	$741,013	$763,661	-$22,647	-3.0%	$129,479	472.3%
Total Government Operations	**$1,535,918**	**$1,632,588**	**-$96,670**	**-5.9%**	**$821,416**	**87.0%**
Property Tax Reimbursements	$380,704	$550,093	-$169,389	-30.8%	$647,074	-41.2%
Debt Service	$644,954	$645,549	-$594	-0.1%	$821,611	-21.5%
Total Other Expenditures	**$1,025,658**	**$1,195,642**	**-$169,984**	**-14.2%**	**$1,468,685**	**-30.2%**
Total Program Expenditures	**$12,265,385**	**$12,756,124**	**-$490,739**	**-3.8%**	**$11,425,752**	**7.3%**
Transfers Out	**$6,259,218**	**$5,597,298**	**$661,920**	**11.8%**	**$674,153**	**828.5%**
Total GRF Uses	**$18,524,604**	**$18,353,422**	**$171,182**	**0.9%**	**$12,099,905**	**53.1%**

*September 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 October 10, 2023)

	Month of September 2023				Year to Date through September 2023			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,577,253	$1,623,787	-$46,533	-2.9%	$6,009,324	$6,168,948	-$159,624	-2.6%
Non-GRF	$910,962	$921,037	-$10,075	-1.1%	$1,698,388	$1,713,151	-$14,763	-0.9%
All Funds	$2,488,216	$2,544,823	-$56,608	-2.2%	$7,707,713	$7,882,099	-$174,387	-2.2%
Developmental Disabilities								
GRF	$75,327	$75,237	$90	0.1%	$215,490	$215,440	$50	0.0%
Non-GRF	$212,554	$272,199	-$59,644	-21.9%	$752,311	$828,337	-$76,026	-9.2%
All Funds	$287,882	$347,436	-$59,554	-17.1%	$967,801	$1,043,777	-$75,976	-7.3%
Job and Family Services								
GRF	$9,138	$15,859	-$6,721	-42.4%	$26,505	$37,443	-$10,938	-29.2%
Non-GRF	$15,539	$15,732	-$193	-1.2%	$37,572	$44,358	-$6,786	-15.3%
All Funds	$24,678	$31,591	-$6,914	-21.9%	$64,077	$81,801	-$17,724	-21.7%
Health, Mental Health and Addiction, Aging, Pharmacy Board, Education, and Board of Regents								
GRF	$1,177	$1,293	-$116	-9.0%	$2,967	$3,152	-$186	-5.9%
Non-GRF	$6,366	$6,823	-$457	-6.7%	$11,253	$21,568	-$10,316	-47.8%
All Funds	$7,543	$8,116	-$573	-7.1%	$14,219	$24,721	-$10,502	-42.5%
All Departments:								
GRF	**$1,662,896**	**$1,716,176**	**-$53,280**	**-3.1%**	**$6,254,286**	**$6,424,983**	**-$170,697**	**-2.7%**
Non-GRF	**$1,145,422**	**$1,215,791**	**-$70,369**	**-5.8%**	**$2,499,524**	**$2,607,415**	**-$107,891**	**-4.1%**
All Funds	**$2,808,317**	**$2,931,966**	**-$123,649**	**-4.2%**	**$8,753,810**	**$9,032,398**	**-$278,588**	**-3.1%**

*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 October 10, 2023)

	Month of September 2023				Year to Date through September 2023			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,892,172**	**$1,982,804**	**-$90,631**	**-4.6%**	**$5,869,150**	**$6,050,403**	**-$181,253**	**-3.0%**
CFC†	$488,428	$534,795	-$46,367	-8.7%	$1,500,418	$1,592,653	-$92,235	-5.8%
Group VIII	$453,728	$482,793	-$29,064	-6.0%	$1,422,750	$1,476,507	-$53,756	-3.6%
ABD†	$163,851	$169,718	-$5,867	-3.5%	$504,180	$515,711	-$11,531	-2.2%
ABD Kids	$54,155	$55,434	-$1,279	-2.3%	$166,029	$168,826	-$2,798	-1.7%
My Care	$260,262	$269,058	-$8,796	-3.3%	$735,609	$752,273	-$16,665	-2.2%
OhioRise	$30,896	$34,667	-$3,771	-10.9%	$93,044	$100,426	-$7,381	-7.3%
SPBM	$440,852	$436,339	$4,513	1.0%	$1,447,120	$1,444,007	$3,113	0.2%
Fee-For-Service	**$644,715**	**$675,490**	**-$30,776**	**-4.6%**	**$2,036,059**	**$2,091,908**	**-$55,849**	**-2.7%**
ODM Services	$365,520	$337,587	$27,933	8.3%	$1,089,742	$1,085,434	$4,308	0.4%
DDD Services	$279,195	$337,904	-$58,709	-17.4%	$946,317	$1,006,474	-$60,157	-6.0%
Premium Assistance	**$126,331**	**$129,561**	**-$3,230**	**-2.5%**	**$502,594**	**$511,170**	**-$8,576**	**-1.7%**
Medicare Buy-In	$74,914	$78,922	-$4,009	-5.1%	$302,126	$310,201	-$8,076	-2.6%
Medicare Part D	$51,417	$50,639	$778	1.5%	$200,468	$200,969	-$501	-0.2%
Administration	**$145,100**	**$144,111**	**$989**	**0.7%**	**$346,007**	**$378,917**	**-$32,910**	**-8.7%**
Total	**$2,808,317**	**$2,931,966**	**-$123,649**	**-4.2%**	**$8,753,810**	**$9,032,398**	**-$278,588**	**-3.1%**

*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[10]

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

Overview

For the YTD through September, FY 2024 GRF program expenditures totaled $12.27 billion. These expenditures were $490.7 million (3.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $6.26 billion and were $661.9 million (11.8%) over estimate for the YTD. Total GRF uses for these three months totaled $18.52 billion, which was $171.2 million (0.9%) above estimate. The three largest negative YTD variances were in Medicaid ($170.7 million, 2.7%), Property Tax Reimbursements ($169.4 million, 30.8%), and Justice and Public Protection ($74.0 million, 8.5%). The only positive YTD variance for GRF uses was in transfers out, the majority of which occurred in September. YTD spending in all program categories was below estimate. The larger variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. GRF Medicaid expenditures were below their monthly estimate in September by $53.3 million (3.1%) and below their YTD estimate by $170.7 million (2.7%) at the end of September. Non-GRF Medicaid expenditures were below their monthly estimate by $70.4 million (5.8%) and below their YTD estimate by $107.9 million (4.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $123.6 million (4.2%) below estimate in September and $278.6 million (3.1%) below their YTD estimate at the end of September.

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 September of $56.6 million (2.2%), and a YTD all funds negative variance of $174.4 million (2.2%) at the end of September. DODD had a September all funds negative variance of $59.6 million (17.1%) and ended the month with YTD expenditures $76.0 million (7.3%) below estimate. The DODD variance was the result of a coding correction being delayed from September to October. Next month's figures should reflect an offsetting variance. 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.

[10] 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.

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 September. In percentage terms, the Administration variance of $32.9 million (8.7%) was the largest. In terms of absolute dollars, the largest variance was in Managed Care, which was $181.3 million (3.0%) below the YTD estimate. The other categories with negative variances were Fee-for-Service (FFS) at $55.8 million (2.7%) and Premium Assistance at $8.6 million (1.7%).

Through the COVID-19 public health emergency (PHE) of 2020-2023, caseloads increased by approximately 21,400 cases per month, on average. This was the result of federal requirements for states to provide continuous coverage in exchange for receiving a higher reimbursement on Medicaid expenditures. With the conclusion of the PHE, states were once again able to evaluate the continuing eligibility of Medicaid enrollees in a process called redetermination. Between February and August of 2023, ODM has completed about 94% of the more than 1.5 million redeterminations due during this period. ODM will complete the PHE-related redeterminations this autumn and plans to release monthly data documenting progress in these efforts.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In September, this category had a negative variance of $61.7 million (19.2%). A larger negative variance in August resulted in a negative YTD variance in this category of $169.4 million (30.8%) at the end of September.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounts for 69.8% of the estimated expenditures for this category for FY 2024. Eleven other agencies make up the remaining 30.2% of estimated spending.

The negative YTD variance in this category was $74.0 million (8.5%), which was primarily due to DRC with a negative YTD variance of $41.3 million; the DRC variance grew by $21.8 million in September. The category as a whole was $34.2 million (11.5%) below estimate for the month of September, which included negative monthly variances for the Department of Public Safety ($6.7 million), the Attorney General ($3.3 million), and the Department of Youth Services ($2.5 million).

DRC's negative YTD variance was mainly due to negative variances of $24.0 million in ALI 501321, Institutional Operations, and $9.2 million in ALI 505321, Institution Medical Services. ALI 501321 is used primarily for the operating costs of Ohio's prisons, including facility maintenance, support services, security, and management. ALI 505321 is used to provide medical services to inmates of the state's prisons.

Transfers Out

Transfers out of the GRF were over the monthly estimate for September by $442.0 million, increasing the positive YTD variance in transfers out to $661.9 million (11.8%). As was also the case in July, the September variance in transfers out was due to transfers to support capital appropriations. H.B. 687 of the 134th General Assembly authorized a total of $1.5 billion in GRF transfers out to support capital projects during the FY 2023-FY 2024 capital biennium.[11] OBM's estimates planned for $850.0 million to be transferred for this purpose in FY 2024. All of the anticipated transfers were expected to occur in June, so this timing-related variance will not resolve until the end of the fiscal year.

The following GRF transfers out to support capital projects, totaling $662.3 million, have been made so far this fiscal year:

July

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

September

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

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

Issue Updates

Ohio Receives $679.6 Million in Additional Opioid Settlement Funds to be Distributed Under the OneOhio Plan

– Jessica Murphy, Senior Budget Analyst

On June 9, 2023, the Ohio Attorney General announced a new opioid settlement totaling $679.6 million to Ohio, to be distributed over 15 years. Ohio's share is part of a combined $17.3 billion settlement with two drug manufacturers and two pharmacies that will be shared with 21 other states. This settlement resolves allegations that manufactures, Teva and Allergan, and pharmacies, CVS and Walgreens, played a role in the current opioid epidemic. In addition to the financial agreement, each company agreed to modify their business practices. Teva agreed to end all opioid marketing and ensure systems are in place to prevent drug misuse. Allergan agreed to stop selling opioids for the next ten years. CVS and Walgreens both agreed to monitor, report, and share data about suspicious activity related to opioid prescriptions.

The table below shows the amount each party to the settlement will pay to Ohio and the number of years over which payments will be made.

Ohio's Total Allocation of $679.6 Million	
Party to the Settlement	**Amount**
Walgreens	$224.3 million (over 15 years)
CVS Health	$206.3 million (over 10 years)
Teva	$156.0 million (over 13 years)
Allergan	$93.0 million (over 7 years)

Prior opioid settlements that have been distributed to Ohio to date include: (1) $808 million from opioid distributors Cardinal Health, McKesson, and AmerisourceBergen, (2) $185 million from Johnson & Johnson and Janssen Pharmaceuticals, Inc., (3) $24.7 million from McKinsey & Co., and (4) a $114 million proposed settlement with Walmart. Moneys received under the settlements are distributed through the agreed upon OneOhio plan that was finalized in March 2020. The table below illustrates the distribution framework under that plan.

OneOhio Distribution Plan	
Share	**Recipient and Purpose**
55% – “Foundation Share”	OneOhio Recovery Foundation – to develop and oversee the funding of short-term and long-term planning to assist local communities in addressing the opioid epidemic.
30% – “Local Government Share”	Local governments (*based on their proportionate share of the impact of the opioid epidemic in Ohio, including the number of opioid-related deaths and the number of people who suffer opioid use disorder*) – to be used for community recovery efforts.
15% – “State Share”	Ohio Attorney General – to be used to leverage statewide buying power to offer prevention, treatment, and recovery support services.

U.S. Department of Treasury Awards Ohio $162.5 Million for Broadband Infrastructure and Community Facility Projects

– Jared Cape, Budget Analyst

On August 14, 2023, the U.S. Department of Treasury awarded the state $162.5 million for broadband infrastructure multi-purpose community facility projects in Ohio under the federal American Rescue Plan Act’s Capital Projects Fund (CPF). This award accounts for 61% of the state’s total allocation under the CPF program. Ohio was allocated nearly $268.6 million, of which 49% has not yet been awarded.

Of the awarded funding, $85.0 million will fund up to five multi-purpose community facilities through Ohio’s Appalachian Community Innovation Campuses Program (OACICP). OACICP is a competitive grant program that provides funding to eligible counties within the Appalachian region to construct multi-purpose facilities designed to increase access to education, community health services, and workforce development opportunities. Each campus funded under OACICP will provide public education to students across a minimum of six grade levels, health services in partnership with a healthcare provider, and a return-to-work site with internet access.

The remaining $77.5 million will fund broadband infrastructure, connecting an estimated 15,000 homes and businesses in rural Ohio. Specifically it will support the Ohio Residential Broadband Expansion Grant Program (ORBEG) administered by the Department of Development, a competitive broadband grant program designed to fund last-mile broadband infrastructure projects in rural areas currently lacking access to reliable, high-speed internet. Internet service providers using investments funded by CPF will be required to participate in the Federal Communications Commission’s (FCC’s) Affordable Connectivity Program (ACP), a $30 per month subsidy for low-income families.

The above federal funding is in addition to the nearly $793.7 million allocated to Ohio under the Broadband Equity, Access, and Deployment (BEAD) program. The BEAD program was funded under the federal Infrastructure Investment and Jobs Act. The state has until the end of December to submit an initial proposal for the BEAD funding.

Medicaid Has Completed Over 90% of Required Eligibility Redeterminations

– Nelson V. Lindgren, Economist

ODM has completed 92% of the beneficiary redeterminations that were initiated in June 2023 and due to be completed at the end of August 2023. Approximately 294,000 beneficiary redeterminations were to be completed during this period as part of ODM's year-long redetermination process following the end of federal COVID-19 continuous eligibility requirements. Of these 294,000 beneficiaries, 66% retained or renewed Medicaid coverage, 6% were determined ineligible for Medicaid coverage and were transferred to Marketplace health insurance, and 20% were terminated for procedural reasons, including failure to respond. The remaining 8% of beneficiaries (about 24,000 individuals) are still undergoing the redetermination process. ODM began conducting eligibility redeterminations on February 1, 2023. Between February and the end of August, ODM has completed about 94% of the more than 1.5 million redeterminations due during this period. ODM plans to release monthly data documenting progress in these efforts.

With the passage of the federal Families First Coronavirus Response Act in March 2020, states were required to meet specific requirements in exchange for receiving a 6.2 percentage point increase in the state's federal medical assistance percentage (FMAP) for certain Medicaid expenditures. One of the chief requirements was that states had to provide continuous coverage to Medicaid recipients during the public health emergency. As a result, Medicaid recipients could only be disenrolled from the program if the individual moved out of state or asked to be disenrolled. However, in December 2022, the federal Consolidated Appropriations Act (CAA) of 2023 was signed into law. This legislation eliminated the requirement that states provide continuous coverage and also phased down the enhanced FMAP.[12] States were required to develop "unwinding" plans that detailed how the state will resume normal eligibility and enrollment operations and have these plans approved by the U.S. Centers for Medicare and Medicaid (CMS). States have up to 12 months to initiate, and 14 months to complete their unwinding plans after the continuous coverage requirement ends. While the CAA ended the continuous eligibility requirement on March 31, 2023, states were able to begin this process earlier.

Ohio EPA Awards $6.4 Million in Recycling and Litter Prevention Grants for 2023

– Robert Meeker, Senior Budget Analyst

On July 31, 2023, the Ohio Environmental Protection Agency (Ohio EPA) announced the award of 98 competitive grants totaling $6.4 million for recycling and litter prevention projects

[12] Under the CAA, the enhanced FMAP for the last three quarters of calendar year 2023 was 5.0 percentage points from April through June. It is 2.5 percentage points from July through September and will be 1.5 percentage points from October through December.

across the state.[13] Ohio EPA's Recycling and Litter Prevention Program supports communities, businesses, and academic institutions that initiate or expand recycling programs, encourage sustainable practices, stimulate economic growth, and support litter prevention efforts. The 2023 grant awards range from as low as $575 to a high of $300,000, with the average being $65,000. Of the 98 awards, 15 were for $150,000 or more. More than half of the funding ($3.7 million) was awarded for community and litter prevention efforts.

The Recycling and Litter Prevention Grant Program is typically offered annually with the application period opening the first Monday in October and closing the first Friday in December. Communities, local governments, businesses, and nonprofit organizations may apply to four different grant programs. Those programs are summarized as follows, along with the eligibility classes:

- Community and Litter Grant – Up to $200,000 to purchase equipment for the collection and processing of recyclables and construction and demolition debris as well as implementing litter collection events, outreach, and education (local governments and nonprofits);
- Academic Institution Grant – Up to $100,000 to support recycling efforts as well as outreach and education, recycling equipment, and conference sponsorships, or up to $300,000 for construction projects using ground tire rubber (public and private K-12 schools, colleges, and universities);
- Market Development Grant – Up to $200,000 to create or expand recycling processing capacity and recycled material production, including equipment specifically needed to remanufacture recyclable materials into bulk raw material or finished product (businesses, with a government sponsor); and
- Scrap Tire Grant – Up to $300,000 to create or expand scrap tire processing capacity and product manufacturing (businesses, with a government sponsor) and projects that incorporate the use of ground tire rubber (local governments and nonprofits).

Controlling Board Releases $270,844 for the Design and Planning of the TTC Gun Range Enclosure Project at OPOTA

– Jessica Murphy, Senior Budget Analyst

On August 7, 2023, the Controlling Board approved the Attorney General's request to release $270,844 in capital funds to begin the design and planning phase for the enclosure of the 9,234 square-foot gun range at the Ohio Peace Officer Training Academy's (OPOTA) Tactical Training Center (TTC) in London (Madison County). This release includes funding to contract with Schorr Architects, Inc. for professional design services, owner's contingency fees, and project administration fees for the Ohio Facilities Construction Commission.

The project is scheduled for completion in April 2025, with the design planning phase expected to be completed by February 2024. Work will consist of roofing and structural renovations including complete enclosure, replacement of the existing target system and

[13] A complete list of awards, grouped by region, is available on Ohio EPA's website (epa.ohio.gov) under "News" and then navigating to the series of Recycling and Litter Prevention announcements dated July 31, 2023.

noise-absorbing acoustic panels, and mechanical, electrical, and plumbing services. Funding for the project is provided from the Administrative Building Fund (Fund 7026) which receives proceeds from the issuance of bonds. H.B. 687 of the 134th General Assembly, the capital bill for the FY 2023-FY 2024 biennium, appropriated $2,282,792 to line item C05535, TTC Outdoor Gun Range, for this purpose.

The current TTC gun range was constructed in 2003 and has never been renovated. Its roof is partially covered by a baffle-style enclosure, leaving it exposed to the weather. The enclosure project will allow firearms training to be conducted year-round as well as provide low light training that simulates real-world experiences at any time of the day. OPOTA conducts over 30 firearms courses a year, with average class sizes of approximately 20 students. Courses consist of a variety of handgun, shotgun, and rifle training.

Controlling Board Approves $34.0 Million for Abandoned Oil and Gas Well Plugging

– Tom Wert, Senior Budget Analyst

On September 18, 2023, the Controlling Board approved requests by the Ohio Department of Natural Resources (ODNR) to use a total of $34.0 million to enter construction manager at risk contracts to plug orphaned abandoned oil and gas wells across the state. Of this amount, $23.2 million will be used in FY 2024 to contract with Next LVL Energy LLC of Birmingham, Alabama, and CSR Services LLC of Townville, Pennsylvania, to properly plug identified orphaned wells. ODNR's Division of Oil and Gas Resources Management has identified nearly 19,700 orphaned and abandoned wells. Funding for these contracts is supported by the Oil and Gas-Federal Fund (Fund 3P20) via federal grant revenue received under the Infrastructure Investment and Jobs Act.

The remaining $10.8 million will be used over the FY 2024-FY 2025 biennium to contract with four vendors to identify orphaned and abandoned wells whose locations are unknown. The four vendors chosen include: (1) Verdantas LLC of Dublin, Ohio, (2) Civil and Environmental Consultants of Worthington, Ohio, (3) UAV Exploration, Inc. of Renfrew, Pennsylvania, and (4) Rettew Associates, Inc. of Lancaster, Pennsylvania. Each vendor will receive $2.0 million in FY 2024 and $700,000 in FY 2025 for their work locating abandoned and orphaned wells. Estimates for the number of unknown orphaned and abandoned wells in Ohio range from tens of thousands to a few hundred thousand. Funding for these contracts is supported by the Oil and Gas Well Fund (Fund 5180) which receives revenue from severance taxes on oil and natural gas.

Number of Adult High School Program Graduates Increased in FY 2023; Continues Gains from FY 2021 COVID-19 Related Low

– Jason Glover, Senior Budget Analyst

In FY 2023, 1,560 adults ages 20 and older received high school diplomas through either the 22+ Adult High School Diploma Program (22+ Program) or the Adult Diploma Program (ADP), an increase of 13.0% or 180 graduates compared to FY 2022. Looking at the programs individually, the number of graduates from the 22+ Program increased by 34 (3.2%) in FY 2023 while the number of ADP graduates increased by 146 (47.7%). As seen in the table below, the overall increase in FY 2023 continues a rebound in the total number of graduates from both programs from a four-year low total in FY 2021, which was due in part to the effects of the COVID-19 pandemic. From FY 2021 through FY 2023, the number of total graduates from both programs increased by 300 (23.8%). The 22+ Program helps adults earn a locally issued high school diploma from a school district, community school, or two-year college while ADP helps adults earn a state-issued diploma and an industry-recognized credential or certificate in an in-demand job. The General Assembly has lowered the minimum age to participate in ADP in recent years. Prior to FY 2022, it was 22. In FY 2022 and FY 2023, it decreased to 20. Beginning in FY 2024, H.B. 33 further lowers the minimum age to 18.

State subsidy for these programs increased in FY 2023, by about $151,000 (12.9%) to ADP providers and by about $2.5 million (46.6%) to providers for the 22+ Program. Changes in subsidy payments are affected by the timing of payments to providers. For example, approximately $4.7 million (61.0%) of the $7.7 million in 22+ Program payments during FY 2023 came from FY 2022 funds. ODE makes subsidy payments when providers submit invoices to the Department. 22+ Program providers receive up to $5,000 annually for each individual enrolled in the program depending on the extent of the individual's successful completion of high school graduation requirements. ADP payments to participating institutions are calculated according to a formula providing certain tiers of funding based on the number of hours of technical training required in a student's career pathway training program and the student's grade level upon initial enrollment into the program.

The GRF supports both programs in appropriation line item (ALI) 200572, Adult Education Programs. The table below summarizes the numbers of graduates and state subsidies for the two programs.

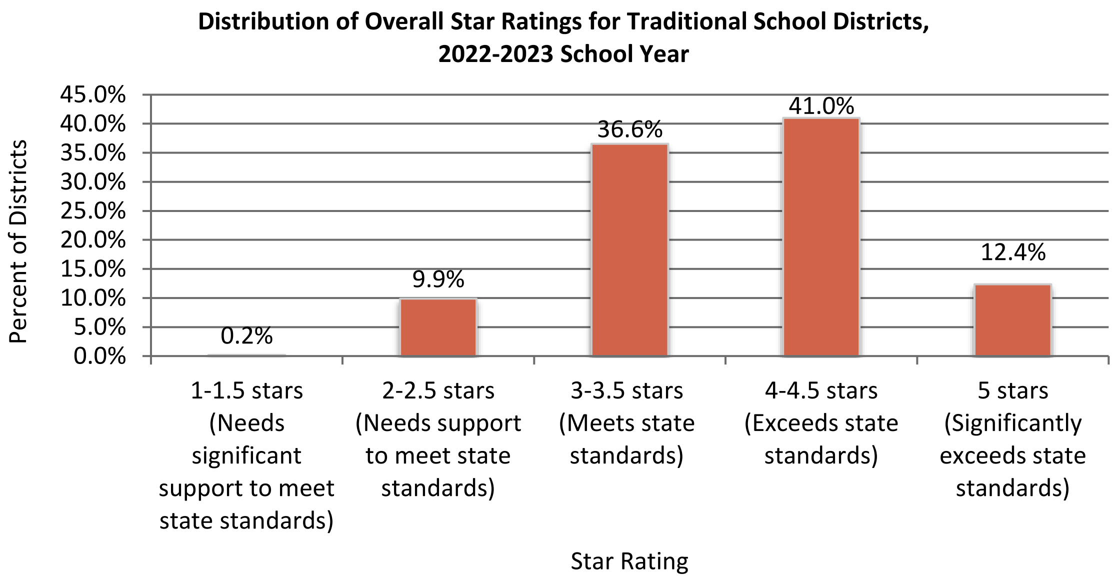
22+ High School Diploma Program and Adult Diploma Program Graduates and State Subsidy FY 2020 to FY 2023

Measure	Program	FY 2020	FY 2021	FY 2022	FY 2023
Graduates	22+ High School Diploma	1,068	905	1,074	1,108
	Adult Diploma	446	355	306	452
	Total	**1,514**	**1,260**	**1,380**	**1,560**
State Subsidy for Providers	22+ High School Diploma	$5,103,419	$6,251,192	$5,286,735	$7,749,665
	Adult Diploma	$2,016,200	$1,496,715	$1,167,435	$1,318,440
	Total	**$7,119,619**	**$7,747,907**	**$6,454,170**	**$9,068,105**

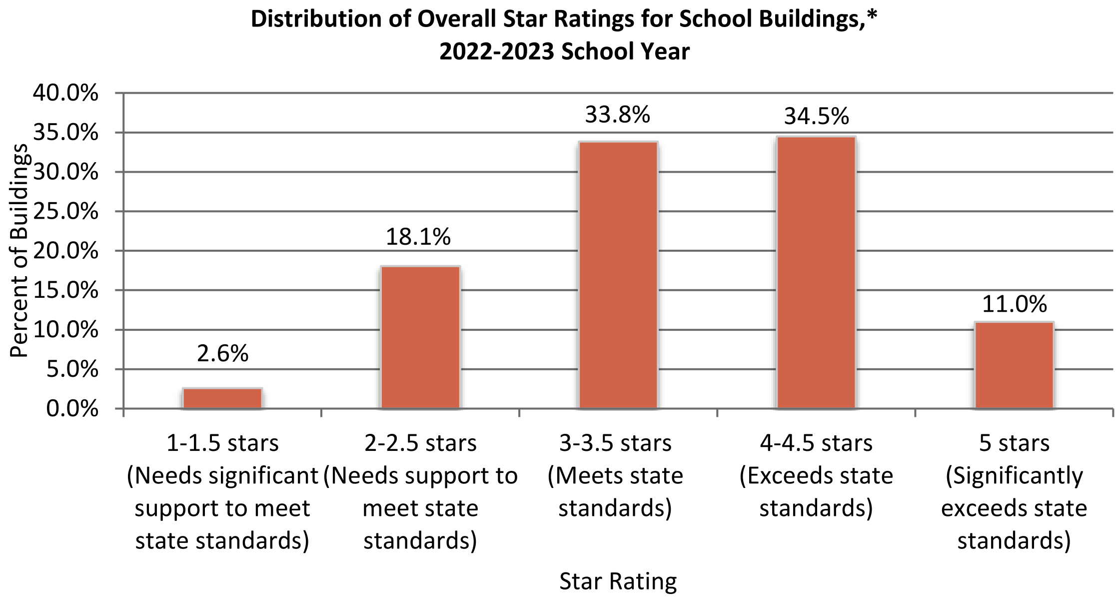
Ninety Percent of School Districts Met or Exceeded State Standards on 2022-2023 School Year Report Cards

– Brian Hoffmeister, Fiscal Supervisor

On September 14, the Ohio Department of Education (ODE) released report cards for the 2022-2023 school year. This year marks the first in which districts and schools received an overall rating under the state's one-to-five-star rating system, first used for the 2021-2022 report cards. Overall, 546 traditional school districts, representing 90% of districts and 79% of district enrollment statewide, received a rating of three stars or higher, indicating that they met or exceeded state standards. Seventy-five districts (12%) received five stars, the highest possible rating, while one district received a rating of 1.5 stars, indicating a need for significant support to meet state standards. The chart below shows the distribution of report card ratings among the 607 districts receiving ratings.



At the building level, 79% of traditional district, general education community school, and STEM school buildings met or exceeded state standards. A total of 362 (11%) buildings significantly exceeded standards, earning the highest possible rating of five stars. Meanwhile, 681 (21%) buildings indicated a need for some degree of additional support, earning 2.5 stars or below. The chart below shows the distribution of school building ratings.



* Includes buildings in traditional districts, general education community schools, and STEM schools. Does not include dropout prevention and recovery (DOPR) schools.

A district's or building's overall rating is intended to reflect its performance as a whole by accounting for the combined, weighted individual ratings of the various report card components of achievement, progress, graduation rate, gap closing, and early literacy. In general, the achievement and progress components are each weighted at about 28.6% while the graduation rate, gap closing, and early literacy components are each weighted at about 14.3%. According to ODE, if a district or school does not receive a rating for one or more components, the remaining components contribute proportionally to the overall rating (the various combinations are described in administrative rule). As with the overall ratings, a rating of three or more stars on any single component indicates a district or school is meeting or exceeding state standards while a rating of less than three stars indicates a district or school needs additional support to meet them.

Ohio Receives $4.8 Million to Expand the Nursing Workforce

– Suveksha Bhujel, Economist

On August 10, 2023, nine universities and a medical center in Ohio received grants totaling $4.8 million from the federal U.S. Department of Health and Human Services (HHS) to expand the nursing workforce. The grants were distributed through the following four grant programs: (1) the Nurse Education, Practice, Quality and Retention-Pathway to Registered Nurse Program (NEPQR-PRNP), which trains licensed practical nurses and vocational nurses to become registered nurses through bridge programs, (2) the Advanced Nursing Education-Nurse Practitioner Residency and Fellowship (ANE-NPRF) Program, which prepares new advanced practice registered nurses to provide primary care via comprehensive residency and fellowship training programs, (3) the Nurse Faculty Loan Program, which aims to expand the nursing faculty by providing low-interest loans for individuals studying to be nurse faculty and loan cancellation for those who work as faculty, and (4) the Nurse Anesthetist Traineeship (NAT) Program, which increases the supply of certified registered nurse anesthetists. Each grant recipient's total award is listed below by grant program. In total, HHS granted approximately $100 million to recipients in all states to train more nurses and to grow the nursing workforce.

Grant Program	University or Medical Center	Amount
NEPQR-PRNP	Fisher-Titus Medical Center	$1,000,000
NEPQR-PRNP	Kent State University	$984,304
NEPQR-PRNP	The Ohio State University	$999,981
ANE-NPRF	Kent State University	$521,502
Nurse Faculty Loan Program	Ashland University	$122,420
Nurse Faculty Loan Program	Mount St. Joseph University	$197,698
Nurse Faculty Loan Program	The Ohio State University	$523,365
Nurse Faculty Loan Program	University of Cincinnati	$245,144
Nurse Faculty Loan Program	Xavier University	$112,309
NAT Program	Case Western Reserve University	$36,572
NAT Program	Lourdes University	$16,624
NAT Program	University of Cincinnati	$18,286
NAT Program	Youngstown State University	$49,040
	Total	$4,827,245

Tracking the Economy

– Lin Kong, LSC Fellow

Overview

The U.S. economy grew in the first half of 2023, employment continued to grow through September, and inflation broadly continued to moderate. Industrial output rose 0.4% in August, and manufacturing output increased 0.1% for the month. U.S. payroll employment grew by 336,000 in September while unemployment remained unchanged at 3.8%. Ohio personal income grew at a 4.7% annualized rate in this year's second quarter to 5.0% above a year earlier.

Inflation, as measured by the all-item consumer price index (CPI) was 3.7% over the year ending in August. Though that was up from 3.2% for the year ending in July, it was substantially lower than the peak of 8.9% for the year ending in June 2022. The rise in inflation for the month is largely attributed to a marked rise in the price of gasoline, although food prices did increase slightly.

The Federal Open Market Committee (FOMC) of the Federal Reserve, the nation's central bank, met on September 19-20. The FOMC opted to maintain its federal funds rate[14] target at 5.4%. The next FOMC meeting will be held on October 31-November 1. In its post-meeting announcement in September, the FOMC affirmed its commitment to returning inflation to its 2% objective. In accordance with this effort, the FOMC will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.

Ohio's unemployment rate in August rose to 3.4%, following its lowest level in July based on the U.S. Bureau of Labor Statistics' recorded data since 1976. Ohio's total nonfarm payroll employment rose by 3,500 in August, growth of 0.1% for the month and of 1.6% from the preceding August. Employment growth for the year was driven by educational and health services (35,400) and leisure and hospitality (34,200), as well growth in other sectors, but was partially offset by job losses in professional and business services (11,200) and retail trade (7,900). Statewide housing prices have increased 6.6% from August of last year, as the number of existing homes sold continues to decrease.

The National Economy

In September, the U.S. economy added 336,000 jobs and the national unemployment rate remained unchanged at 3.8%. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5. Growth of U.S. nonfarm payroll employment for the prior 12 months averaged 267,000 per month. The BLS revised upward their nonfarm employment estimates in July and August by a total of 119,000; these revised figures were included in the YTD average cited above. For the month, there were job gains in leisure and hospitality; government; health care; professional, scientific, and technical services; and social assistance. Over the past month, employment increases were widespread among goods-producing and service-providing industries, and government, but there were declines in

[14] The federal funds rate is a short-term (generally overnight) interest rate at which banks lend reserves to each other. Though it is a market-determined rate, the Federal Reserve has substantial influence over it by way of its ability to increase or decrease available bank reserves.

employment in professional and business services (primarily among temporary help services), information, and nondurable goods manufacturing.

The number of people counted as unemployed nationally was 6.4 million in September, essentially unchanged from the same number in August. Of these, 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 4.1 million in September, which is 156,000 fewer than in August. The labor force participation rate, the share of the population that is either employed or actively seeking work, also remained constant at 62.8%. The labor force participation rate has been gradually rising since the beginning of the COVID-19 pandemic, before which it was 63.3%.

Job openings increased to 9.6 million in August, from 8.9 million in July. Although job openings ticked up for the month, the number is still a decrease from August of last year, in which there were 10.2 million job openings. Increases in job openings were primarily reported in professional and business services, finance and insurance, and state and local government education. Decreased job openings were reported in trade, transportation, and utilities; leisure and hospitality; and information. For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were described by BLS as changing little compared to the previous month. The number of people choosing to quit remained relatively low, a rate of 2.3%, a trend that has persisted throughout the summer. Employees are more likely to quit jobs if they are confident they can find other or better positions.

U.S. real GDP grew at a 2.1% annual rate in the second quarter of 2023 according to the third estimate published by the U.S. Bureau of Economic Analysis (BEA). The third estimate made no revision to BEA's second estimate. Growth in the second quarter was driven by nonresidential fixed investment in structures, consumer spending, and government spending at both the federal level and the state and local level. Growth was restrained by a decrease in exports.

Industrial output nationwide increased 0.4% in August, following an increase of 0.7% in July. Total industrial output in August was 0.2% higher than a year earlier. Manufacturing output rose slightly at 0.1% for the month. Mining production also increased 1.4% and utility output rose 0.9%.

The CPI increased 0.6% in August, seasonally adjusted, following a 0.2% increase in July. Compared to a year ago, the CPI increased 3.7% before seasonal adjustment. The increase in August was in large part due to increases in the index for gasoline, which accounted for over half of the monthly CPI increase. The food index rose 0.2% and the energy index increased 5.6% in August. The CPI core index (all items excluding food and energy) increased 0.3% in August, after increasing 0.2% in the previous month. Compared to August 2022, the core index was up 4.3%. Meanwhile, the food index was up 4.3%, and the energy index declined 3.6%. 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 of 2022 and has trended downward since.

The producer price index for final demand (PPI) increased 0.7% in August, seasonally adjusted, after a 0.4% increase in July. This marks the largest monthly increase in PPI since a 0.9% increase in June 2022. Since August of last year, the index for final demand rose 1.6% before seasonal adjustment. The increase in August was driven by a 2.0% increase in prices for final demand goods, accounting for 80% of the rise. The August rise is mostly attributable to prices for final demand energy, which surged 10.5%. Elsewhere, the index for final demand services rose slightly by 0.2% for the month, following a 0.5% increase in July. The index for final demand less food, energy, and trade services increased 0.3% from July to August, and by 3.0% over the last year.

Personal income, not adjusted for inflation, increased 0.4% in August largely driven by increases in compensation and rental income which was partially offset by a decrease in personal current transfer receipts.[15] A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index rose 0.4% in August and was 3.5% higher than a year earlier. Excluding food and energy, the PCE price index increased 0.1% in August and was up 3.9% over the year. Real personal consumption expenditures increased by 0.1% for the month.

Over 1.3 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the month of September. Unit sales for this month was 0.7% higher than the number of units sold in August. Year-to-date vehicle sales totaled 11.6 million, which is 14.1% higher than the quantity sold during the same months in calendar year 2022.

Housing starts in the U.S. fell 11.3% in August, seasonally adjusted, a decrease of 14.8% compared to August 2022. Building permits for new housing units in the U.S. rose 6.9% from July to August, but declined by 2.7% from the preceding year. Midwest housing starts declined, but to a lesser degree than the decrease nationally, falling 7.5% for the month. However building permits in the Midwest rose more sharply than nationwide, by 14.3% from July to August. New home sales fell 8.7% nationally in August, seasonally adjusted, but increased 5.8% from a year earlier. In the Midwest, the number of new houses sold declined even more, by 17.2% for the month. Long-term borrowing costs for home loans have increased sharply over the last two years, but the median price for new homes sold has fallen in the last year, helping to support new home sales.

The Ohio Economy

In August, Ohio's total nonfarm payroll employment increased slightly while the unemployment rate increased to 3.4%, up from 3.3% in July. Ohio's unemployment rate was 4.1% in August of last year. The number of unemployed Ohio workers was 195,700 in August, 1,900 more than in July, and 36,800 less than in August of last year. The state's unemployment rate in July was lower than the U.S. unemployment rate, a trend that started in May; the U.S. unemployment rate was 3.8% in both August and September.

Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 3,500 or 0.1% in August from the revised total in July, the tenth consecutive month of increasing employment. In August, employment in private service-producing industries increased by 4,600, but employment in goods-producing industries and government decreased by 800 and 300, respectively. Job gains were particularly large in leisure and hospitality (2,600) along with health care and social assistance (2,400). Job gains in those sectors and lesser gains in others were partially offset by losses in educational services (2,700); trade, transportation, and utilities (1,800); and manufacturing (1,100).

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[15] "Current transfer receipts" are payments from government (e.g., Social Security payments to individuals or Medicare and Medicaid payments to medical service providers) or businesses.

Compared to August of last year, the state's nonfarm payroll employment increased 87,400, or 1.6%. Employment in private service-producing industries, goods-producing industries, and government employment increased by 60,900, 15,800, and 10,700, respectively. Year-over-year employment gains were experienced in most industries, largely in educational and health services (35,400), leisure and hospitality (34,200), other services (14,300), and durable goods manufacturing (8,400). Job losses occurred in professional and business services (11,200), retail trade (7,900), information (2,400), and financial activities (2,300).

The number of existing homes sold in Ohio decreased by 17.2% compared to August of last year, according to the Ohio Realtors. The statewide average home sale price in August reached $285,305, a 6.6% increase from the same month a year ago.

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)

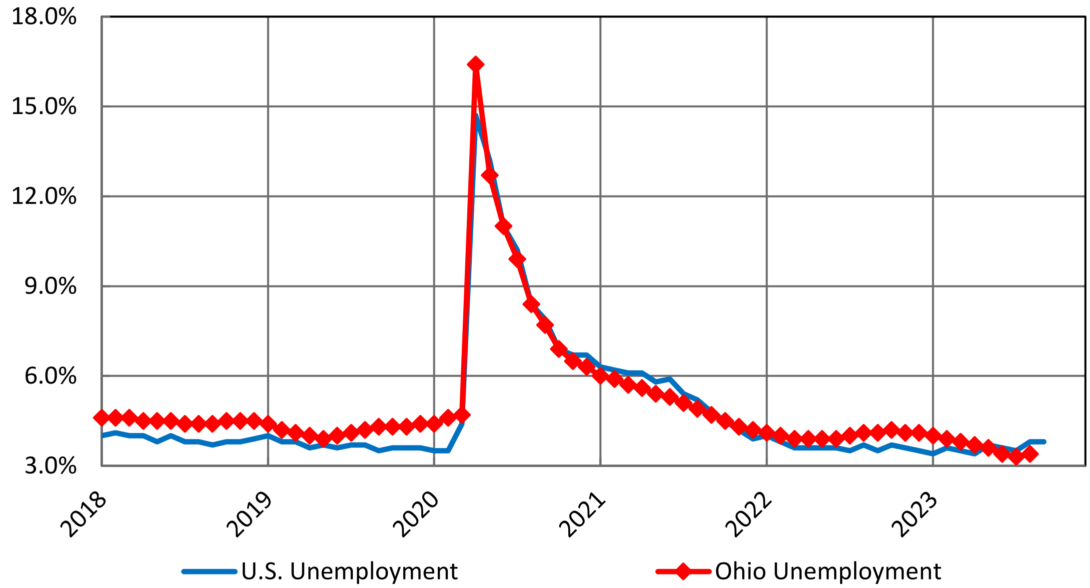

Chart 6: Consumer Prices