

January 10, 2022

MEMORANDUM TO: The Honorable Mike DeWine, Governor
The Honorable Jon Husted, Lt. Governor

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report



Report Overview:



GRF non-auto sales and use tax collections in December totaled \$1.0 billion and were \$80.7 million (8.5%) above the estimate. For the fiscal year-to-date, revenues are \$184.6 million (3.5%) above estimate. The December outcome constitutes an all-time high for this revenue source, exceeding the previous record set in April 2021.



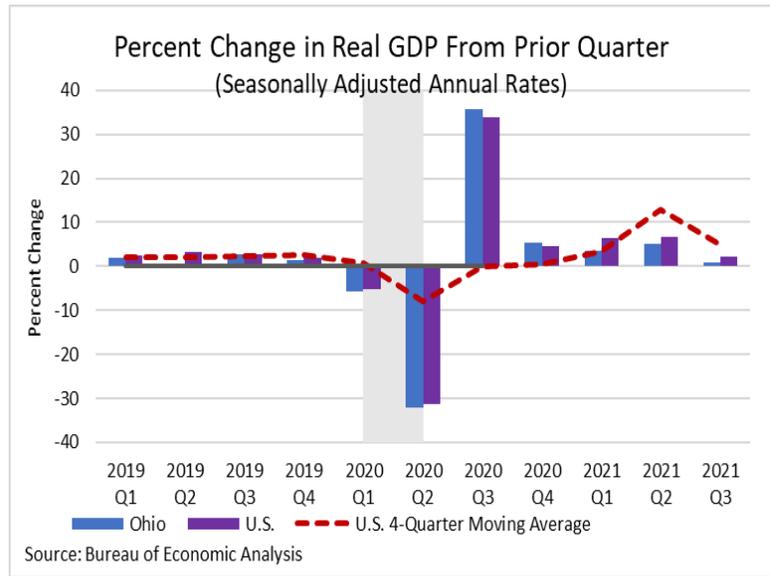
December GRF personal income tax receipts totaled \$994.5 million and were \$130.7 million (15.1%) above the estimate. For the year-to-date, personal income tax revenue is \$296.4 million (6.4%) above estimate.



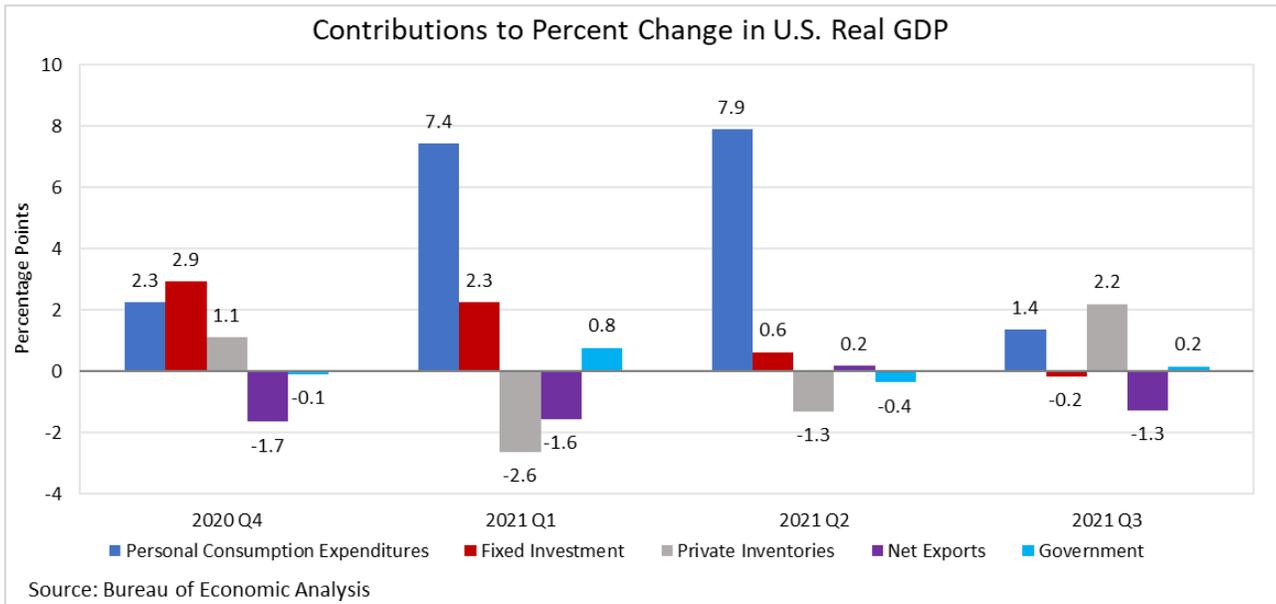
December auto sales tax revenues were \$140.1 million and were \$10.1 million (7.8%) above the estimate. For the year-to-date, this source is \$27.6 million (3.0%) above the estimate.

ECONOMIC ACTIVITY

According to the Bureau of Economic Analysis (BEA)'s 'third' estimate, **Real Gross Domestic Product (GDP)** expanded in the third quarter of calendar year 2021 at an annualized rate of 2.3 percent, an increase of 0.2 percentage points from the 'second' estimate last month. The third quarter GDP growth rate moderated when compared to the second quarter of the calendar year. This deceleration largely reflected a slowdown in personal consumption led by less spending on motor vehicles and parts, and in the food service and accommodations industry between quarters two and three.



The third quarter increase in real GDP resulted from growth in private inventory investment (2.2 percentage points), personal consumption expenditures (1.4 percentage points), state and local government spending (0.5 percentage points) and nonresidential fixed investment (0.2 percentage points). These increases were partially offset by decreases in net exports (-1.3 percentage points), residential fixed investment (-0.4 percentage points) and federal government spending (-0.4 percentage points).



Ohio's real GDP rose 0.9 percent during the third quarter of calendar year 2021, which was 1.4 percentage points below the national average. The change in GDP in Ohio largely reflected positive contributions in finance and insurance (0.8 percentage points), professional, scientific, and technical services (0.6 percentage points), government and government enterprises (0.5 percentage points), and transportation and warehousing (0.5 percentage points). These increases were partially offset by decreases in retail trade (-1.0 percentage points), manufacturing (-0.7 percentage points), and wholesale trade (-0.6 percentage points).

Moody's Analytics and CNN created the **Back-to-Normal Index** to track the economic recovery. The national index includes 37 indicators of economic activity, combining the 25 traditional economic indicators used in Moody's High Frequency GDP model, with 12 real-time indicators. Each state index is composed of a weighted average of the national index and six state-level indicators. Both indices range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of January 5, 2022, the national index was at 84.6 percent. Ohio's index was 0.2 percentage points ahead of that at 84.8. It is important to note that the index typically declines during holiday weeks and that Ohio's average index score in December was 94.6. This was just 0.9 percentage points below its average in November. Ohio remained 2.2 percentage points above the national average in December.

The Conference Board's composite **Leading Economic Index (LEI)** is designed to reveal patterns in economic data by smoothing the volatility of its 10 individual components. In November, the LEI increased by 1.1 percent to 119.9; this is the ninth consecutive month of increases in the LEI. Eight of the 10 components of the index improved, with average weekly initial claims for unemployment insurance leading the way. Strength among the leading indicators remains widespread, the LEI increased 4.7 percent in the six-month period ending in November. The Conference Board continues to forecast economic expansion into 2022 despite the downside risks of inflation, continuing supply chain disruptions, and the resurgence of COVID-19.

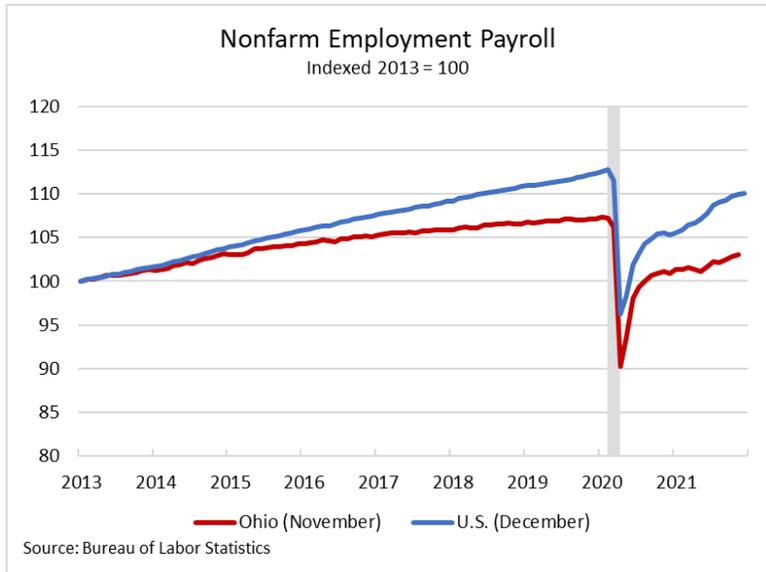
Economists are now suggesting fourth quarter GDP likely performed better than originally expected. Consumer demand remained strong through the holiday season and concerns of empty shelves in stores were mostly avoided. The consensus among forecasters is for moderate economic growth to continue throughout 2022, despite concerns about the current wave of COVID-19 cases. Specifically, the increased transmissibility of the omicron variant threatens to reignite supply chain difficulties across the globe. Continued high inflation rates, a reduction of federal stimulus and the anticipation of interest rate hikes may also hamper more robust GDP growth.

Source	Date	4th Quarter 2021 Annualized GDP Forecast
Federal Reserve Bank of Atlanta (GDPNow)	01/04/22	7.4%
IHS Markit GDP Tracker	01/03/22	6.7%
Moody's Analytics High Frequency GDP Model	12/30/21	7.6%
Wells Fargo	12/09/21	8.0%
Conference Board	12/15/21	6.5%

Employment

The U.S. Bureau of Labor Statistics reported that **total nonfarm payroll employment** increased 199,000 jobs in December. Employment was up 18.8 million from April 2020 but remained below the nation's February 2020's pre-pandemic levels by 3.6 million jobs (2.3%). Notable gains were made in leisure and hospitality, professional and business services, manufacturing, construction and in transportation and warehousing.

In December, **leisure and hospitality** jobs rose by 53,000. Within this industry, notable job gains were in food services and drinking places (43,000). Throughout 2021 this sector added 2.6 million jobs but employment in this industry remained 1.2 million (7.2%) jobs lower than February 2020.



Professional and business services employment increased 43,000 in December and was below February 2020 levels by 35,000 (0.2%). Employment gains were led by computer systems design and related services (10,000), architectural and engineering services (9,000), and in scientific research and development services (6,000).

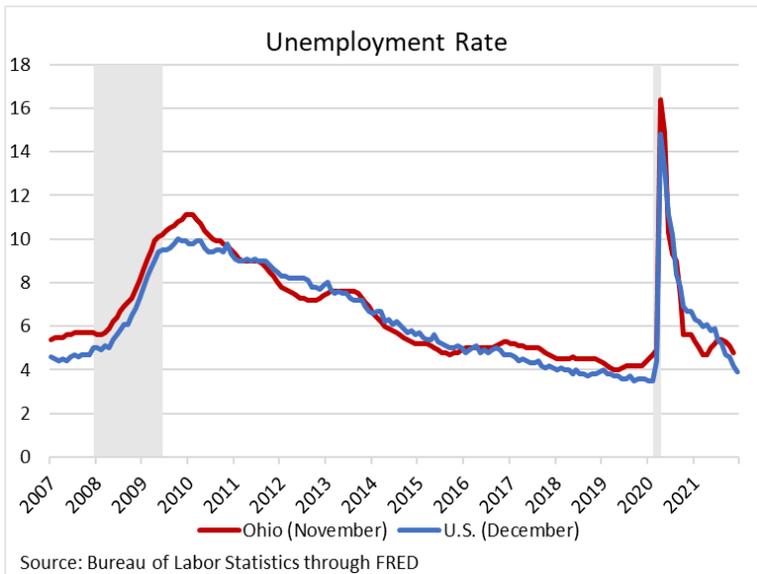
Employment in **manufacturing** rose by 26,000 jobs in December, primarily due to a rise in durable goods industries. Within this industry there were notable job gains in machinery (8,000), which reflected the return of workers from a strike. Despite the gains, manufacturing employment remained down by 219,000 jobs since February 2020.

Construction employment increased by 22,000 in December, this followed monthly gains averaging 38,000 over the prior three months. Job gains occurred in nonresidential specialty trade contractors (13,000) and in heavy and civil engineering construction (10,000). Employment gains within this sector were 88,000 below the February 2020 level.

In December, **transportation and warehousing** employment increased by 19,000. Jobs gains occurred in support activities for transportation (7,000), air transportation (6,000), and in warehousing and storage (5,000). Since February 2020 there were an additional 218,000 jobs, which reflected job growth of couriers and messengers, and in warehousing and storage.

The **national labor force participation rate** remained unchanged at 61.9 percent in December. The participation rate was 1.5 percentage points lower than in February 2020. The **employment-population ratio** increased by 0.2 percentage points in December to 59.5 percent. However, the ratio remained 2.1 percentage points below February 2020 levels.

Ohio's nonfarm payroll employment increased by 12,200 jobs to 5.4 million between October and November. Sectors with notable gains included: leisure and hospitality (8,000), construction (2,800), professional and business services (2,200) and trade, transportation, and public utilities (1,400). These gains were partially offset by losses in education and health services (-3,200) and financial activities (-1,100). **Ohio's seasonally adjusted labor force participation rate** in November was 61.3 percent, an increase of 0.1 percentage points from October 2021, bringing the rate to within 2.4 percentage points of the February 2020 pre-pandemic level.



The Bureau of Labor Statistics reported the national **unemployment rate** decreased 0.3 percentage points to 3.9 percent between November and December. The number of **unemployed individuals** decreased by 483,000 to 6.3 million. Throughout 2021 both these measures declined; 2.8 percentage points and 4.5 million individuals, respectively. Despite both measures being substantially lower than their April 2020 highs, they remained above February 2020 levels by 0.4 percentage points and 1.2 million individuals, respectively.

When examined by race, the unemployment rate for almost all the demographic groups decreased in December. The unemployment rate for those who identify as White decreased the most, 0.5 percentage points to 3.2 percent. Those who identify as Hispanic, or Latino decreased by 0.3 percentage points to 4.9 percent. The rate for individuals who identify as Asian decreased by 0.1 percentage points to 3.8 percent. Conversely, the rate for those who identify as Black increased 0.6 percentage points to 7.1 percent. In December, the unemployment rate for both men and women decreased 0.3 percentage points to 3.6 percent for both genders. The unemployment rate for teenagers remained unchanged at 10.9 percent.

The number of **job leavers**, defined as unemployed persons who quit or voluntarily left their previous job and began looking for new employment, decreased 113,000 to 724,000 in December. The number of unemployed people who were on **temporary layoff** decreased 63,000 to 812,000 in December. The number of people with **permanent job losses** fell 202,000 to 1.7 million but remained 408,000 higher than in February 2020. The number of unemployed **re-entrants**, those who have previously worked but were not in the labor force prior to beginning their job search, decreased by 116,000 to 2.0 million.

The number of unemployed individuals who were **jobless less than 5 weeks** decreased by 8,000 to 2.0 million. Individuals who were **jobless 5 to 14 weeks** decreased 132,000 to 1.6 million. Those **jobless 15 to 26 weeks** decreased 90,000 to 780,000. In December, individuals who were long-term unemployed, jobless 27 weeks or more, decreased 185,000 to 2.0 million. This measure remained 887,000 higher than in February 2020.

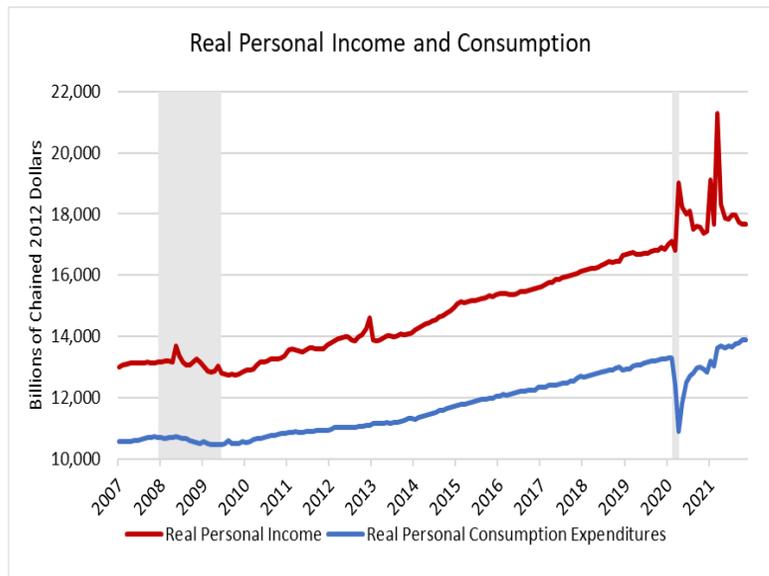
The number of **people not in the labor force who currently want a job** marginally decreased by 106,000 to 5.7 million people and was up by 717,000 since February 2020. These are individuals who want a job but are not counted as unemployed because they were not actively looking for work over the last four weeks or were unavailable to take a job for a variety of reasons including caring for children or other family members.

The **State-Level Coincident Index** produced by the Federal Reserve Bank of Philadelphia is a composite of four labor market indicators: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. The Ohio index increased 0.8 percent to 124.6 from October to November with a 1.7 percent increase over the past three months. Compared to November 2020, the Ohio index increased by 3.4 percent and is 0.7 percent above November 2019. For comparison, the U.S. coincident index increased 0.4 percent between October and November to 131.4 and has increased 1.4 percent over the past three months. From October to November indices improved in all 50 states. The November diffusion index for the U.S. was 100.0 and the three-month diffusion index was 96.0.

The **Ohio unemployment rate** decreased 0.3 percentage points to 4.8 percent in November 2021. During the week ending December 25, 2021, a total of 11,955 initial unemployment claims were filed. This was a 95.6 percent decline from the peak week in March 2020 when 274,215 initial claims were filed. Continued claims in Ohio decreased substantially between the peak week of 776,302 claims in April 2020 and the week ending December 25, 2021, in which 42,153 individuals filed continued claims. As of January 6, 2022, the Ohio Department of Job and Family Services had received Work Adjustment and Retraining Notification (WARN) Act notices warning 22 employees of potential future layoffs and closures during the remainder of January, another 22 in February, and nine in March 2022.

Consumer Income and Consumption

According to the Bureau of Economic Analysis, **personal income** increased \$90.4 billion (0.4%) in November, and has now increased in five of the last six months. Gains in November were mainly due to increases in compensation of employees of \$57.4 billion (0.4%) and government social benefits of \$29.2 billion (0.8%). The increase within compensation of employees was led by an increase to wages and salaries of \$49.8 billion (0.5%) and other government social benefits increased (3.3%). Gains in personal income were offset by a decrease in unemployment insurance (-18.1%).



Personal consumption expenditures, a measure of national consumer spending for goods and services, increased 0.6 percent between October and November. Spending on both goods and services increased for the month, at 0.1 percent and 0.9 percent respectively. Overall spending on durable goods decreased by 0.6 percent, which can be primarily attributed to recreational goods and vehicles (-1.1%) and motor vehicles and parts (-0.7%). Spending on nondurable goods increased by 0.5 percent, primarily led by an increase in gasoline and other energy goods (4.6%). Services spending increased 0.9 percent with transportation services representing the largest contributor to the increase (1.8%). The table below provides details on real personal consumption spending in chained 2012 dollars, which represents real inflation adjusted growth rates. The differences between the figures above and those in the table below are due to the rise in price of products or services due to inflation.

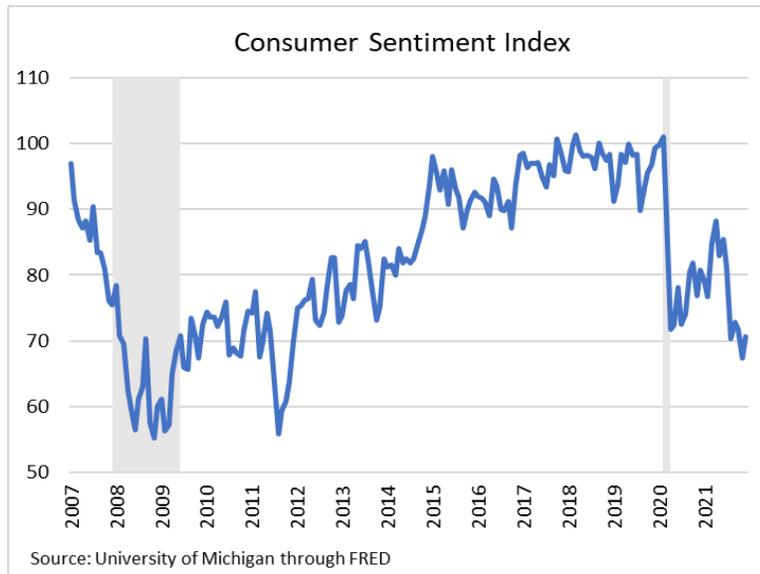
Consumer Spending by Industry, for Select Industries
(In Millions of Chained 2012 dollars)

	October 2021	November 2021	1-Month Percent Change	12-Month Percent Change	24-Month Percent Change
Real Personal Consumption Expenditures	\$13,892,459	\$13,896,887	0.0%	7.4%	4.8%
Durable Goods	\$2,224,849	\$2,202,042	-1.0%	7.7%	22.2%
Motor vehicles and parts	\$585,296	\$571,141	-2.4%	-2.3%	5.0%
Furnishings and durable household equipment	\$509,312	\$505,845	-0.7%	7.5%	19.6%
Recreational goods and vehicles	\$844,936	\$840,188	-0.6%	13.8%	40.6%
Other durable goods	\$352,414	\$355,319	0.8%	23.4%	38.4%
Nondurable goods	\$3,437,794	\$3,416,555	-0.6%	8.1%	13.6%
Clothing and footwear	\$518,199	\$506,086	-2.3%	17.8%	22.8%
Gasoline and other energy goods	\$440,182	\$435,083	-1.2%	12.9%	-2.4%
Other nondurable goods	\$1,324,085	\$1,318,455	-0.4%	6.9%	15.8%
Services	\$8,442,233	\$8,481,275	0.5%	7.1%	-0.4%
Health care	\$2,240,073	\$2,247,068	0.3%	3.3%	-0.8%
Food services and accommodations	\$854,413	\$859,568	0.6%	27.2%	1.0%
Financial services and insurance	\$887,395	\$889,283	0.2%	2.5%	4.5%
Other services	\$1,113,886	\$1,119,727	0.5%	10.0%	-1.2%

Source: Bureau of Economic Analysis, Table 2.4.6U Personal Consumption Expenditures by Type of Product

Personal savings was \$1.3 trillion in November. Savings decreased 2.8 percent (-\$35.9 billion) in November 2021 compared to October and remained below the January 2020 level by 3.4 percent (\$43.5 billion). Personal savings as a percentage of disposable income, the **personal savings rate**, was 6.9 percent, a decrease of 0.4 percentage points between October and November.

The Bureau of Labor Statistics computes the consumer price index to measure the average change in prices paid by consumers for goods and services over time. The **Consumer Price Index for All Urban Consumers (CPI)** increased 0.8 percent in November, which followed a 0.9 percent increase in October. The ‘all items’ index increased 6.8 percent over the last 12 months, the largest 12-month increase since June 1982. The index for used cars and trucks increased 2.5 percent in November after increasing 2.5 percent in October. The used cars and trucks index has increased 31.4 percent over the last 12 months. Additionally, the index for ‘all items less food and energy’ increased 0.5 percent in November and increased 4.9 percent over the last 12 months.

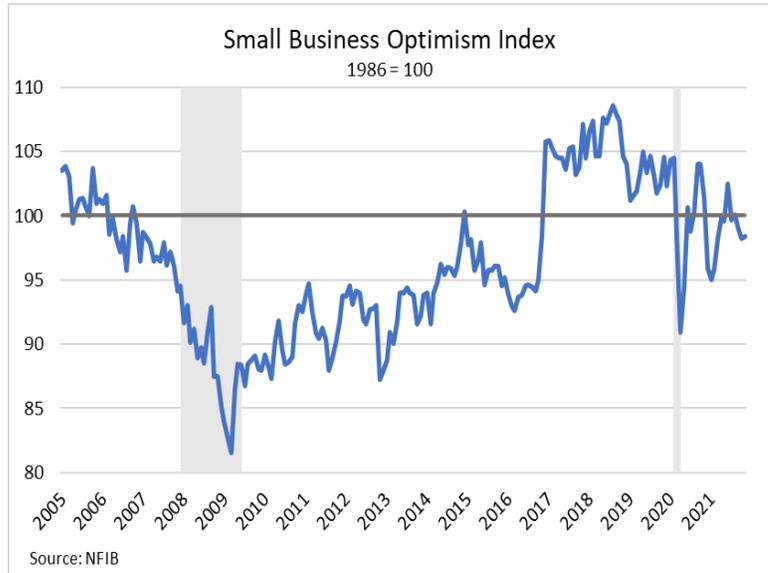


Results from the University of Michigan’s **Survey of Consumers** indicated that consumer sentiment increased in December. The Consumer Sentiment Index increased 3.2 points to 70.6 in December 2021 from 67.4 in November. This was a 4.7 percent increase from November and a 12.5 percent decrease from December 2020. The Current Economic Conditions Index increased 0.6 points to 74.2. This was a 0.8 percent increase from November but a 17.6 percent decrease from December 2020. The Consumer Expectations Index increased 4.8 points to 68.3. This was

a 7.6 percent increase from November but was 8.4 percent below December 2020. The increase in sentiment was primarily due to gains made among the low-income households. Increases in Social Security payments, along with expected wage increases among the youngest workers contributed to the increase in sentiment. The University of Michigan noted that the December survey did not capture enough data to reliably assess the impact of the spread of the omicron variant on consumers, and as such, the expectation is that spending, and confidence may be slightly depressed in January.

The **Conference Board’s Consumer Confidence Index**, which reflects consumer attitudes and buying intentions, increased in December following an upward revision in November. Consumer confidence in December was at 115.8, up 3.9 percentage points from November’s revised value of 111.9. The **Conference Board’s Present Situation Index**, which measures consumers’ current assessment of business and labor market conditions, decreased slightly by 0.3 percentage points from 144.4 in November to 144.1 in December. The **Conference Board’s Expectation Index** examines consumer short-term outlook for the economy. The index increased in December to 96.9, an increase of 6.7 percentage points from November. Consumer confidence increased in December despite concerns due to inflation and COVID-19. The Conference Board expects short term growth to continue in early 2022 but may be tempered by rising prices and concerns about a surge of the pandemic during the winter months.

Produced by the National Federation of Independent Business (NFIB), the **Small Business Optimism Index** surveys a sample of small-business owners to determine the health of small businesses each month. The index increased 0.4 percentage points to 98.4 in November, after decreasing in both September and October.



Of the 10 components that comprise this index, four declined, four improved, and two were unchanged. The percent of owners raising average selling prices rose six points to a net 59.0 percent, the highest number in 42

years. Qualified labor shortages continued to be an issue in November as 48.0 percent of small business owners reported having job openings they could not fill during the current period, a decrease of 1.0 point from October. The Uncertainty Index decreased 4.0 points to 63.0, indicating owners are more certain about their views than in previous months.

The travel and hospitality industries continue to face significant challenges due to the pandemic. The **Transportation Security Administration (TSA)** tracks how many travelers go through TSA checkpoints as “throughput.” Coinciding with the holiday season, airline travel increased by 2.1 percent in December 2021 compared to November. Total travel throughput in December 2021 was 122.8 percent higher than in December 2020; however, travel was 16.2 percent lower in December 2021 compared to December 2019.

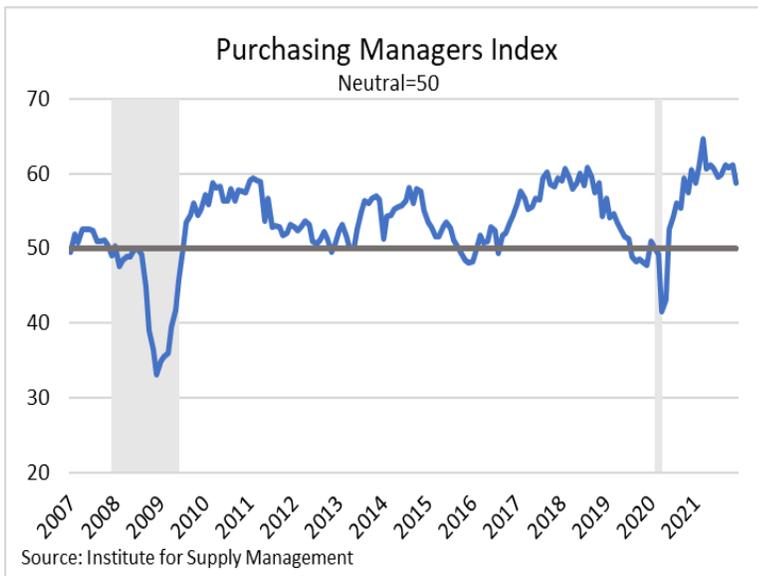
For the week ending December 25, 2021, **STR**, a company that provides analytics and data on the hospitality sector, reported the hotel occupancy rate was 44.3 percent, 8.7 percent below the comparable week in 2019. The average daily rate for a hotel room was \$129.67, up 0.5 percent from the comparable week. Revenue per available room was \$57.46, which was 8.3 percent lower than the equivalent week in 2019.

Commercial vehicle miles traveled on the Ohio turnpike in December increased 11.0 percent compared to the same period in 2020 and increased 31.7 percent compared to the same period in 2019. **Passenger vehicle miles traveled** in December increased 32.6 percent compared to the same period in 2020 and decreased 2.4 percent compared to the same period in 2019. **Total revenue** on the Ohio turnpike was 19.8 percent higher in December compared to the same period in 2020 and increased 18.4 percent compared to the same period in 2019.

Industrial Activity

The Industrial Production Index from the Board of Governors of the Federal Reserve System measures real output for manufacturing, mining, and gas and electric utility facilities located in the United States. **Total industrial production** increased 0.5 percent in November, following a revised increase of 1.7 percent in October. The November index was 5.3 percent higher compared to November 2020 and at its highest reading since September 2019.

The **manufacturing production index** increased 0.7 percent in November 2021 to 100.6 and was 4.6 percent above November 2020. Overall, the production of durable goods increased 0.7 percent and nondurable goods increased 0.5 percent. Nationally, eight of the top 10 industries relevant to Ohio’s manufacturing sector increased production and two decreased. The largest increase was in motor vehicles and parts (2.2%), followed by aerospace and other transportation equipment (1.6%), plastics and rubber products (1.5%), food, beverage, and tobacco products (0.8%) and fabricated metal products (0.6%). These gains were partially offset by decreases in petroleum and coal products (-1.2%), and machinery (-0.7%).



Produced by the Institute for Supply Management (ISM), the **Purchasing Managers Index** (PMI) measures expansions and contractions of the manufacturing economy. A PMI score reading above 50 percent indicates that the manufacturing economy is generally expanding, while below 50 percent it is generally contracting. In December, the PMI for the United States decreased 2.4 percentage points compared to November to 58.7, indicating an overall expansion of the manufacturing economy for the 19th month in a row following a contraction in April 2020.

The New Orders Index for December was at 60.4 percent, decreasing 1.1 percentage points from November. The Backlog of Orders Index increased 0.9 percentage points to 62.8 percent, and the Employment Index expanded 0.9 percentage points to 54.2 percent. Overall, these indices indicate that the manufacturing sector is continuing to grow, though challenges persist. Respondents were more optimistic in December; despite persistent hiring difficulties and cyclical labor turnover, improvements were made in the supplier delivery rate.

Of the 18 industries tracked by the Manufacturing ISM® Report on Business, 15 reported growth between November and December. Each of the 10 industries most important to Ohio’s manufacturing sector reported growth in December, led by plastics and rubber products, machinery, chemical products and electrical equipment and appliances.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM suggested that many in the manufacturing industry continued to feel the effects of material shortages and rising costs in December. A source in the fabricated metal products industry reported, “Price increases appear to be slowing. Lead times are shrinking slowly, and inventories are growing. I hope we have reached the top of the hill to start down a gentle slope that lets us get back to something that resembles normal.” Additionally, a respondent in the food, beverage, and tobacco products industry reported, “Labor is still tight, and turnover continues. Supply chain issues are still causing customer order cuts. Trucks are scarce, and the teams are burned out from working long hours and dealing with supply constraints daily.”

Construction

The U.S. Census Bureau estimated **total construction spending** in November to be at a seasonally adjusted annual rate of \$1.6 trillion, 0.4 percent above the revised October estimate. The November 2021 estimate was 9.3 percent above that of November 2020 and 12.1 percent above November 2019.

Private sector construction in November 2021 was at a seasonally adjusted rate of \$1.3 trillion. This was 0.6 percent above the revised October estimate and remained 12.5 percent above November 2020. Residential construction in November increased 0.9 percent from the revised October estimate and was 16.3 percent above November 2020. Nonresidential construction increased 0.1 percent in November from the revised October estimate and was 6.7 percent above November 2020.

Public sector construction spending in November was at a seasonally adjusted annual rate of \$352.3 billion. This was 0.2 percent below the revised October estimate and 0.9 percent below the November 2020 rate. Spending in November on education construction was 0.3 percent above October's revised value and 6.3 percent below November 2020. Highway construction spending in November was 0.8 percent below the revised October value and was 0.2 percent above November 2020.

Nationally, the number of privately-owned housing units approved for building permits increased 3.6 percent between October and November and were 0.9 percent above November 2020. In Ohio, building permits for privately-owned units increased 4.0 percent in November, and were 10.4 percent above the number of permits issued in November 2020. Nationally, privately-owned housing starts increased 11.8 percent in November compared to October and were 8.3 percent above the November 2020 rate. Privately-owned housing starts in the Midwest decreased 7.3 percent between October and November but were 7.9 percent above November 2020 levels. Nationally, privately-owned housing completions increased 4.1 percent from October to November and were 3.1 percent above the November 2020 rate. In November, privately-owned housing completions in the Midwest increased 9.8 percent and were 13.1 percent above the November 2020 level.

The U.S. Census Bureau and the Department of Housing and Urban Development report on **newly built single-family home sales**. In November, new home sales increased 12.4 percent from the revised October rate to an estimated 744,000 but were 20.5 percent below the November 2020 estimate. In the Midwest, new home sales decreased 25.4 percent between October and November and were 44.8 percent below the November 2020 level. The preliminary national median sales price in November was \$416,900, a 2.0 percent increase from the revised median price in October, and an increase of 18.8 percent compared to November 2020.

Existing home sales, as reported by the National Association of Realtors, increased 1.9 percent in November from October 2021. November's existing home sales reached 6.5 million housing units. This was a decrease of 2.0 percent from the year prior. Available inventory in November decreased to 1.1 million units, a 9.8 percent decrease from October, and was 13.3 percent lower than a year ago. Prices throughout November increased nationwide, as the median sale price of all existing homes rose 13.9 percent from a year ago to \$353,900. November 2021 was the 117th continuous month of year-over-year increases in existing median home sales prices. Sales in the Midwest increased 0.7 percent from October to November but were 0.7 percent below November 2020. According to the **Ohio Realtors**, activity in the Ohio housing market increased during the month of November, as home sales increased 5.5 percent compared to November 2020. The average sale price was \$240,211 in November, a 10.1 percent increase compared to November 2020.

The **Housing Market Index (HMI)**

From the National Association of Home Builders (NAHB) and Wells Fargo takes the pulse of the single-family housing market and asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months. A reading above 50 indicates a favorable outlook on home sales. Nationally, the HMI Index increased 1.0 point in December to 84.0 from a revised 83.0 in November, a 1.2 percent increase. This is the fourth consecutive month where the HMI has increased at the national level.

Builder confidence continued to increase with strong consumer demand and low existing housing inventories. Demand remains strong despite inflation concerns, material delays and the ability to find workers. In the Midwest, the HMI decreased 1.0 points in December to 74.0 from a revised 75.0 in November.



REVENUES

December’s GRF tax revenue performance – as expressed by actual intake relative to expectation – was robust, surpassing all preceding months of the fiscal year. In December, total tax revenue exceeded the estimate by \$243.6 million (11.9%); for the fiscal year-to-date, tax revenue exceeds estimate by \$580.3 million (4.6%). The month was led by the personal income tax, which had a \$130.7 million (15.1%) positive variance from estimate. The non-auto sales tax accounted for most of the month’s remaining total positive variance, exceeding its estimate by \$80.7 million (8.5%). Non-auto sales tax revenue set a record during December, moving past the previous high amount set in April 2021. Positive performance extends beyond these two taxes: for the month and for the fiscal year-to-date, nearly all tax sources exceeded estimate. December tax receipts grew by \$286.9 million (14.3%) from the prior year, which represents the strongest growth amount and growth rate experienced so far this year.

Aggregate (tax and non-tax) GRF receipts and transfers totaled \$3.2 billion in December and were \$239.9 million (8.2%) above estimate. As noted above, tax revenues were \$243.6 million (11.9%) above estimate. Non-tax receipts were \$10.5 million (-1.2%) below estimate and transfers were \$6.7 million above estimate. For the year-to-date, tax revenues are above estimate, non-tax receipts are below estimate, and transfers are above estimate as shown in the table below.

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	\$580.3	4.6%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$146.2)	-2.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$21.2	69.9%
TOTAL REVENUE VARIANCE:		\$455.3	2.5%
Non-federal revenue variance		\$671.5	5.3%
Federal grants variance		(\$216.2)	-3.8%

For December, receipts and transfers were \$668.4 million (26.9%) above the previous year. Tax receipts increased by \$286.9 million (14.3%), non-tax receipts increased by \$379.9 million (79.7%), and transfers increased by \$1.6 million (29.9%). For the year-to-date, tax receipts are \$505.9 million (4.0%) above last year and non-tax receipts are \$1.1 billion (-15.7%) below the prior year. Transfers are \$33.4 million (-39.3%) below last year on a year-to-date basis.

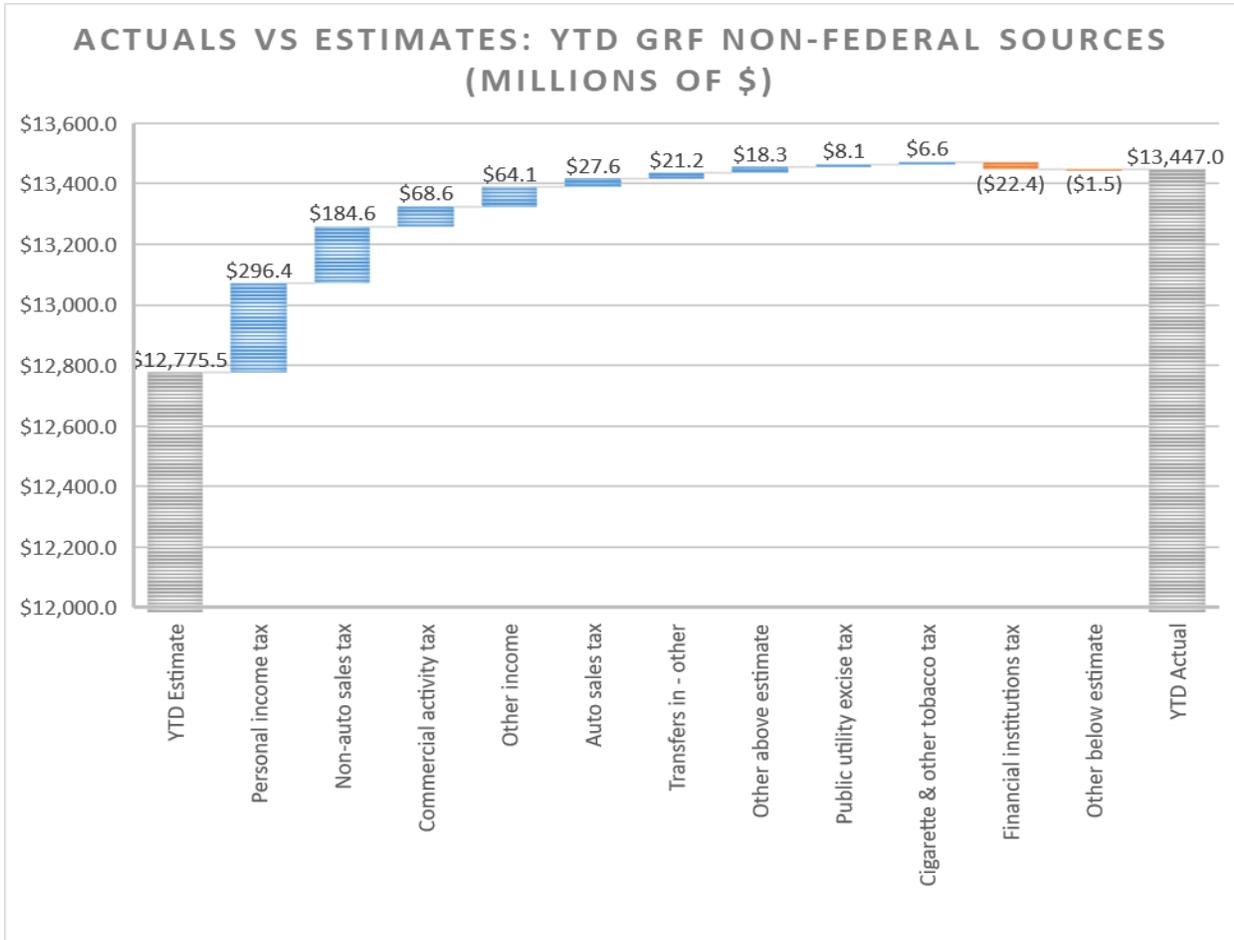
During December, the source with the largest year-over-year increase was Federal grants, at \$375.1 million (78.8%) above last year. The next-largest increases were personal income tax at \$163.8 million (19.7%) and non-auto sales tax at \$108.2 million (11.8%). The largest decline was experienced by cigarette and other tobacco products tax at \$9.7 million (-11.8%).

The table below shows that sources above estimate (a positive variance of \$255.3 million) in December outweighed the size of sources below estimate (a negative variance of \$15.4 million), resulting in a \$239.9 million net positive variance from estimate.

GRF Revenue Sources Relative to Monthly Estimates – December 2021
(\$ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Personal income tax	\$130.7	Federal grants	(\$13.9)
Non-auto sales tax	\$80.7	Domestic insurance tax	(\$1.4)
Financial institutions tax	\$11.9	Other sources below estimate	(\$0.1)
Auto sales tax	\$10.1		
Transfers in – other	\$6.7		
Kilowatt-hour tax	\$3.9		
Cigarette & other tobacco products tax	\$2.9		
Commercial activity tax	\$2.4		
Other sources above estimate	\$6.0		
Total above	\$255.3	Total below	(\$15.4)

(Note: Due to rounding of individual sources, the combined sum of sources above and below estimate may differ slightly from the total variance.)



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues for fiscal year 2022 to date, with the net difference amounting to \$671.5 million.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in December totaled \$1.0 billion and were \$80.7 million (8.5%) above the estimate. The December outcome constitutes an all-time high for this revenue source, exceeding the previous high set in April 2021. For the fiscal year-to-date, revenues are \$184.6 million (3.5%) above estimate. December revenue was \$108.2 million (11.8%) above the prior year, while year-to-date revenue is \$434.9 million (8.5%) above fiscal year 2021. Revenue in December 2021 was impacted by a modest increase in refunds compared to the prior year and by the implementation of several new tax exemptions; adjusting for those differences, revenue would have increased by 14.6 percent from last December.

The current data release from the U.S. Census Bureau's Monthly Advance Retail Trade Survey (MARTS) program shows strong national year-over-year growth in nearly every retail business category. Focusing on the retail categories that are predominantly subject to Ohio non-auto sales tax (NAICS codes 442, 443, 444, 448, 451, 452, 453, and 454), the MARTS data show a 17.1 percent year-over-year increase in national non-seasonally adjusted sales during November 2021. In comparison, year-over-year growth in Ohio all-funds non-auto sales tax revenue was 9.6 percent during November. Expanding the time span, U.S. retail sales for the primarily taxable non-auto categories increased by 13.4 percent during July through November from the prior year, while Ohio all-funds non-auto sales tax revenue increased by 10.6 percent. Although U.S. retail sales continue to increase at historically high rates on a year-over-year basis, the MARTS data also indicate that November sales stayed nearly flat with the previous month: based on seasonally adjusted figures, November 2021 sales for the above-indicated retail categories were 0.3 percent below the October level. An earlier start to the holiday shopping season for many consumers may explain some of that slowdown, with a portion of sales activity moving from November and into October.

The U.S. Census Bureau's recently released Quarterly Services Report (QSR) provides additional information on consumption. Although most consumer and business services are not subject to Ohio sales tax, lodging and food sold for on-premises consumption are two significant taxable activities not reflected in the MARTS totals cited above. The data show that July through September 2021 sales for the combined Accommodations and Food Services industries (excluding limited-service eating places, which are predominantly exempt from Ohio sales tax since most of their sales are via carryout) grew by 63.6 percent relative to the pandemic-suppressed July through September 2020 period, but by a far more modest 6.7 percent relative to the pre-pandemic July through September 2019 period. In comparison, according to data from Ohio sales tax returns, tax collections from businesses in those two industries increased by 69.5 percent during July through September 2021 relative to 2020 and declined by 1.1 percent relative to 2019. Note that Ohio tax return data are available through the November 2021 collections month. The patterns shown for the five-month time frame are in line with those observed for July-September 2021: the data show that collections for these two industries over the July through November 2021 period grew by 64.4 percent compared to 2020 and declined by 0.1 percent from 2019.

Another service merits mention due to a recent change in the Ohio tax law. The fiscal years 2022-2023 state operating budget bill repealed the sales tax paid by businesses on purchases of employment services and employee placement services. The law change was effective in October 2021, first impacting revenues in November 2021. This change will reduce non-auto sales tax revenue by an estimated average of \$12.0 million per month and this is built-in to the current forecast.

Auto Sales Tax

December auto sales tax revenues were \$140.1 million, exceeding the estimate by \$10.1 million (7.8%). This source is \$27.6 million (3.0%) above the estimate for the fiscal year-to-date. Revenues were \$8.0 million (6.1%) above last December, and for the year are \$71.1 million (8.0%) above the previous year.

U.S. data show that new vehicle unit sales remain well below the levels reached this spring. Significant supply chain constraints remain a severe impediment to production, with the computer chip shortage being a primary issue. According to the U.S. Department of Commerce Bureau of Economic Analysis, new light vehicle sales in December reached 12.4 million units, based on a seasonally adjusted annual rate (the number of sales that occurred during the month after adjustment for seasonal fluctuations and expressed as an annualized total). This level is 23.8 percent below last year and 4.2 percent below November. Meanwhile, new vehicle transaction prices continue to increase: TrueCar, Inc. estimates that the average transaction price for new vehicles was \$41,950 in December, up 2.5 percent from November and up 7.5 percent relative to last December.

Moving to used vehicles, TrueCar, Inc. estimates that the number of used vehicle units sold at retail during December to be 3.0 million (not annualized and not seasonally adjusted), down 2.0 percent from last month but 3.0 percent above last year. As with new vehicles, prices have been the source of growth for the used vehicle market during the current period: the Manheim Used Vehicle Value Index (a measure of wholesale used vehicle prices) increased by 48.9 percent from the prior year.

Ohio data shows that price growth – particularly for used vehicles – accounts for increased motor vehicle revenue. According to quarterly data from the Bureau of Motor Vehicles (BMV), taxable sales of titled motor vehicles increased by \$797.7 million (11.0%) in the fourth quarter of calendar year 2021 as compared to the prior year. The increase is attributable to used vehicles, whose sales grew by \$1.0 billion (25.1%); new vehicle sales declined by \$248.8 million (-8.1%). The number of unit sales and average transaction values went in opposite directions during the fourth quarter: titled motor vehicle transactions declined by 20,583 (-4.2%) from a year ago, while average taxable price increased by \$2,373 (16.0%). The average price of new vehicles increased by 8.6 percent compared to last year (reaching \$33,766) while used vehicle average prices grew by 26.9 percent (reaching \$13,642). Used vehicle sales accounted for 64.9 percent of total motor vehicle sales during the fourth quarter of this year, compared to 57.6 percent in the prior year. The growth dynamics of the fourth quarter were similar to those of the third quarter, when the number of unit sales also declined but an increase in average prices more than offset the unit drop-off and thus produced an increase in taxable sales.

Personal Income Tax

December GRF personal income tax receipts totaled \$994.5 million and were \$130.7 million (15.1%) above the estimate. For the year-to-date, revenue is \$296.4 million (6.4%) above estimate. On a year-over-year basis, December income tax collections were \$163.8 million (19.7%) above December 2020.

The month's strong personal income tax performance was predominantly driven by the withholding component. Withholding collections were \$89.3 million (10.0%) above estimate in December. Monthly withholding reached an all-time high during December, with the previous record amount having been set in December 2020. Note that both December 2020 and December 2021 had five Thursdays: collections on that day of the week are usually substantially higher than other days. For the fiscal year-to-date, the withholding component exceeds estimate by \$171.5 million (3.6%). Withholding was \$104.9 million (11.9%) above last year during December and is \$301.0 million (6.5%) above last year for the fiscal year-to-date. December's collections were impacted by the three-percent reduction in employer withholding tax rates. After adjusting for this change, withholding collections for the month would have been an estimated \$135.3 million (15.4%) higher than last year. Fiscal year-to-date growth would have been an estimated \$404.9 million (8.8%) higher than the previous year after adjusting for the withholding tax rate reduction.

Quarterly estimated payments during the month of December typically represent early remittance of the taxable year's final quarterly payment which is due in January. Many taxpayers make the quarterly payment in December to earn or enhance their current year's federal income tax deduction for state and local taxes. Estimated payments were \$24.4 million (61.3%) above estimate in December, and \$20.7 million (47.5%) above the prior year. Estimated payments for the fiscal year-to-date are \$42.7 million (12.7%) above anticipated levels. For the April through December period, which reflects year-to-date estimated payment collections for the 2021 taxable year, this component is \$89.3 million (13.3%) above estimate and has grown by \$146.3 million (23.8%) from the prior year.

December is not a particularly significant month for other tax payment components. Even so, each component (other than refunds) exceeded the estimate. December annual return payments were \$7.7 million (71.0%) above estimate and \$7.0 million (61.1%) above last year. This component is now \$62.4 million (50.7%) above estimate for the fiscal year. Annual return collections ended \$241.5 million (21.4%) above estimate for the January through December 2021 filing season and \$344.5 million (33.5%) above the prior calendar year's filing season.

Refunds for the month were \$8.4 million (-16.7%) below estimate and are \$16.7 million (-4.2%) below estimate for the fiscal year. This component was \$31.9 million (-43.3%) below last December. For the full 12-month (January-December 2021) filing season, refunds exceeded estimate by \$82.5 million (4.4%). Compared to January through December 2020, refunds during this filing season declined by \$259.1 million (-11.6%).

DECEMBER PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	Actual December	Estimate December	\$ Var	Actual Dec-2021	Actual Dec- 2020	\$ Var Y-over-Y
Withholding	\$983.7	\$894.4	\$89.3	\$983.7	\$878.7	\$104.9
Quarterly Est.	\$64.2	\$39.8	\$24.4	\$64.2	\$43.5	\$20.7
Annual Returns & 40 P	\$18.5	\$10.8	\$7.7	\$18.5	\$11.5	\$7.0
Trust Payments	\$1.5	\$0.9	\$0.6	\$1.5	\$0.9	\$0.6
Other	\$8.3	\$6.5	\$1.8	\$8.3	\$6.5	\$1.8
Less: Refunds	(\$41.7)	(\$50.1)	\$8.4	(\$41.7)	(\$73.6)	\$31.9
Local Distributions	(\$40.1)	(\$38.5)	(\$1.6)	(\$40.1)	(\$37.0)	(\$3.0)
Net to GRF	\$994.5	\$863.8	\$130.7	\$994.5	\$830.6	\$163.8

(Note: The net totals and variance amounts may differ slightly from computations using the rounded actual and estimated figures provided in the table.)

Commercial Activity Tax (CAT)

December revenues for the CAT were \$2.4 million (23.1%) above the estimate. Since the tax is predominantly paid on a quarterly basis, it is suitable to review collections over an entire quarter. Although December is not a significant month for CAT revenues (tax payments based on activity that occurred during July-September 2021 were due in November 2021), December's results built upon the strong performance of the two preceding months. For the second quarter of fiscal year 2022, the source exceeded estimate by \$34.4 million (7.6%). Furthermore, CAT intake reached a record high level during the quarter, with GRF revenue of \$493.9 million (and \$584.9 million in all-funds revenue). CAT GRF revenues were also \$66.3 million (15.5%) above the second quarter of fiscal year 2021. For the fiscal year-to-date, the source is \$68.6 million (7.8%) above estimate and is \$174.2 million (22.5%) above the previous year.

GRF Non-Tax Receipts

GRF non-tax receipts totaled \$856.6 million and were \$10.5 million (-1.2%) below estimate for the month of December. A modest negative variance of \$13.9 million (-1.6%) in the Federal Grants category was partially offset by positive variances in the License & Fees, Other Income, and ISTV's categories. Year-to-date revenues in non-tax receipts totaled \$5.6 billion and were \$146.2 million (-2.5%) below estimate. This variance is caused by the Federal Grants category, which is \$216.2 million (-3.8%) below estimate for the year. All other non-tax receipt categories are a combined \$70.0 million (62.7%) above estimate for the year.

Transfers In

Transfers In totaled \$6.7 million in December though none were estimated. Year-to-date transfers totaled \$51.6 million and were \$21.2 million (69.9%) above estimate. The monthly variance was largely attributable to the repayment of moneys loaned from the Emergency Purposes Fund to the Medical Marijuana Control Program Fund for program start-up between fiscal years 2017 and 2019. Half of this transfer was expected to occur in June of fiscal year 2022 and half in June of fiscal year 2023. Since the Medical Marijuana Control Program Fund had a sufficient cash balance, the full transfer was made in December, completing the repayment of the advancements.

1/5/2022

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2022 VS ESTIMATE FY 2022
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL DECEMBER	ESTIMATE DECEMBER	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	1,028,567	947,900	80,667	8.5%	5,530,903	5,346,300	184,603	3.5%
Auto Sales & Use	140,103	130,000	10,103	7.8%	958,069	930,500	27,569	3.0%
Subtotal Sales & Use	1,168,670	1,077,900	90,770	8.4%	6,488,973	6,276,800	212,173	3.4%
Personal Income	994,453	863,800	130,653	15.1%	4,915,968	4,619,600	296,368	6.4%
Corporate Franchise	(18)	0	(18)	N/A	520	0	520	N/A
Financial Institutions Tax	4,959	(6,900)	11,859	171.9%	(51,796)	(29,400)	(22,396)	-76.2%
Commercial Activity Tax	12,921	10,500	2,421	23.1%	949,470	880,900	68,570	7.8%
Petroleum Activity Tax	2,203	2,300	(97)	-4.2%	3,628	4,000	(372)	-9.3%
Public Utility	3	(400)	403	100.8%	69,934	61,800	8,134	13.2%
Kilowatt Hour	22,973	19,100	3,873	20.3%	154,163	152,100	2,063	1.4%
Natural Gas Distribution	0	0	0	N/A	18,551	19,700	(1,149)	-5.8%
Foreign Insurance	(6)	(1,300)	1,294	99.5%	182,939	178,200	4,739	2.7%
Domestic Insurance	0	1,400	(1,400)	-100.0%	2,254	1,600	654	40.8%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	72,532	69,600	2,932	4.2%	415,026	408,400	6,626	1.6%
Alcoholic Beverage	5,553	4,800	753	15.7%	34,735	31,500	3,235	10.3%
Liquor Gallonage	4,776	4,600	176	3.8%	29,444	28,300	1,144	4.0%
Estate	0	0	0	N/A	5	0	5	N/A
Total Tax Receipts	2,289,019	2,045,400	243,619	11.9%	13,213,812	12,633,500	580,312	4.6%
NON-TAX RECEIPTS								
Federal Grants	850,999	864,895	(13,896)	-1.6%	5,455,825	5,671,990	(216,166)	-3.8%
Earnings on Investments	0	0	0	N/A	11,882	9,485	2,397	25.3%
License & Fees	730	629	101	16.0%	13,568	11,753	1,814	15.4%
Other Income	3,405	1,591	1,814	114.1%	154,421	90,356	64,064	70.9%
ISTV'S	1,477	0	1,477	N/A	1,687	0	1,687	N/A
Total Non-Tax Receipts	856,611	867,115	(10,503)	-1.2%	5,637,382	5,783,585	(146,203)	-2.5%
TOTAL REVENUES	3,145,631	2,912,515	233,116	8.0%	18,851,194	18,417,085	434,109	2.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,746	0	6,746	N/A	51,600	30,362	21,238	69.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,746	0	6,746	N/A	51,600	30,362	21,238	69.9%
TOTAL SOURCES	3,152,377	2,912,515	239,862	8.2%	18,902,794	18,447,448	455,347	2.5%

1/5/2022

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2022 VS ACTUAL FY 2021
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	DECEMBER	DECEMBER	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2022	FY 2021	VAR	VAR	FY 2022	FY 2021	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	1,028,567	920,327	108,240	11.8%	5,530,903	5,095,963	434,941	8.5%
Auto Sales & Use	140,103	132,100	8,002	6.1%	958,069	886,939	71,130	8.0%
Subtotal Sales & Use	1,168,670	1,052,428	116,242	11.0%	6,488,973	5,982,902	506,071	8.5%
Personal Income	994,453	830,622	163,831	19.7%	4,915,968	5,070,702	(154,734)	-3.1%
Corporate Franchise	(18)	6,577	(6,595)	-100.3%	520	6,825	(6,305)	-92.4%
Financial Institutions Tax	4,959	(4,979)	9,938	199.6%	(51,796)	(19,947)	(31,849)	-159.7%
Commercial Activity Tax	12,921	16,676	(3,755)	-22.5%	949,470	775,275	174,195	22.5%
Petroleum Activity Tax	2,203	1,184	1,019	86.0%	3,628	2,062	1,566	75.9%
Public Utility	3	(10,034)	10,037	100.0%	69,934	50,779	19,154	37.7%
Kilowatt Hour	22,973	19,392	3,581	18.5%	154,163	152,531	1,632	1.1%
Natural Gas Distribution	0	212	(212)	-99.8%	18,551	19,217	(666)	-3.5%
Foreign Insurance	(6)	(140)	133	95.4%	182,939	176,497	6,442	3.7%
Domestic Insurance	0	0	0	N/A	2,254	824	1,430	173.5%
Other Business & Property	0	44	(44)	N/A	0	59	(59)	N/A
Cigarette and Other Tobacco	72,532	82,202	(9,670)	-11.8%	415,026	430,119	(15,092)	-3.5%
Alcoholic Beverage	5,553	3,452	2,101	60.8%	34,735	31,320	3,414	10.9%
Liquor Gallonage	4,776	4,458	318	7.1%	29,444	28,771	673	2.3%
Estate	0	0	0	N/A	5	12	(8)	-62.5%
Total Tax Receipts	2,289,019	2,002,094	286,925	14.3%	13,213,812	12,707,948	505,864	4.0%
NON-TAX RECEIPTS								
Federal Grants	850,999	475,907	375,091	78.8%	5,455,825	6,572,187	(1,116,362)	-17.0%
Earnings on Investments	0	0	0	N/A	11,882	17,576	(5,694)	-32.4%
License & Fee	730	722	8	1.1%	13,568	15,538	(1,970)	-12.7%
Other Income	3,405	80	3,325	4135.8%	154,421	82,865	71,556	86.4%
ISTV'S	1,477	5	1,472	28906.8%	1,687	89	1,598	1787.5%
Total Non-Tax Receipts	856,611	476,715	379,896	79.7%	5,637,382	6,688,255	(1,050,872)	-15.7%
TOTAL REVENUES	3,145,631	2,478,809	666,821	26.9%	18,851,194	19,396,203	(545,009)	-2.8%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,746	5,194	1,552	29.9%	51,600	85,026	(33,426)	-39.3%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,746	5,194	1,552	29.9%	51,600	85,026	(33,426)	-39.3%
TOTAL SOURCES	3,152,377	2,484,004	668,373	26.9%	18,902,794	19,481,229	(578,435)	-3.0%

DISBURSEMENTS

December GRF disbursements, across all uses, totaled \$3.2 billion and were \$460.3 million (16.8%) above estimate. This variance was primarily attributable to above estimate disbursements in primary and secondary education. On a year-over-year basis, December total uses were \$1.1 billion (51.8%) higher than those of the same month in the previous fiscal year, with an increase in primary and secondary education largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	Description	Year-Over-Year Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	\$1,113.5	53.5%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	-\$23.1	-97.1%
TOTAL DISBURSEMENTS VARIANCE:		\$1,090.5	51.8%

GRF disbursements are reported according to functional categories. This section contains information describing GRF spending and variances within each of these categories.

Primary and Secondary Education

This category contains GRF spending for the Ohio Department of Education. December disbursements for this category totaled \$1.2 billion and were \$342.0 million (37.7%) above estimate. This variance was primarily attributable to above estimate disbursements in the Pupil Transportation and Foundation Funding – All Students line items due to the implementation of the new school funding formula. This implementation was originally estimated to occur in October but was delayed due to complexities of programming the new formula. The funding formula is calculated on an annualized basis but is disbursed in 24 proportional payments. The January 7 foundation payment was the 13th payment of fiscal year 2022 meaning schools should have received 54.2 percent of the annual amount for each formula category. As a result of this methodology, the January 7 foundation payment included categorical funding increases owed to schools for the July through December foundation payments. The new school funding formula increases support for schools and districts through a variable per-pupil base cost computed for each school district with additional funding based on student characteristics. Expenditures for the school foundation program totaled \$1.2 billion and were \$342.6 million (38.3%) above estimate.

Year-to-date disbursements were \$4.8 billion, which were \$277.9 million (6.1%) above estimate. On a year-over-year basis, disbursements in this category were \$675.5 million (117.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$790.6 million (19.7%) higher than the same point in fiscal year 2021. The year-to-date and year-over-year variances are due to the implementation of the new school funding formula and an additional foundation payment occurring year-to-date in fiscal year 2022 compared to fiscal year 2021.

Higher Education

December disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled \$212.8 million and were \$16.3 million (8.3%) above estimate. This variance was primarily attributable to spending in multiple programs in the amount of \$17.1 million due to Memorandum of Understanding (MOUs) that were executed later than anticipated and payments expected to be made in the previous quarter were made in December. Another significant source of the variance was the result of spending in the National Guard Scholarship program, which was \$1.1 million above estimate due to higher-than-expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in the Choose Ohio First Scholarship program, which was \$1.5 million below estimate due to lower-than-expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were \$1.2 billion, which was \$26.3 million (-2.1%) below estimate. On a year-over-year basis, disbursements in this category were \$24.8 million (13.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$61.5 million (5.4%) higher than at the same point in fiscal year 2021.

Other Education

This category includes non-debt service GRF expenditures made by the Broadcast Educational Media Commission, the Ohio Facilities Construction Commission, the Ohio State School for the Blind, the Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations.

December disbursements in this category totaled \$4.1 million and were \$140,000 (3.5%) above estimate. Year-to-date disbursements were \$53.0 million and were \$5.1 million (-8.7%) below estimate. On a year-over-year basis, disbursements in this category were \$1.2 million (43.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$11.6 million (28.1%) higher than at the same point in fiscal year 2021.

Medicaid

This category includes all Medicaid spending on services and program support by the following eight agencies: the Department of Medicaid, the Department of Mental Health and Addiction Services, the Department of Developmental Disabilities, the Department of Health, the Department of Job and Family Services, the Department of Aging, the Department of Education, and the State Board of Pharmacy.

Expenditures

December GRF disbursements for the Medicaid Program totaled \$1.2 billion and were \$13.5 million (1.1%) above estimate and \$269.3 million (27.7%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled \$8.0 billion and were \$298.8 million (-3.6%) below estimate, and \$1.7 billion (-17.6%) below disbursements for the same point in the previous fiscal year.

The monthly GRF variance was minimal though more timing related issues were reported, which may skew future months. Notably, a rate reconciliation with the managed care plans was delayed; this reconciliation will result in negative variances in a future month as the state recoups some prior year funding. Additionally, non-enrollment related payments continue to be delayed and are unlikely to be disbursed as originally estimated. Offsetting some of the underspending was a performance-related payment to the managed care plans that was disbursed in December and was above estimate. Managed care enrollment continued to exhibit minimal variance, and only the Group 8 population exhibited a notable variance of 1.7 percent above estimate. While close to estimates, managed care enrollment continues to increase month-to-month due to the suspension of redeterminations as mandated by federal law for the duration of the public health emergency. When compared to pre-pandemic February 2020, total enrollment has increased by approximately 548,000 as a result of this federal requirement to suspend redeterminations. Fee-for-service enrollment was approximately 1.3 percent below estimate, further contributing to below estimate GRF spending. The year-over-year monthly variance was primarily attributable to increased costs associated with higher enrollment and the timing of the performance related managed care payment; this payment was made in December of this fiscal year but was made in November of fiscal year 2021.

December all-funds disbursements for the Medicaid Program totaled \$3.0 billion and were \$431.9 million (-12.4%) below estimate, and \$453.9 million (17.6%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled \$16.8 billion and were \$946.5 million (-5.3%) below estimate, and \$867.8 million (5.4%) above disbursements for the same point in the previous fiscal year.

The December all-funds variance was primarily attributable to below estimate spending in the managed care program where spending was \$344.0 million (-13.0%) below estimate due primarily to delays in supplemental public health emergency hospital payments to managed care plans; these payments were expected to be disbursed in December but were delayed to January. Additionally, the health insurance provider fee, which was a component of the Affordable Care Act and was built into the Ohio Medicaid budget for fiscal year 2022, was repealed. The elimination of this fee contributed approximately \$170.0 million to the negative variance for December. The year-over-year monthly variance was primarily attributable to the increased costs associated with higher caseloads and the timing of the performance related managed care payment.

The chart below shows the current month’s disbursement variance by funding source.

(In millions, totals may not add due to rounding)

	<u>Dec. Estimate</u>	<u>Dec. Actual</u>	<u>Variance</u>	<u>Variance %</u>
GRF	\$1,229.4	\$1,242.9	\$13.5	1.1%
Non-GRF	\$2,241.8	\$1,796.4	-\$445.4	-19.9%
All Funds	\$3,471.2	\$3,039.3	-\$431.9	-12.4%

Enrollment

Total December enrollment was 3.33 million, which was 4,900 (0.2%) above estimate and approximately 221,800 (7.1%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.29 million and was approximately 1,300 (-0.4%) below estimate.

December enrollment by major eligibility category was: Covered Families and Children (CFC), 1.83 million; Group VIII Expansion, 857,100; and Aged, Blind and Disabled (ABD), 500,246.

**Please note that enrollment data are subject to revision.*

Health and Human Services

This category includes non-debt service GRF expenditures by the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction Services, and others. Examples of expenditures in this category include childcare, TANF, administration of the state's psychiatric hospitals, operating subsidies to county boards of developmental disabilities, various immunization programs, and Ohio's long-term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in the Medicaid category.

December disbursements in this category totaled \$150.5 million and were \$1.6 million (1.1%) above estimate. Year-to-date disbursements were \$772.0 million and were \$132.1 million (-14.6%) below estimate. On a year-over-year basis, disbursements in this category were \$14.1 million (10.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$40.3 million (5.5%) higher than at the same point in fiscal year 2021.

Department of Health

December disbursements for the Department of Health totaled \$8.4 million and were \$3.2 million (-27.1%) below estimate. This variance was primarily attributable to disbursements in the Local Health Departments line item, which was \$793,269 below estimate. The department is currently working on finalizing the per capita payment methodology utilizing the 2020 Census, which has delayed the payments to the local health departments. These payments will be disbursed between March and May. Additionally, the Medically Handicapped Children line item was below estimate by \$469,503 due to expenses being partially paid out of non-GRF line items. Payments out of the GRF line item will increase in future months, offsetting the year-to-date variance.

Department of Job and Family Services

December disbursements for the Department of Job and Family Services totaled \$100.7 million and were \$3.8 million (3.9%) above estimate. This variance was primarily attributable to the Early Care and Education line item, which was \$8.7 million above estimate due to the timing of one week of childcare provider payments, which were paid in December rather than November, as expected. The Temporary Assistance for Needy Families (TANF) State Maintenance of Effort line item was \$7.7 million above estimate due to a change in the disbursement schedule of the quarterly \$10.0 million TANF Maintenance of Effort expenditures. Payments to the counties posted in December instead of November. Also, cash assistance payments were \$2 million lower in December because the Ohio Works First caseload is lower than expected. The Child Care State line item was \$2.4 million above estimate due to higher Child Care Maintenance of Effort spending, which offsets the below estimate variance in October, and because additional funds were spent in December to meet the maintenance of effort requirement for the federal fiscal year.

This variance was partially offset by below estimate spending in the Program Operations, Family Assistance-Local, and Family and Children Services line items. The Program Operations line item was \$9.5 million below estimate due in large part to not receiving the invoices from information technology contract support and maintenance agreements as anticipated. The Family Assistance-Local line item was \$3.1 million below estimate due primarily to the counties requesting less of their Income Maintenance allocation than what was anticipated for the month. The Family and Children Services line item was \$1.5 million below estimate due in large part to not paying out on the allocations for Kinship Support payments and Social Services as anticipated for the month.

Department of Mental Health and Addiction Services

December disbursements for the Department of Mental Health and Addiction Services totaled \$30.0 million and were \$1.5 million (5.2%) above estimate. This variance was primarily attributable to above estimate disbursements in the Continuum of Care Services line item, which was \$2.6 million above estimate, due mostly to an early disbursement of a payment for the Ohio START initiative.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities.

December disbursements in this category totaled \$252.9 million and were \$73.1 million (40.6%) above estimate. Year-to-date disbursements were \$1.4 billion and were \$118.0 million (-8.0%) below estimate. On a year-over-year basis, disbursements in this category were \$94.8 million (60.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$83.6 million (6.5%) higher than at the same point in fiscal year 2021.

Office of the Attorney General

December disbursements for the Office of the Attorney General totaled \$10.2 million and were \$2.8 million (37.3%) above estimate. This variance was primarily attributable to unanticipated disbursements in the Domestic Violence Programs line item, which was \$3.1 million above estimate due to grantees drawing down funds later than anticipated.

Department of Public Safety

December disbursements for the Department of Public Safety totaled \$53.8 million and were \$47.9 million (822.7%) above estimate. This variance was primarily attributable to the Highway Patrol Operating Expenses line item, which was \$50.0 million above estimate catching up underspending in previous months this fiscal year. This variance was partially offset by the Justice Program Services line item, which was \$1.1 million below estimate due to the timing of grant reimbursements.

Department of Rehabilitation and Correction

December disbursements for the Department of Rehabilitation and Correction totaled \$135.1 million and were \$7.2 million (5.6%) above estimate. This variance was primarily attributable to disbursements in the Institutional Operations line item, which was \$11.0 million above estimate due to the timing of a large settlement payment. This variance was partially offset by disbursements in the Institution Medical Services line item, which was \$3.6 million below estimate also due to staff vacancies and lower population levels.

Public Defender Commission

December disbursements for the Public Defender Commission totaled \$26.9 million and were \$14.8 million (122.6%) above estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item, which was \$14.7 million above estimate due to the timing of county reimbursement payments. This variance offsets prior months' below estimate variances in this line item.

General Government

This category includes non-debt service GRF expenditures by the Department of Administrative Services, Department of Natural Resources, Department of Development, Department of Agriculture, Department of Taxation, Department of Transportation, Office of Budget and Management, non-judicial statewide elected officials, legislative agencies, and others.

December disbursements in this category totaled \$37.9 million and were \$5.6 million (-12.9%) below estimate. Year-to-date disbursements were \$269.4 million and were \$38.1 million (-12.4%) below estimate. On a year-over-year basis, disbursements in this category were \$10.5 million (38.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$51.6 million (23.7%) higher than at the same point in fiscal year 2021.

Department of Administrative Services

December disbursements for the Department of Administrative Services totaled \$6.9 million and were \$3.8 million (125.2%) above estimate. This variance was primarily attributable to the Ohio Business Gateway line item, which was \$2.7 million above estimate because of charges billed at different times than expected. In addition, the State Agency Support Services line item was \$1.2 million above estimate due to the timing of rent payments.

Department of Development

December disbursements for the Department of Development totaled \$4.4 million and were \$2.8 million (39.0%) below estimate. This variance was primarily attributable to disbursements in the Local Development Projects line item, which was \$2.7 million below estimate due to grantees drawing down funds at a slower pace than anticipated in December.

Department of Transportation

December disbursements for the Department of Transportation totaled \$4.6 million and were \$5.5 million (-54.2%) below estimate. This variance was primarily attributable to the Public Transportation – State line item, which was \$4.7 million below estimate due to supplier issues with bus deliveries for the Transit Preservation Partnership Program. The variance was also attributable to the Airport Improvements – State line item, which was \$666,904 below estimate due to airport project delays.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. December reimbursements totaled \$19.9 million and were \$18.8 million above estimate. Year-to-date reimbursements totaled \$913.1 million and were \$9.6 million (-1.0%) below estimate. The large monthly variance was due to the timing of reimbursement requests.

Debt Service

December payments for debt service were \$27.6 million and were \$203,000 (-0.7%) below estimate for the month. Year-to-date debt service payments were \$895.2 million and were \$3.8 million (-0.4%) below estimate for the year. Debt service payments are currently \$369.2 million (70.2%) above this point last fiscal year due to debt restructuring lowering 2021 payments below typical levels.

Transfers Out

December transfers out totaled \$679,000 though none were estimated. Year-to-date transfers out totaled \$3.0 billion and were \$25.6 million (0.9%) above estimate. The year-to-date variance is largely attributable to a \$24.0 million transfer to the Targeted Addiction Program Fund. Originally, \$10.0 million was planned to be transferred in the first half of the fiscal year and \$14.0 million was planned for transfer in the second half. To meet the cash needs of the fund, to full amount of \$24.0 million was transferred in October. An offsetting negative variance will occur in February.

1/5/2022

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2022 VS ESTIMATE FY 2022
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	DECEMBER	DECEMBER	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary and Secondary Education	1,248,253	906,250	342,003	37.7%	4,807,122	4,529,183	277,939	6.1%
Higher Education	212,750	196,497	16,253	8.3%	1,204,322	1,230,634	(26,312)	-2.1%
Other Education	4,108	3,968	140	3.5%	52,956	58,022	(5,066)	-8.7%
Medicaid	1,242,883	1,229,393	13,490	1.1%	7,954,035	8,252,813	(298,778)	-3.6%
Health and Human Services	150,493	148,864	1,628	1.1%	772,033	904,106	(132,073)	-14.6%
Justice and Public Protection	252,893	179,833	73,060	40.6%	1,366,627	1,484,666	(118,039)	-8.0%
General Government	37,902	43,502	(5,600)	-12.9%	269,355	307,407	(38,051)	-12.4%
Property Tax Reimbursements	19,913	1,092	18,821	1723.6%	913,053	922,665	(9,612)	-1.0%
Debt Service	27,568	27,770	(203)	-0.7%	895,195	899,026	(3,831)	-0.4%
Total Expenditures & ISTV's	3,196,762	2,737,170	459,592	16.8%	18,234,698	18,588,522	(353,824)	-1.9%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	679	0	679	N/A	2,973,621	2,948,000	25,621	0.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	679	0	679	N/A	2,973,621	2,948,000	25,621	0.9%
Total Fund Uses	3,197,441	2,737,170	460,271	16.8%	21,208,320	21,536,522	(328,202)	-1.5%

1/5/2022

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2022 VS ACTUAL FY 2021
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	DECEMBER FY 2022	DECEMBER FY 2021	\$ VAR	% VAR	ACTUAL FY 2022	ACTUAL FY 2021	\$ VAR	% VAR
Primary and Secondary Education	1,248,253	572,738	675,515	117.9%	4,807,122	4,016,490	790,632	19.7%
Higher Education	212,750	187,996	24,754	13.2%	1,204,322	1,142,773	61,549	5.4%
Other Education	4,108	2,859	1,249	43.7%	52,956	41,339	11,617	28.1%
Medicaid	1,242,883	973,624	269,258	27.7%	7,954,035	9,657,424	(1,703,388)	-17.6%
Health and Human Services	150,493	136,400	14,092	10.3%	772,033	731,732	40,301	5.5%
Justice and Public Protection	252,893	158,089	94,804	60.0%	1,366,627	1,283,029	83,598	6.5%
General Government	37,902	27,404	10,498	38.3%	269,355	217,714	51,642	23.7%
Property Tax Reimbursements	19,913	2,132	17,782	834.2%	913,053	904,349	8,704	1.0%
Debt Service	27,568	21,991	5,576	25.4%	895,195	525,964	369,231	70.2%
Total Expenditures & ISTV's	3,196,762	2,083,234	1,113,528	53.5%	18,234,698	18,520,813	(286,115)	-1.5%
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	679	23,750	(23,071)	-97.1%	2,973,621	435,225	2,538,397	583.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	679	23,750	(23,071)	-97.1%	2,973,621	435,225	2,538,397	583.2%
Total Fund Uses	3,197,441	2,106,984	1,090,458	51.8%	21,208,320	18,956,038	2,252,282	11.9%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for fiscal year 2022. Based on the estimated revenue sources for fiscal year 2022 and the estimated fiscal year 2022 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for fiscal year 2022 is estimated to be \$2.75 billion.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in fiscal year 2022, nor should it be considered as equivalent to the fiscal year 2022 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF unencumbered ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

Table 5
ESTIMATED FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2022
(\$ in thousands)

July 1, 2021 Beginning Cash Balance*	4,721,518.9
Plus FY 2022 Estimated Revenues	25,633,189.6
Plus FY 2022 Estimated Federal Revenues	10,614,906.3
Plus FY 2022 Estimated Transfers to GRF	350,053.4
Total Sources Available for Expenditures & Transfers	41,319,668.2
Less FY 2022 Estimated Disbursements**	35,239,972.4
Less Estimated Total Encumbrances as of June 30, 2022	352,348.8
Less FY 2022 Estimated Transfers Out	2,975,600.0
Total Estimated Uses	38,567,921.2
FY 2022 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	2,751,747.0

*Includes reservations of \$689.3 million for prior year encumbrances. After accounting for this adjustment, the estimated unencumbered beginning fund balance for fiscal year 2022 is \$4,032.3 million.

**Disbursements include estimated spending against current year appropriations and prior year encumbrances. Disbursements also includes estimated costs associated with cost of living adjustments.

OBM staff that contributed to the development of this report are:
 Jason Akbar, Ben Boettcher, Frederick Church, Todd Clark, Adam Damin, Paul DiNapoli, Chris Guerrini, Chris Hall, Sharon Hanrahan, Charlotte Kirschner, Sári Klepacz, Taylor Pair, Steven Peishel, Craig Rethman, Tara Clayton, Jasmine Winston, Melissa Snider, Nick Strahan, Sarah Kelly, Stephen Riester, Richard Hurley, Natalie Malloy, Diane Hare, and Luis da Cruz.