

October 12, 2021

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 September totaled \$865.3 million and were \$49.4 million (6.1%) above the estimate.



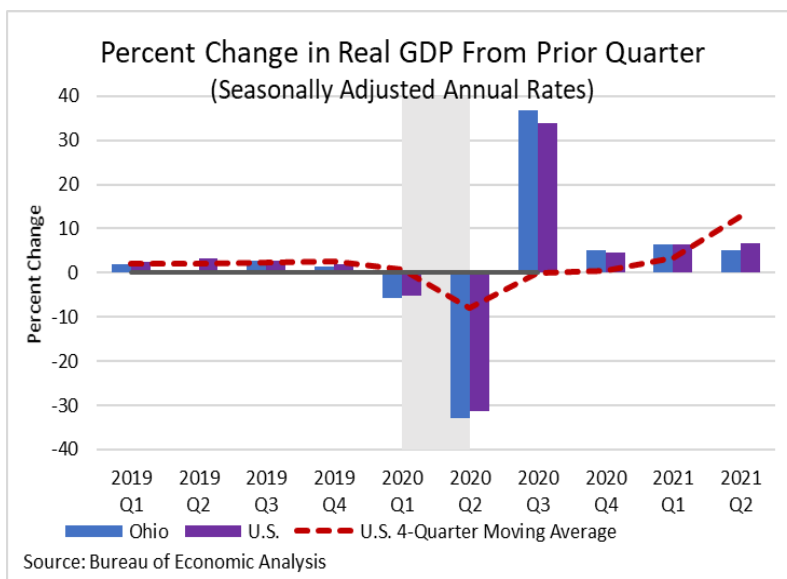
September GRF personal income tax receipts totaled \$1.0 billion and were \$47.5 million (4.8%) above the estimate. For the year-to-date, personal income tax revenue is \$85.7 million (3.6%) above estimate.



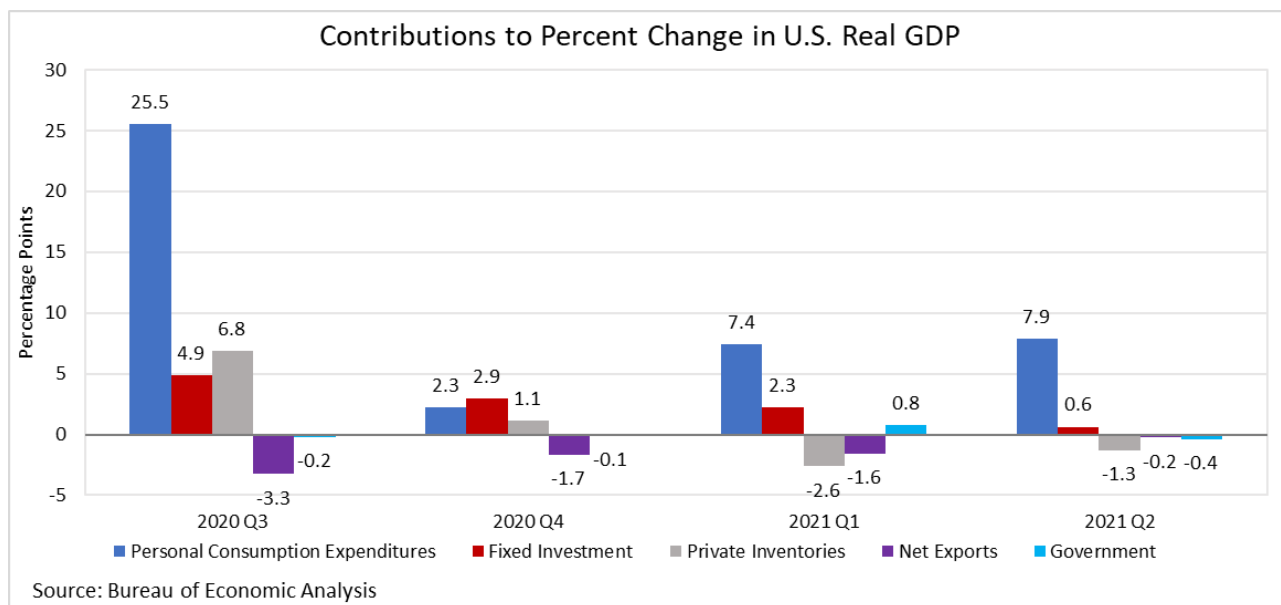
Commercial Activity Tax revenues totaled \$14.0 million in September and were \$5.7 million (68.3%) above the estimate. For the year-to-date, the source is \$34.1 million (8.1%) above estimate.

Economic Activity

According to the Bureau of Economic Analysis (BEA)'s 'third' estimate, **Real Gross Domestic Product (GDP)** expanded in the second quarter of calendar year 2021 at an annualized rate of 6.7 percent. This is an upward revision of 0.1 percentage points from their 'second' estimate last month. The second quarter expansion reflected continued re-opening of businesses and increased federal pandemic support to both businesses and state and local governments, even as direct support to individuals declined.



Specifically, the second quarter increase in real GDP resulted from growth in personal consumption expenditures (7.9 percentage points) and nonresidential fixed investment (1.2 percentage points). These increases were partially offset by decreases in private inventory investment (-1.3 percentage points), residential fixed investment (-0.6 percentage points), federal government spending (-0.4 percentage points), and net exports (-0.2 percentage points).



Ohio's real GDP rose 5.2 percent during the second quarter of 2021, 1.5 percentage points below the national average. The change in GDP in Ohio largely reflected positive contributions in information (0.6 percentage points), finance and insurance (0.5 percentage points), durable goods manufacturing (0.4 percentage points), nondurable goods manufacturing (0.4 percentage points), and construction (0.3 percentage points). These increases were partially offset by decreases in retail trade, which fell 1.1 percentage points, and transportation and warehousing, which fell 0.4 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 seven 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 October 6, 2021, the national index was at 94.1 percent. Ohio's index was 0.8 percentage points ahead of the national index at 94.9. Ohio's average in September was 3.3 percentage points below the average in August.

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 August, the LEI increased 0.9 percent to reach 117.1 with 8 of the 10 components of the index increasing. The two components that decreased are consumer expectations for business conditions and average weekly manufacturing hours. The Leading Economic Index has trended upward since April 2020 and remains consistent with strong economic growth in the second half of the year. While growth is expected to continue, concerns surrounding the delta variant and inflation uncertainties could slow the U.S. economic recovery in the short term.

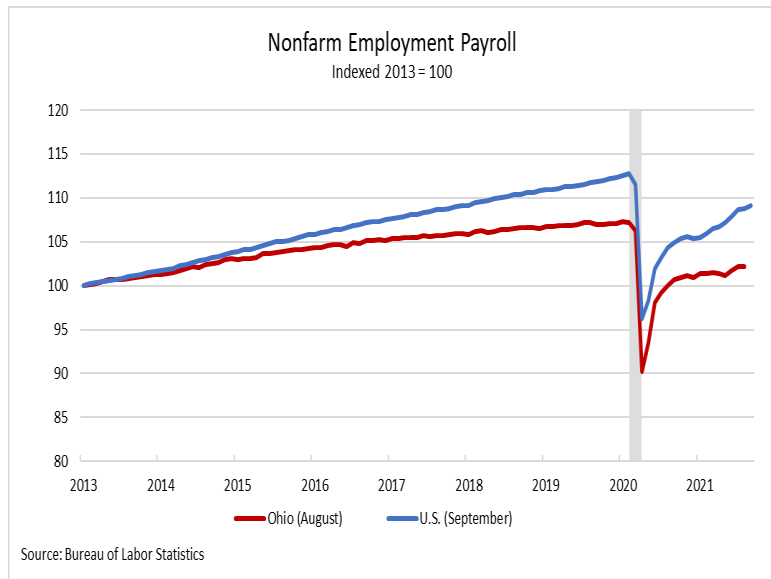
Economists continued to downgrade their forecasts for the third quarter of calendar year 2021, while simultaneously predicting a reacceleration of growth during calendar year 2022. Although the current wave of COVID-19 cases brought on by the delta variant appears to be waning in the U.S., there are still restrictions on economic activity in many places of the country. The global supply chain continues to be hampered by ongoing labor shortages, production delays, and shipping and port congestion issues. Concerns about inflation also continue. In short, forecasters are still estimating steady growth of the U.S. economy, just not as robust as originally anticipated.

Source	Date	3 rd Quarter 2021 Annualized GDP Forecast
Federal Reserve Bank of Atlanta (GDPNow)	10/01/21	2.3%
IHS Markit GDP Tracker	10/01/21	2.2%
Moody's Analytics High Frequency GDP Model	10/01/21	3.2%
Wells Fargo	9/09/21	4.6 %
Conference Board	9/15/21	5.5%

Employment

The U.S. Bureau of Labor Statistics reported that **total nonfarm payroll employment** increased by 194,000 jobs in September. Employment is up 17.4 million from April 2020 but remains below February 2020's pre-pandemic levels by 5.0 million jobs (3.3%). Notable gains were made in leisure and hospitality, retail trade, professional and business services, and transportation and warehousing.

In September, **leisure and hospitality** jobs rose by 74,000. Employment increased in arts, entertainment, and recreation (43,000), as well as in food services and drinking places (29,000). Despite continued gains in employment this sector remained 1.6 million (9.4%) jobs lower than in February 2020.



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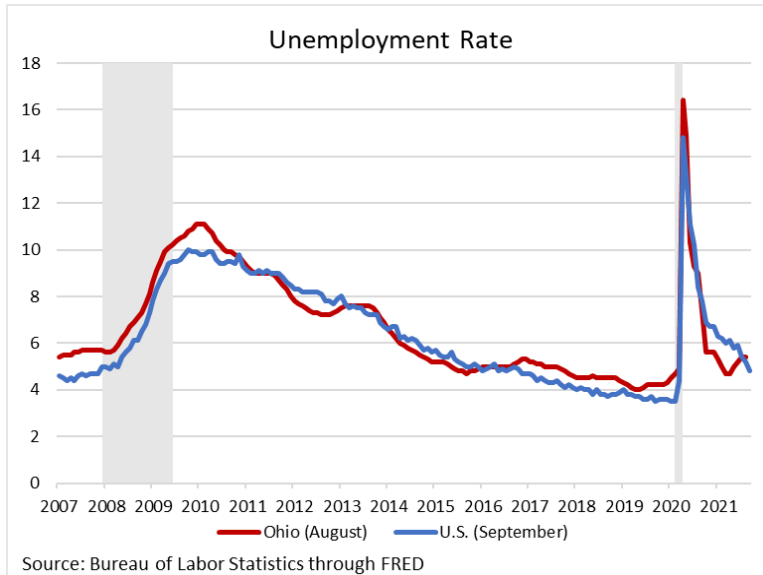
Retail trade employment rose by 56,000 jobs following two months of relatively no change. Notable gains in the sector occurred in clothing and clothing accessories stores (27,300), general merchandise stores (16,100), and building material and garden supply stores (16,000). These gains were partially offset by losses in food and beverage stores (-12,300). Retail employment remains 202,000 jobs below February 2020 pre-pandemic levels.

Employment in **transportation and warehousing** increased by 47,000 jobs in September, bringing employment above its February 2020 level by 72,000 jobs. Employment gains were led by warehousing and storage (15,600), couriers and messengers (12,500), and air transportation (9,700).

In September, **professional and business services** added 60,000 jobs, but employment remained below February 2020 by 385,000. Within the industry there were job gains in management and technical consulting services (15,200), architectural and engineering services (15,100), and computer systems design and related services (8,800). **Information** employment rose by 32,000 jobs and was led by increases in motion picture and sound recording industries (13,700) and publishing industries, except Internet (11,000).

The **national labor force participation rate** fell 0.1 percentage points to 61.6 in September and has remained between 61.4 percent and 61.7 percent since June 2020. This rate was 1.7 percentage points lower than in February 2020. The **employment-population ratio** increased by 0.2 percentage points in September to 58.7 percent. However, the ratio remained 2.4 percentage points lower than in February 2020.

Ohio's nonfarm payroll employment decreased by 2,400 jobs to 5.3 million between July and August, following two straight months of increases. Activity through August leaves nonfarm payroll employment 4.7 percent lower than it was in February 2020. Sectors with notable losses between July and August included: education and health services (-4,800), financial activities (-1,600), leisure and hospitality (-1,500), and trade, transportation, and utilities (-900). These losses were partially offset by gains in professional and business services (6,300) and manufacturing (900). **Ohio's seasonally adjusted labor force participation rate** in August was 60.8 percent, an increase of 0.3 percentage points from July 2021. The rate remained 2.9 percentage points below February 2020's pre-pandemic level.



The Bureau of Labor Statistics reported that the national **unemployment rate** decreased 0.4 percentage points to 4.8 percent between August and September. The number of **unemployed individuals** decreased by 710,000 to 7.7 million. Despite both measures being substantially lower than their April 2020 highs, they remained above February 2020 levels by 3.5 percentage points and 5.7 million, respectively.

When examined by race, the unemployment rate for all four demographic groups decreased in September. The unemployment rate for those who identify as Black decreased 0.9 percentage points to 7.9 percent. The rate for individuals who identify as Asian fell 0.4 percentage points to 4.2 percent, and the rate for White individuals fell 0.3 percentage points to 4.2 percent. Hispanic or Latino individuals also saw their unemployment rate decrease (0.1 percentage point) to 6.3 percent. In September, the unemployment rate for women decreased 0.5 percentage points to 4.5 percent, while the rate for men decreased 0.4 percentage points to 5.0 percent. The unemployment rate for teenagers increased 0.3 percentage points to 11.5 percent.

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The number of **job leavers**, which is defined as unemployed persons who quit or voluntarily left their previous job and began looking for new employment, decreased by 34,000 to 788,000 in September. The number of unemployed people who were on **temporary layoff** marginally decreased to 1.1 million in September. This was approximately 374,000 higher than in February 2020, but substantially reduced from the high of 18.0 million in April 2020. The number of people with **permanent job losses** fell 236,000 to 2.3 million but remained roughly 953,000 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 198,000 to 2.3 million.

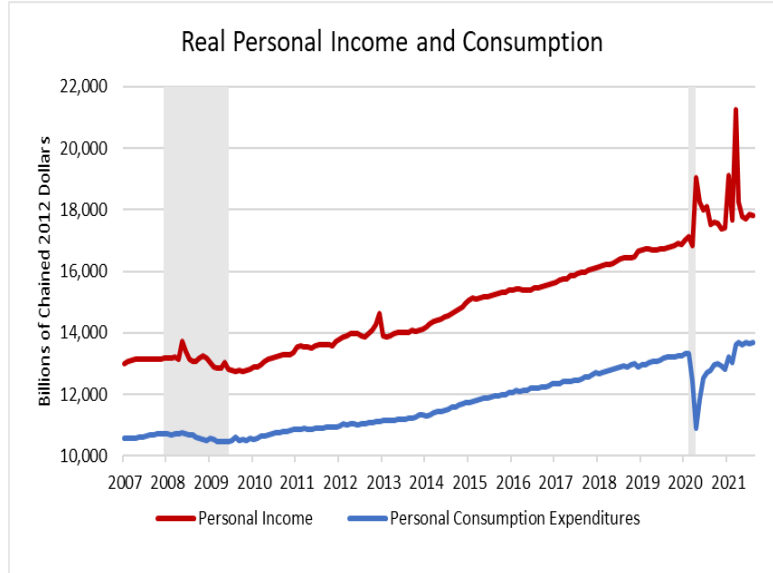
The number of unemployed individuals who were **jobless less than 5 weeks** increased by 154,000 to 2.2 million. Individuals who were **jobless 5 to 14 weeks** increased 194,000 to 1.9 million. Those **jobless 15 to 26 weeks** decreased 174,000 to 990,000. In September, unemployed individuals that were long-term unemployed, **jobless 27 weeks or more**, decreased 496,000 to 2.7 million. This measure is 1.6 million higher than in February 2020. The number of **people not in the labor force who currently want a job** marginally increased to 6.0 million people and is up by 959,000 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 0.1 percent to 122.8 from July to August and has essentially remained unchanged for the past three months. Compared to August 2020 the Ohio index is up 9.7 percent but 0.4 percent below August 2019. For comparison, the U.S. coincident index increased 0.3 percent between July and August to 129.23 and increased 1.6 percent over the last three months. From July to August, indices improved in 46 states and remained stable in four. The August diffusion index for the U.S. was 92.0 and the three-month diffusion index was 94.0.

The **Ohio unemployment rate** remained at 5.4 percent in August 2021. During the week ending October 2, 2021, a total of 9,222 initial unemployment claims were filed. This was a 96.6 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 of 776,302 in April 2020 and the week ending October 2, 2021, in which 46,492 individuals filed continued claims. On September 4, 2021, the federal Pandemic Emergency Unemployment Program which extended traditional unemployment benefits for up to 53 weeks, ended. As of the week ending October 2, there were 2,669 individuals filing for retroactive payments under this program. As of October 7, 2021, the Ohio Department of Job and Family Services had received Worker Adjustment and Retraining Notification (WARN) Act notices warning 67 employees of potential future layoffs and closures in October, six in November, and 22 in December 2021.

Consumer Income and Consumption

According to the Bureau of Economic Analysis, **personal income** increased \$35.5 billion (0.2%) in August. This is the third consecutive month of increases in personal income. This month's increase can be attributed to changes in compensation of employees of \$53.0 billion (0.4%) and government social benefits of \$21.7 billion (0.5%). Within compensation of employees, the increase is primarily due to a rise in private wages and salaries which increased \$47.1 billion (0.5%). Within government social benefits, "other" social benefits increased, due to the advance Child Tax Credit payments authorized by the American Rescue Plan.



Real personal consumption expenditures, a measure of national consumer spending for goods and services, increased 0.4 percent between July and August. Spending on both goods and services increased for the month, at 0.6 percent and 0.3 percent respectively. Overall spending on durable goods decreased by 1.3 percent, this decrease can be attributed to motor vehicles and parts which declined by 6.8 percent. This was partially offset by a 2.1 percent increase in furnishings and durable household equipment. Spending on nondurable goods increased 1.7 percent, with widespread increases in food and beverages purchased for off-premises consumption, other nondurable goods, and clothing and footwear. Within services, increases were widespread across all categories but were led by transportation services (1.7%), "other" services (0.9%), and health care (0.5%). The table below provides additional details on personal consumption spending in chained 2012 dollars, which represents real inflation adjusted growth rates.

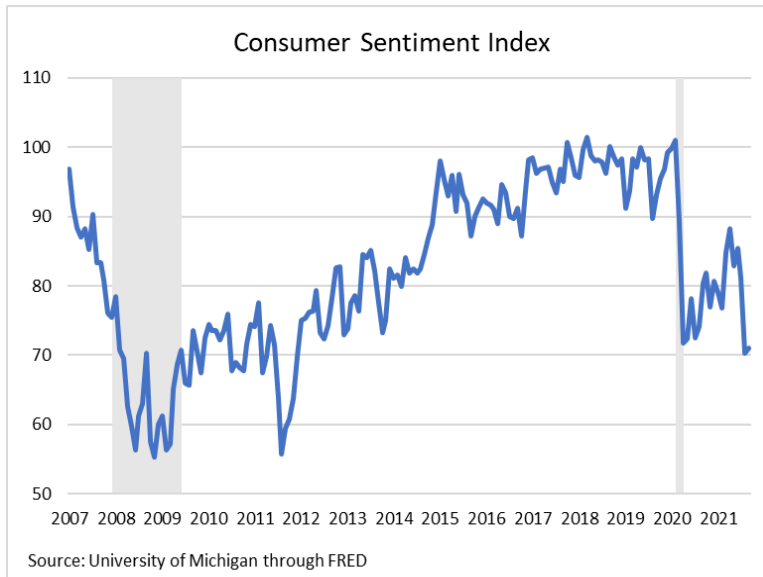
Consumer Spending by Industry, for Select Industries
(In Millions of Chained 2012 dollars)

	July 2021	August 2021	1-Month Percent Change	12-Month Percent Change	24-Month Percent Change
Durable Goods	\$2,151,965	\$2,123,549	-1.3%	4.8%	19.9%
Motor vehicles and parts	\$586,823	\$547,180	-6.8%	-6.1%	4.5%
Furnishings and durable household equipment	\$497,842	\$508,466	2.1%	7.4%	21.1%
Recreational goods and vehicles	\$786,425	\$793,978	1.0%	9.7%	34.4%
Other durable goods	\$332,037	\$337,236	1.6%	20.6%	30.9%
Nondurable goods	\$3,350,389	\$3,407,884	1.7%	8.8%	12.9%
Food and beverages purchased for off-premises consumption	\$1,093,767	\$1,118,405	2.3%	5.6%	11.7%
Clothing and footwear	\$494,719	\$503,483	1.8%	21.3%	23.8%
Gasoline and other energy goods	\$440,790	\$437,908	-0.7%	11.0%	-3.7%
Other nondurable goods	\$1,285,612	\$1,309,632	1.9%	7.3%	14.9%
Services	\$8,326,518	\$8,353,748	0.3%	6.9%	-1.4%
Transportation services	\$393,205	\$399,746	1.7%	23.9%	-13.4%
Recreation services	\$421,263	\$421,732	0.1%	23.3%	-16.7%
Food services and accommodations	\$851,787	\$853,264	0.2%	23.1%	0.0%
Other services	\$1,094,950	\$1,104,680	0.9%	11.6%	-1.6%

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

Personal saving decreased 6.2 percent (-\$113.7 billion) in August 2021 compared to July. Despite this decline, personal saving increased 13.0 percent (\$210.2 billion) from June 2021. Personal saving remained above the February 2020 level by 22.9 percent (\$318.5 billion). Personal saving as a percentage of disposable personal income, the **personal savings rate**, was 9.4 percent, a decrease of 0.7 percentage points between July and August.

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 0.3 percent in August, which followed a 0.5 percent increase in July. The ‘all items’ index increased 5.3 percent over the last 12-months, this is a smaller rise than the 5.4 percent increase for the 12-month period that ended in July. The index for used cars and trucks decreased 1.5 percent, this is the first month of decreases since February 2021. Over the past 12-months this index has increased 31.9 percent. Additionally, the index for ‘all items less food and energy’ increased 0.1 percent in August, this is its smallest increase since February 2021.



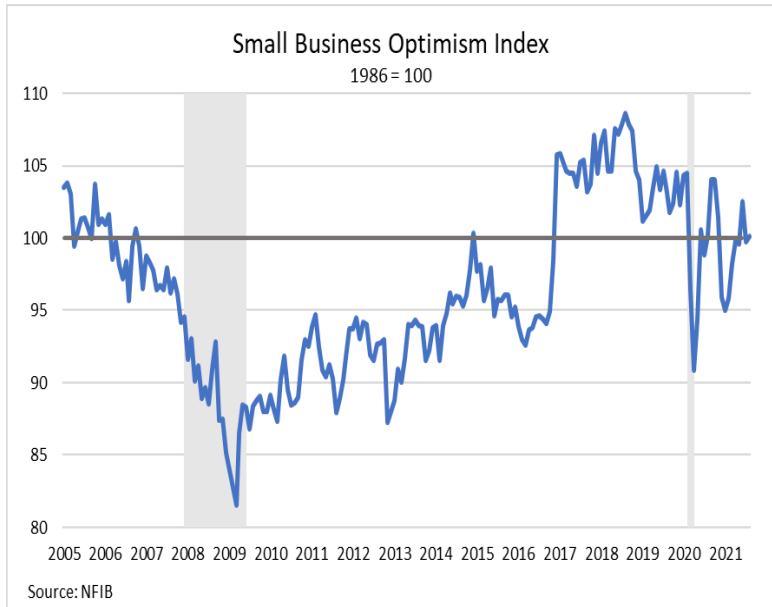
Results from the University of Michigan’s **Surveys of Consumers** indicated that consumer sentiment increased slightly in September following a sharp decline in August. The Consumer Sentiment Index increased 0.7 points to 71.0 in September 2021. This was a 1.0 percent increase from August and a 11.7 percent decrease from September 2020. The Current Economic Conditions Index decreased 1.4 points to 77.1. This was a 1.8 percent decrease from August and a 12.2 percent decrease from September 2020. The Consumer Expectations

Index increased 2.0 points to 67.1. This was a 3.1 percent increase from August and a decrease of 11.2 percent compared to September 2020. The August decline in consumer sentiment ended in early September, and despite the small gains later in the month, consumers reported the least favorable economic prospects in more than a decade. For the remainder of 2021 slower growth in consumer expenditures and purchases of housing is anticipated.

The **Conference Board’s Consumer Confidence Index**, which reflects consumer attitudes and buying intentions, fell in September for the third month in a row. Consumer confidence in September was at 109.3, down 5.9 percentage points from August’s revised value of 115.2, its lowest level since February 2021. The **Conference Board’s Present Situation Index**, which measures consumers’ current assessment of business and labor market conditions, decreased 5.5 percentage points from 148.9 in August to 143.4 in September. The **Conference Board’s Expectation Index** examines consumer short-term outlook for the economy. The index decreased in September to 86.6, down 6.2 percentage points from August. Continued decreases in consumer optimism were attributed to concerns regarding the delta variant of COVID-19 and the overall state of the economy. Furthermore, spending intentions for autos, major appliances, and homes all fell again in September. Concerns of short-term inflation eased a bit but are still elevated from normal levels. The Conference Board noted that declines for the last three months – and the last two in particular – suggest that consumers are likely to pull back on spending going forward as they have grown more cautious.

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 100.1 in August, bouncing back slightly after falling almost 3 percentage points in July.

Of the 10 components that comprise this Index, four declined, five improved, and one remained unchanged. Earning trends declined 2.0 points over the past three months, to a net negative 15.0 percent. The percent of owners raising average selling prices rose three points to a net 49.0 percent. The Uncertainty Index decreased 7.0 points to 69.0, as owners indicated that they were more certain about their views than in previous months. Qualified labor shortages continue to be an issue, as 50.0 percent of small business owners reported having openings that they could not fill during the current period, a 48-year record high for the second month in a row.



The travel and hospitality industries continue to face significant challenges due to the pandemic and the rise of the delta variant. The **Transportation Security Administration** (TSA) tracks how many travelers go through TSA checkpoints as “throughput.” As summer travel slows and we see a rise in COVID-19 cases, airline travel decreased 11.1 percent in September 2021 compared to August. Total travel throughput in September 2021 was 134.1 percent higher than in September 2020; however, travel was 41.2 percent lower in September 2021 compared to September 2019.

For the week ending September 25, 2021, **STR**, a company that provides analytics and data on the hospitality sector, reported the hotel occupancy rate was 63.2 percent, 11.0 percent below the comparable week in 2019. The average daily rate for a hotel room was \$133.69, down 2.0 percent from the comparable week. Revenue per available room was \$84.54, which was 12.8 percent lower than the equivalent week in 2019.

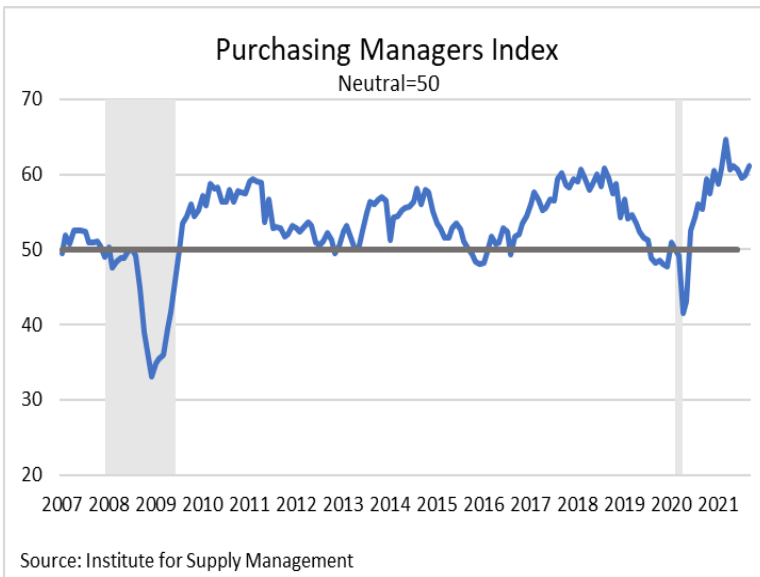
Commercial vehicle miles traveled on the Ohio turnpike in September increased 11.2 percent compared to the same period in 2020 and increased 11.7 percent compared to the same period in 2019. **Passenger vehicle miles traveled** in September increased 20.5 percent compared to the same period in 2020 and increased 8.2 percent compared to the same period in 2019. **Total revenue** on the Ohio turnpike was 16.6 percent higher in September compared to the same period in 2020 and increased 15.2 percent compared to the same period in 2019.

Industrial Activity

The Industrial Production Index from the Board of Governors of the Federal Reserve System is an indicator that measures real output for manufacturing, mining, and gas and electric utility facilities located in the United States. Preliminary data released indicated that **total industrial production** increased 0.4 percent in August, following a revised increase of 0.8 percent in July. However, due to closures stemming from Hurricane Ida, industrial production was held down by an estimated 0.3 percentage points. The August index was 5.9 percent higher compared to August 2020 and is 0.3 percent above its pre-pandemic levels in February 2020.

The **manufacturing production index** increased 0.2 percent in August and was 1.0 percent above its pre-pandemic level. The production of durable and nondurable goods increased modestly, and the largest increase was in consumer energy products which increased 2.5 percent. The rise was then led by gains in nondurable goods production (1.0%), and durable goods manufacturing (0.2%). The increase of the nondurable goods index was driven by an increase in paper products, petroleum and coal products, and food, beverage, and tobacco products. The largest increase in durable goods was in furniture and related products.

Nationally, manufacturing in six of the top 10 industries relevant to Ohio’s manufacturing sector increased production in August. The biggest increase was in fabricated metal products, as it increased 0.7 percent following a revised 0.4 percent decrease in July. Other industry increases included: petroleum and coal products (0.6%), food, beverage, and tobacco products (0.4%), plastics and rubber products (0.3%), motor vehicles and parts (0.1%), and aerospace and other transportation equipment (0.1%). These gains were partially offset by decreases in electrical equipment and appliances (-1.2%), machinery (-0.8%), chemicals (-0.5%), and primary metals (-0.2%).



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 September, the PMI for the United States increased 1.2 percentage points compared to August, indicating an overall expansion of the manufacturing economy for the 16th month in a row following a contraction in April 2020.

The New Orders Index for September was at 66.7 percent, unchanged from August. The Backlog of Orders Index fell 3.4 percentage points to 64.8 percent, and the Employment Index expanded 1.2 percentage points to 50.2 percent. Overall, these indices indicate that the manufacturing sector continues to grow. Respondents continue to report unparalleled struggles to meet increasing levels of demand due to difficulties transporting products, the rising prices for commodities, record-long lead times for raw materials, and continued shortages of critical materials.

Of the 18 industries tracked by the Manufacturing ISM[®] *Report on Business*, 17 reported growth between August and September. All 10 industries most important to Ohio's manufacturing sector reported growth in the last month, with petroleum and coal products leading the way.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM suggested that many in the manufacturing industry continued to feel the effects of labor and supply chain shortages in September. A source in the machinery industry reported, "Our company's entire supply chain continues to have significant challenges getting manpower, which is impacting production of parts and ability to meet daily build schedules. Additionally, the logistics problems — especially port delays and a shortage of shipping containers — are significantly impacting inbound and outbound shipments. Raw materials costs still are at record highs, and we have raised customer pricing, with additional increases in the near future due to labor costs going up." Additionally, a respondent in the chemical products industry reported, "The impacts from Hurricane Ida on the petrochemical industry has put additional stress on an already fragile supply chain. Logistics with intermodal contains and motor carriers continues to be a challenge for planning deliveries of materials."

Construction

The U.S. Census Bureau estimated **total construction spending** in August to be at a seasonally adjusted annual rate of \$1.6 billion, unchanging from the revised July estimate. The August 2021 estimate was 8.9 percent above that of August 2020 and 14.9 percent above August 2019.

Private sector construction spending in August 2021 was at a seasonally adjusted annual rate of \$1.2 billion. This was 0.1 percent below the revised July estimate and 13.0 percent above the rate in August 2020. Residential construction in August increased 0.4 percent from July and remained 24.3 percent above August 2020. On the other hand, nonresidential construction decreased 1.0 percent in August from the revised July rate and was 2.3 percent below August 2020.

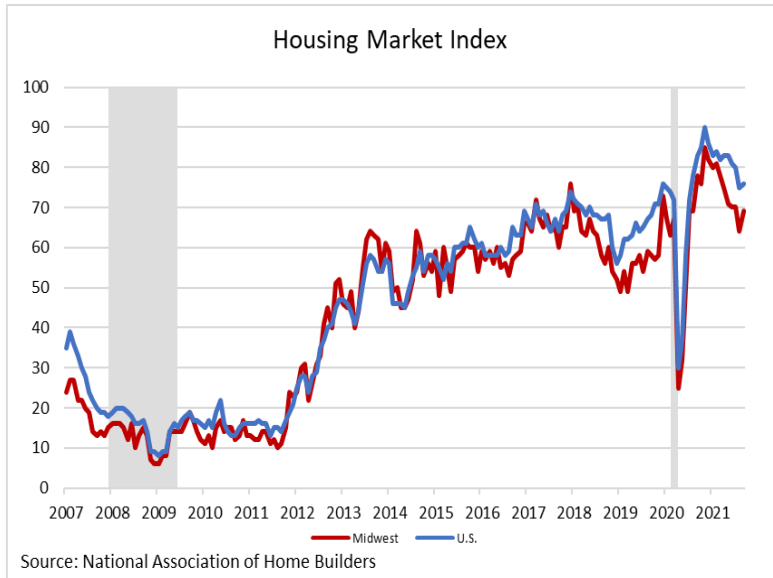
Public sector construction spending in August was at a seasonally adjusted annual rate of \$341.9 billion. This was 0.5 percent above the revised July estimate but 4.0 percent below the August 2020 rate. Spending in August on education construction was 1.1 percent above July's revised value yet remained 5.9 percent below August 2020. Highway construction spending in August was 1.6 percent above the revised July value and was 2.7 percent above August 2020.

Nationally, the number of privately-owned housing units approved increased 5.6 percent between July and August and were 13.1 percent above August 2020 levels. In Ohio, building permits for privately-owned units increased 29.4 percent in August, and were 47.1 percent above the number of permits issued in August 2020. Nationally, privately-owned housing starts increased 3.9 percent in August compared to July and were 17.4 percent above the August 2020 rate. Privately-owned housing starts in the Midwest increased 11.4 percent between July and August and were 14.5 percent below August 2020 levels. Nationally, privately-owned housing completions decreased 4.5 percent in August and were 9.4 percent above the August 2020 rate. In August, privately-owned housing completions in the Midwest decreased 23.8 percent and were 17.5 percent below the August 2020 level.

The U.S. Census Bureau and the Department of Housing and Urban Development report on **newly built single-family home sales**. In August, new home sales increased 1.5 percent to an estimated 740,000, but remained 19.1 percent below the August 2020 estimate. In the Midwest, new home sales decreased 31.1 percent between July and August, and were 46.9 percent below the August 2020 level. The preliminary national median sales price in August was \$390,900, unchanged from the revised median price in July, and increased 20.1 percent compared to August 2020.

Existing home sales, as reported by the National Association of Realtors, decreased in August, after two consecutive months of increases. Sales decreased 2.0 percent in August compared to July, at a seasonally adjusted annual rate of 5.9 million housing units. This was a decrease of 1.5 percent from the year prior. Available inventory in August decreased to 1.3 million units, a decrease of 1.5 percent from July but remained 13.4 percent lower than a year ago. Despite a decline in sales, prices throughout August increased nationwide, as potential buyers cautiously searched limited inventory. The median sale price of all existing homes increased 15.6 percent from a year ago. August 2021 was the 114th continuous month of year-over-year increases in existing median home sales price. Sales in the Midwest decreased 1.4 percent in August and sales are 2.1 percent below August 2020. According to the **Ohio Realtors**, activity in the Ohio housing market increased during the month of August, as home sales increased 1.0 percent compared to August 2020. The average sale price was \$254,239 in August, a 14.0 percent increase compared to August 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 80 indicates a strong demand in the housing market. Nationally, the HMI Index increased 1.0 point in September to 76.0 from a revised 75.0 in August, a 1.3 percent increase. This is the first increase since April 2021 and is due to a decline in lumber prices and strong housing demand. The September index indicates that sentiment is stabilizing as cost challenges ease. However, delivery times and labor shortages still constrain the market. In the Midwest, the HMI increased 5.0 points in September to 69.0 from a revised 64.0 in August.



REVENUES

September GRF tax revenues were \$94.0 million (4.5%) above estimate due to the performance of the non-auto sales tax and the personal income tax, which exceeded estimate by \$49.4 million and \$47.5 million, respectively. For the fiscal year-to-date, all tax sources either have exceeded estimate or have produced an immaterial negative variance; the only exceptions are two energy-based taxes (the kilowatt-hour tax and natural gas distribution tax) that are unpredictable from month to month. September tax receipts increased by \$265.7 million (13.8%) from the prior year. Again, the notable sources of growth were the non-auto sales tax and personal income tax. GRF non-auto sales tax revenue grew at the strongest year-over-year rate (17.2%) since May 2021, when year-over-year growth comparisons were skewed by the extremely low revenue levels experienced early in the pandemic.

Aggregate (tax and non-tax) GRF receipts and transfers totaled \$3.0 billion in September and were \$151.6 million (5.3%) above estimate. As noted above, tax revenues were \$94.0 million (4.5%) above estimate. Non-tax receipts were \$51.0 million (6.8%) above estimate and transfers were \$6.6 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	\$134.0	2.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$97.7)	-3.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$11.5	38.0%
TOTAL REVENUE VARIANCE:		\$47.9	0.5%
Non-federal revenue variance		\$207.3	3.2%
Federal grants variance		(\$159.5)	-5.0%

For September, receipts and transfers were \$75.3 million (2.6%) above the previous year. Tax receipts increased by \$265.7 million (13.8%), non-tax receipts decreased by \$197.0 million (-19.8%), and transfers increased by \$6.6 million. For the year-to-date, tax receipts are \$113.4 million (-1.7%) below last year and non-tax receipts are \$610.1 million (-16.1%) below the prior year. Transfers are \$37.9 million (-47.5%) below last year on a year-to-date basis.

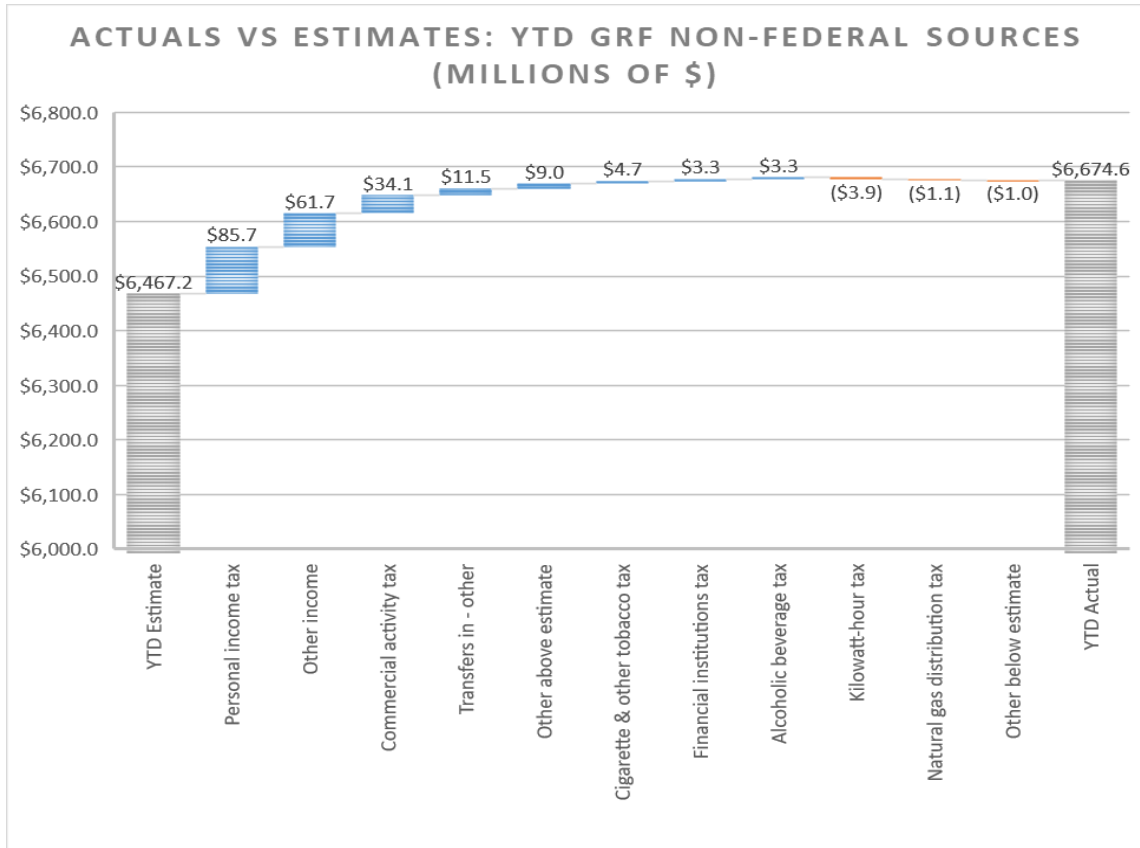
During September, the source with the largest year-over-year increase was personal income tax, at \$143.4 million (16.2%) above last year. The next-largest increases were other income at \$127.5 million and non-auto sales tax at \$126.9 million (17.2%). The largest decline was experienced by Federal grants at \$323.0 million (-32.6%), followed by cigarette and other tobacco products tax at \$10.4 million (-11.6%) and kilowatt-hour tax at \$6.4 million (-20.7%).

The table below shows that sources above estimate (a positive variance of \$245.0 million) in September outweighed the size of sources below estimate (a negative variance of \$93.4 million), resulting in a \$151.6 million net positive variance from estimate.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Other income	\$127.2	Federal grants	(\$76.6)
Non-auto sales tax	\$49.4	Cigarette & other tobacco tax	(\$5.4)
Personal income tax	\$47.5	Auto sales tax	(\$5.4)
Transfers in-other	\$6.6	Kilowatt-hour tax	(\$5.3)
Commercial activity tax	\$5.7	Other sources below estimate	(\$0.8)
Financial institutions tax	\$4.0		
Foreign insurance tax	\$3.0		
Other sources above estimate	\$1.6		
Total above	\$245.0	Total below	(\$93.4)

(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 \$207.3 million.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in September totaled \$865.3 million and were \$49.4 million (6.1%) above the estimate. For the fiscal year-to-date, revenues are essentially at estimate, with a positive variance of \$774,000. September revenue was \$126.9 million (17.2%) above the prior year, while year-to-date revenue is \$192.6 million (7.7%) above fiscal year 2021.

To provide a more complete depiction of tax source performance, recent editions of this report have provided all-funds (combined GRF, Public Library Fund, and permissive sales tax distribution funds) non-auto sales tax revenues. Continuing this practice, September all-funds non-auto sales tax revenue was \$1.14 billion, an amount that was \$157.2 million (15.9%) higher than the prior year. Although not quite as large as the record monthly levels attained during the April 2021 through July 2021 period (which averaged \$1.2 billion per month), September revenue was nonetheless \$92.1 million (8.8%) above the average \$1.0 billion monthly intake experienced during the first nine months of fiscal year 2021. However, since this revenue source has seasonal features (for example, certain months in the fall and winter tend to be considerably lower than other months) and because last September reflected the still-early stages of adjustment to the pandemic and recovery, September 2019 may provide a more illuminating basis of comparison with September 2021: such a comparison shows that all-funds revenues grew by \$184.1 million (19.2%), translating into a compound average annual growth rate of 9.2 percent.

Evidence continues to show a shift in consumption from services, which are mostly excluded from sales tax to taxable goods, fostering sales tax revenue intake due to the orientation of the tax toward goods rather than services. The current “Monthly Event Study of Spending” table issued by the U.S. Bureau of Economic Analysis (BEA) – a high-frequency data series which uses credit card spending data from Fiserv (a major card intermediary company) – continues to indicate significant declines in industries generally not subject to sales tax: Recreation, Accommodations, and Food Services categories show median growth rates ranging from -13.9 percent to -16.5 percent in August relative to pre-pandemic levels. These segments showed somewhat worsening performance in August compared to July. Most retail segments that are predominantly subject to Ohio sales tax continue to display strong recovery: Furniture, Building Materials & Garden Equipment, Electronics and Appliance, Automotive Parts, Sporting Goods & Hobby, and General Merchandise categories had median monthly growth rates ranging from 12.9 percent to 36.7 percent in August.

U.S. retail data emanate each month from the Bureau of Census, through its Monthly Advance Retail Trade Survey (MARTS) program. For retail categories that are predominantly subject to Ohio non-auto sales tax (comprised of companies with NAICS codes 442, 443, 444, 448, 451, 452, 453, and 454), the MARTS data show moderating year-over-year increases in the earlier summer months, followed by strengthening during August: non-seasonally adjusted sales growth was 14.4 percent in August 2021, following a year-over-year growth rate of 11.0 percent in July, 11.3 percent in June, and 18.1 percent in May. Month-over-month sales also increased in the most recent data release. Using seasonally adjusted figures, August 2021 sales for the above-indicated retail categories were 2.2 percent above July’s level, following a decline during July.

Auto Sales Tax

September auto sales tax revenues were \$153.5 million and were \$5.4 million (-3.4%) below the estimate. For the year-to-date, this source is \$607,000 (-0.1%) below estimate. The source was \$5.2 million (3.5%) above last September. All-funds revenues (i.e., the GRF and permissive sales tax distribution funds) provide a more extensive indication of tax source performance than do GRF revenues alone: when measured on an all-funds basis, auto sales tax revenue increased by \$8.4 million (4.5%) during September.

The U.S. light vehicle market continues to be highly dynamic and considerably unsettled since the onset of the pandemic. A return to market equilibrium is not yet in sight, with new vehicle production remaining well under market demand (due to major supply chain issues) and as average vehicle prices remain considerably elevated, particularly for used vehicles.

U.S. data show new vehicle unit sales continuing to decline well below the levels reached this spring. New light vehicle sales in September reached an estimated 12.2 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 represents a 6.3 percent decrease from August and signifies the fifth-straight monthly decline, with a 33.4 percent decrease observed since April. The September figure is 25.2 percent lower than the previous year. Computer chip shortages continue to be cited as the major cause of constrained sales although new vehicle production has been impacted by other supply chain shortages and challenges. Meanwhile, new vehicle transaction prices continued to grow in September: TrueCar, Inc. estimates that the average transaction price for new vehicles was \$39,540 in September, up 2.5 percent from August and entailing a 7.7 percent increase relative to last September.

Turning to used vehicles, TrueCar, Inc. estimates that the number of used vehicle units sold at retail during September to be 3.6 million (not annualized and not seasonally adjusted), down 2.0 percent from last month but 3.0 percent above last year. Moody's Analytics reports that its wholesale price index for used vehicles increased by 35.0 percent in September from the prior year. As discussed in last month's Monthly Financial Report, such price growth reflects strong demand in a market impacted by numerous factors but particularly by suppressed new vehicle production.

Ohio data shows that used vehicle price growth accounts for increased motor vehicle revenue in recent months. According to quarterly data from the Bureau of Motor Vehicles (BMV), taxable sales of titled motor vehicles increased by \$627.5 million (7.3%) in the third quarter of calendar year 2021 compared to the prior year. The entire increase is attributable to used vehicles, whose sales grew by \$874.5 million (17.1%); new vehicle sales declined by \$247.0 million (-7.2%). For aggregate (new and used) motor vehicle transactions, the number of unit sales and average transaction values went in opposite directions in the third quarter: titled motor vehicle transactions declined by 84,262 (-12.8%), while average taxable price increased by \$3,015 (23.1%). New and used vehicles experienced nearly identical percentage declines in the number of transactions (-12.9% and -12.8%, respectively). However, the average price of new vehicles increased by 6.6 percent while used vehicle average prices grew by 34.4 percent. As a result, used vehicle sales accounted for 65.1 percent of total motor vehicle sales during the third quarter of this year, compared to 59.6 percent in the prior year. The growth dynamics of the third quarter were considerably different than in recent periods: during the first two quarters of calendar year 2021, both unit sales and average prices experienced year-over-year growth, with unit sales growth being the primary force.

Personal Income Tax

September GRF personal income tax receipts totaled \$1.0 billion and were \$47.5 million (4.8%) above the estimate. For the year-to-date, revenue is \$85.7 million (3.6%) above estimate. On a year-over-year basis, September income tax collections were \$143.4 million (16.2%) above September 2020 collections.

Most of the month's positive variance was due to withholding. Withholding collections were \$38.9 (4.9%) above estimate in September. For the fiscal year-to-date, this component exceeds estimate by \$39.9 million (1.7%). Withholding was \$98.9 million (13.4%) above last year during September and is \$111.8 (5.0%) above last year for the fiscal year-to-date. Note that for the next 12 months, year-over-year comparisons will be impacted by the three-percent reduction in employer withholding tax rates that took effect in September 2021 (the reduced withholding rates were in response to the reduction in personal income tax rates on non-business income that took effect in taxable year 2021, as enacted by the fiscal years 2022-23 state operating budget bill, HB 110 of the 134th General Assembly).

Annual returns were another source of positive material variation for the month. In September, annual return payments were \$13.9 million (69.0%) above estimate; as a result, this component is now \$13.1 million (27.0%) above estimate for the fiscal year. September's results build upon strong performance during the 2021 filing season: annual return payments are now \$192.2 million (18.2%) above estimate for the elapsed filing season (January-September 2021) and are \$299.6 million (31.6%) above the prior year's filing season to date (January-September 2020).

Quarterly estimated payments for the third quarter of calendar year 2021 were due in September, making it an important month for that component. Estimated payments effectively matched expectations, exceeding the estimate by a slight \$856,000 (0.4%). For the fiscal year, estimated payments remain almost exactly on track with estimate, exceeding the mark by \$521,000 (0.2%). This component grew by \$17.0 million (8.1%) from last September.

Refunds were \$4.0 million (11.0%) above estimate in September but are \$30.3 million (-19.4%) below estimate for the fiscal year. This component was \$18.9 million (-31.9%) below last September. For the elapsed (January-September 2021) filing season, refunds have exceeded estimate by \$68.8 million (4.2%). Compared to January-September 2020, refunds during this filing season have declined by \$245.1 million (-12.5%).

Local distributions nearly matched the estimate and were \$1.2 million (2.9%) larger than the prior year. Although this component is almost entirely comprised of distribution funds that receive a designated percentage of GRF tax revenue collected during the preceding month, year-over-year growth in local distributions was lower than the preceding month's GRF revenue growth. This is due to the Local Government Fund share of revenue reverting to its statutory 1.66 percent funding share beginning in fiscal year 2022, from its previous temporary 1.68 percent share.

SEPTEMBER PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	Actual September	Estimate September	\$ Var	Actual Sep-2021	Actual Sep- 2020	\$ Var Y-over-Y
Withholding	\$836.4	\$797.5	\$38.9	\$836.4	\$737.5	\$98.9
Quarterly Est.	\$226.7	\$225.8	\$0.9	\$226.7	\$209.6	\$17.0
Annual Returns & 40 P	\$34.0	\$20.1	\$13.9	\$34.0	\$21.3	\$12.6
Trust Payments	\$7.7	\$11.0	(\$3.3)	\$7.7	\$12.3	(\$4.6)
Other	\$8.0	\$6.2	\$1.8	\$8.0	\$6.2	\$1.8
Less: Refunds	(\$40.3)	(\$36.3)	(\$4.0)	(\$40.3)	(\$59.2)	\$18.9
Local Distr.	(\$41.1)	(\$40.4)	(\$0.7)	(\$41.1)	(\$39.9)	(\$1.2)
Net to GRF	\$1,031.4	\$983.9	\$47.5	\$1,031.4	\$888.0	\$143.4

(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)

September revenues were \$5.7 million (68.3%) above the estimate. For the year-to-date, the source is \$34.1 million (8.1%) above estimate. CAT revenue in September was \$1.6 million (-10.2%) below last year but fiscal year-to-date revenue is \$107.9 million (31.1%) above the previous year. Such growth reflects the suppressed conditions of last year, when the most economically distressed quarterly period (April-June 2020) of the pandemic impacted CAT revenue. Because of last year's unique conditions, an alternative growth comparison can be computed against first-quarter fiscal year 2020 revenue: using that comparison, revenue increased by \$56.1 million (14.0%) producing an average annual growth rate of 6.8 percent. It should also be noted that, except for the third quarter of fiscal year 2021, the first quarter of fiscal year 2022 produced more GRF CAT revenue than any quarter since the inception of the tax.

GRF Non-Tax Receipts

GRF non-tax receipts totaled \$798.3 million and were \$51.0 million (6.8%) above estimate for the month of September. The positive variance was driven by the Other Income category, which was \$127.2 million above estimate. This large variance was caused by the timing of the JobsOhio deferred compensation payments from liquor profits. This payment was estimated for August but occurred in September. In addition to the timing of the payment, the amount was more than \$50 million above original estimates.

This positive variance was partially offset by a negative variance of \$76.6 million (-10.3%) in the Federal Grants category. This variance coincides with lower than projected Medicaid disbursements for the month, discussed in the disbursement section of this report.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL SEPTEMBER	ESTIMATE SEPTEMBER	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	865,294	815,900	49,394	6.1%	2,682,774	2,682,000	774	0.0%
Auto Sales & Use	153,508	158,900	(5,392)	-3.4%	512,793	513,400	(607)	-0.1%
Subtotal Sales & Use	1,018,802	974,800	44,002	4.5%	3,195,567	3,195,400	167	0.0%
Personal Income	1,031,409	983,900	47,509	4.8%	2,463,063	2,377,400	85,663	3.6%
Corporate Franchise	28	0	28	N/A	435	0	435	N/A
Financial Institutions Tax	(3,382)	(7,400)	4,018	54.3%	(3,405)	(6,700)	3,295	49.2%
Commercial Activity Tax	13,969	8,300	5,669	68.3%	455,543	421,400	34,143	8.1%
Petroleum Activity Tax	1,425	1,700	(275)	-16.2%	1,425	1,700	(275)	-16.2%
Public Utility	(277)	100	(377)	-377.4%	34,600	31,700	2,900	9.1%
Kilowatt Hour	24,429	29,700	(5,271)	-17.7%	77,859	81,800	(3,941)	-4.8%
Natural Gas Distribution	0	100	(100)	N/A	12,874	14,000	(1,126)	-8.0%
Foreign Insurance	10,731	7,700	3,031	39.4%	10,737	8,000	2,737	34.2%
Domestic Insurance	36	0	36	N/A	1,650	200	1,450	724.9%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	79,468	84,900	(5,432)	-6.4%	191,712	187,000	4,712	2.5%
Alcoholic Beverage	5,104	4,000	1,104	27.6%	18,637	15,300	3,337	21.8%
Liquor Gallonage	4,811	4,800	11	0.2%	15,005	14,500	505	3.5%
Estate	1	0	1	N/A	4	0	4	N/A
Total Tax Receipts	2,186,554	2,092,600	93,954	4.5%	6,475,705	6,341,700	134,005	2.1%
NON-TAX RECEIPTS								
Federal Grants	666,552	743,133	(76,581)	-10.3%	3,012,930	3,172,385	(159,454)	-5.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	3,497	3,167	329	10.4%	8,916	8,997	(81)	-0.9%
Other Income	128,158	985	127,173	12912.7%	147,841	86,173	61,668	71.6%
ISTV'S	120	0	120	N/A	203	0	203	N/A
Total Non-Tax Receipts	798,326	747,285	51,041	6.8%	3,169,890	3,267,555	(97,665)	-3.0%
TOTAL REVENUES	2,984,880	2,839,885	144,994	5.1%	9,645,595	9,609,255	36,341	0.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,585	0	6,585	N/A	41,895	30,362	11,533	38.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,585	0	6,585	N/A	41,895	30,362	11,533	38.0%
TOTAL SOURCES	2,991,465	2,839,885	151,579	5.3%	9,687,491	9,639,617	47,873	0.5%

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	SEPTEMBER FY 2022	SEPTEMBER FY 2021	\$ VAR	% VAR	ACTUAL FY 2022	ACTUAL FY 2021	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	865,294	738,370	126,924	17.2%	2,682,774	2,490,157	192,617	7.7%
Auto Sales & Use	153,508	148,303	5,205	3.5%	512,793	487,223	25,570	5.2%
Subtotal Sales & Use	1,018,802	886,673	132,129	14.9%	3,195,567	2,977,380	218,187	7.3%
Personal Income	1,031,409	887,978	143,431	16.2%	2,463,063	2,905,817	(442,753)	-15.2%
Corporate Franchise	28	91	(63)	-69.6%	435	271	164	60.7%
Financial Institutions Tax	(3,382)	(6,367)	2,985	46.9%	(3,405)	(3,977)	572	14.4%
Commercial Activity Tax	13,969	15,553	(1,584)	-10.2%	455,543	347,599	107,944	31.1%
Petroleum Activity Tax	1,425	878	547	62.3%	1,425	878	547	62.3%
Public Utility	(277)	56	(333)	-598.7%	34,600	31,340	3,259	10.4%
Kilowatt Hour	24,429	30,797	(6,368)	-20.7%	77,859	82,180	(4,321)	-5.3%
Natural Gas Distribution	0	121	(121)	N/A	12,874	13,691	(816)	-6.0%
Foreign Insurance	10,731	6,808	3,924	57.6%	10,737	6,845	3,891	56.8%
Domestic Insurance	36	0	36	N/A	1,650	824	826	100.3%
Other Business & Property	0	0	0	N/A	0	15	(15)	N/A
Cigarette and Other Tobacco	79,468	89,911	(10,444)	-11.6%	191,712	195,993	(4,282)	-2.2%
Alcoholic Beverage	5,104	3,603	1,501	41.7%	18,637	15,546	3,091	19.9%
Liquor Gallonage	4,811	4,712	99	2.1%	15,005	14,738	267	1.8%
Estate	1	11	(9)	-90.2%	4	11	(8)	-68.2%
Total Tax Receipts	2,186,554	1,920,824	265,729	13.8%	6,475,705	6,589,152	(113,447)	-1.7%
NON-TAX RECEIPTS								
Federal Grants	666,552	989,526	(322,974)	-32.6%	3,012,930	3,687,287	(674,357)	-18.3%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	3,497	5,099	(1,602)	-31.4%	8,916	11,496	(2,580)	-22.4%
Other Income	128,158	690	127,468	18484.6%	147,841	81,215	66,626	82.0%
ISTV'S	120	0	120	N/A	203	7	196	2904.5%
Total Non-Tax Receipts	798,326	995,314	(196,988)	-19.8%	3,169,890	3,780,005	(610,115)	-16.1%
TOTAL REVENUES	2,984,880	2,916,139	68,741	2.4%	9,645,595	10,369,157	(723,562)	-7.0%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,585	0	6,585	N/A	41,895	79,832	(37,937)	-47.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,585	0	6,585	N/A	41,895	79,832	(37,937)	-47.5%
TOTAL SOURCES	2,991,465	2,916,139	75,326	2.6%	9,687,491	10,448,989	(761,498)	-7.3%

DISBURSEMENTS

September GRF disbursements, across all uses, totaled \$2.5 billion and were \$453.2 million (-15.6%) below estimate. This variance was primarily attributable to below estimate disbursements in property tax reimbursements. On a year-over-year basis, September total uses were \$632.2 million (-20.5%) lower than those of the same month in the previous fiscal year, with a decrease 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)	-\$631.5	-20.4%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	-\$0.7	N/A
TOTAL DISBURSEMENTS VARIANCE:		-\$632.2	-20.5%

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 by the Ohio Department of Education. September disbursements for this category totaled \$316.6 million and were \$116.3 million (-26.9%) below estimate. This variance was primarily attributable to below estimated disbursements in the Foundation Funding – All Students and Student Assessment line items. Disbursements for the Foundation Funding – All Students line item were below estimate due to timing of payments. Payments for EdChoice Scholarships were less than projected as applications continue to be reviewed and approved by the department. Payments for regular and special education tuition were estimated to occur in September but are now expected to disburse in October. Disbursements for the Student Assessment line item were below estimate as the final cost of school year 2020-2021 assessments were less than anticipated and prior year encumbrances will now lapse. Expenditures for the school foundation program totaled \$301.9 million and were \$110.8 million (-26.8%) below estimate.

Year-to-date disbursements were \$2.1 billion, which were \$122.8 million (-5.5%) below estimate. On a year-over-year basis, disbursements in this category were \$352.5 million (-52.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were \$284.7 million (-11.9%) lower than the same point in fiscal year 2021. The year-to-date and year-over-year variances were due to six foundation payments occurring through September of fiscal year 2022, while seven foundation payments occurred through September of fiscal year 2021.

Higher Education

September disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled \$197.9 million and were \$38.0 million (-16.1%) below estimate. This variance was primarily attributable to spending in multiple programs because Memorandums of Understanding (MOUs), which are necessary prior to disbursement of funds, have not been completed and spending was below the monthly estimates by a total of \$32.4 million. Another significant source of the variance was the result of spending in the Choose Ohio First and National Guard Scholarship programs, which were \$3.9 million below estimate due to lower-than-expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were \$562.9 million, which were \$43.3 million (-7.1%) below the estimate. On a year-over-year basis, disbursements in this category were \$1.5 million (0.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$3.3 million (-0.6%) lower 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.

September disbursements in this category totaled \$12.8 million and were \$1.5 million (12.9%) above estimate. Year-to-date disbursements were \$30.2 million and were \$2.1 million (7.6%) above estimate. On a year-over-year basis, disbursements in this category were \$4.8 million (60.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$4.8 million (18.9%) 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

September GRF disbursements for the Medicaid Program totaled \$955.1 million and were \$73.5 million (-7.1%) below estimate and \$348.9 million (-26.8%) below disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled \$4.4 billion and were \$228.2 million (-5.0%) below estimate, and \$912.1 billion (-17.3%) below disbursements for the same point in the previous fiscal year.

The monthly GRF variance was primarily attributable to below estimated spending in the managed care program due to delays in non-enrollment related payments and delays in the implementation of new managed care rates. Managed care enrollment exhibited minimal variance, with all major eligibility categories within +/- 1.0 percent of estimates. While close to estimates, managed care enrollment continues to increase month-to-month due to the suspension of redeterminations as mandated by federal law. Fee-for-service enrollment was approximately 3.4 percent below estimate, further contributing to the below estimate GRF spending. The year-over-year variance was primarily attributable to the timing and use of non-GRF funds, which can significantly affect month-to-month GRF usage. Fiscal year 2022 exhibits more non-GRF spending in the beginning of the fiscal year when compared to fiscal year 2021.

September all-funds disbursements for the Medicaid Program totaled \$3.1 billion and were \$144.9 million (-4.5%) below estimate, and \$591.9 million (23.8%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled \$8.1 billion and were \$369.1 million (-4.3%) below estimate, and \$7.3 million (-0.1%) below disbursements for the same point in the previous fiscal year.

The September all-funds variance was primarily attributable to below estimate spending for the Hospital Care Assurance Program (HCAP), due mostly to timing, and the below estimate GRF spending mentioned above. Additionally, there were further delays to a Care Innovation and Community Improvement Program (CICIP) payment, which remains delayed to future months. Partially offsetting this variance was above estimate disbursements in administration related line items, notably in the Department of Job and Family Services where payments were delayed from prior months. The year-over-year variance was primarily attributable to the timing of the HCAP payment within respective fiscal years.

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

(In millions, totals may not be exact due to rounding)

	<u>Sep. Estimate</u>	<u>Sep. Actual</u>	<u>Variance</u>	<u>Variance %</u>
GRF	\$1,028.6	\$955.1	-\$73.5	-7.1%
Non-GRF	\$2,200.1	\$2,128.7	-\$71.4	-3.2%
All Funds	\$3,228.7	\$3,083.8	-\$144.9	-4.5%

Enrollment

Total September enrollment was 3.28 million, which was 2,550 (-0.1%) below estimate and 246,100 (8.1%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.26 million and was 4,760 (-0.2%) below estimate.

September enrollment by major eligibility category was: Covered Families and Children (CFC), 1.81 million; Group VIII Expansion, 829,000; and Aged, Blind and Disabled (ABD), 498,570.

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

Health and Human Services

This category includes non-debt service GRF expenditures by state health and human service agencies including but not limited to the following: Job and Family Services, Health, Aging, Developmental Disabilities, and Mental Health and Addiction Services. Examples of expenditures in this category include childcare, Temporary Assistance for Needy Families (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.

September disbursements in this category totaled \$129.9 million and were \$6.8 million (-4.9%) below estimate. Year-to-date disbursements were \$366.7 million and were \$38.1 million (-9.4%) below estimate. On a year-over-year basis, disbursements in this category were \$31.5 million (32.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$36.8 million (11.1%) higher than at the same point in fiscal year 2021.

Department of Developmental Disabilities

September disbursements for the Department of Developmental Disabilities totaled \$1.5 million and were \$1.2 million (-44.9%) below estimate. This variance was primarily attributable to disbursements in the Early Intervention line item, which was \$1.0 million below estimate due primarily to the timing of payments.

Department of Health

September disbursements for the Department of Health totaled \$8.7 million and were \$2.3 million (-16.4%) below estimate. This variance was primarily attributable to disbursements in the Help Me Grow line item, which was \$675,982 below estimate, and the Infant Vitality line item, which was \$895,388 below estimate, due to adjustments to service delivery methods in response to the pandemic which has affected the timing of disbursements.

Department of Job and Family Services

September disbursements for the Department of Job and Family Services totaled \$60.9 million and were \$17.8 million (-22.6%) below estimate. This variance was primarily attributable to the Program Operations line item, which was \$9.4 million below estimate due in large part to not receiving the invoices from prior period contracts, maintenance agreements and equipment purchases as anticipated. The Ohio Governor Imagination Library line item was \$5.0 million above estimate since the entire allocation for the Ohio Governor Imagination Library was paid out during the month of September instead of split between August and September. The Family and Children Services line item was \$6.4 million below estimate due to not paying out on prior period encumbrances for Multi-System Youth, Child Protective, Chafee State Match, and the Bridges Program as anticipated. The Child, Family, and Community Protection Services line item was \$1.9 million below estimates due to not paying out on a prior period encumbrance for Community & Protective Services allocation as anticipated.

Department of Mental Health and Addiction Services

September disbursements for the Department of Mental Health and Addiction Services totaled \$52.4 million and were \$17.7 million (51.0%) above estimate. This variance was primarily attributable to the timing of payments in the Continuum of Care Services line item, which was \$14.4 million (386.7%) above estimate as a second quarter payment was disbursed one month earlier than originally estimated. Additionally, the Criminal Justice Services line item was above estimate by \$2.3 million (141.1%) due to the early disbursement of addiction treatment related funding. Finally, the Hospital Services line item was above estimate by \$1.3 million (6.2%) due to a delayed IT related invoice being paid out in September instead of August.

Opportunities for Ohioans with Disabilities

September disbursements for Opportunities for Ohioans with Disabilities totaled \$1.6 million and were \$661,100 (-28.9%) below estimate. This variance was primarily attributable to disbursements in the Services for Individuals with Disabilities line item, which was \$1.2 million below estimate, due to a move in expenditures from this line item to other non-federal line items to secure the drawdown of federal funds and to strategically manage maintenance of effort requirements.

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.

September disbursements in this category totaled \$178.7 million and were \$91.8 million (-33.9%) below estimate. Year-to-date disbursements were \$675.9 million and were \$121.0 million (-15.2%) below estimate. On a year-over-year basis, disbursements in this category were \$10.6 million (-5.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were \$6.1 million (-0.9%) lower than at the same point in fiscal year 2021.

Office of the Attorney General

September disbursements for the Office of the Attorney General totaled \$7.5 million and were \$10.3 million (-57.9%) below estimate. This variance was primarily attributable to lower than estimated disbursements in the Rape Crisis Centers and the Domestic Violence Programs line items which were \$4.0 million and \$5.0 million, respectively, below estimate.

Department of Public Safety

September disbursements for the Department of Public Safety totaled \$3.0 million and were \$54.8 million (-94.7%) below estimate. This variance was primarily attributable to the Highway Patrol Operating Expenses line item, which had no expenditures and were below estimate by \$50 million due to changes in when the Ohio State Highway Patrol expects to use this line item. In addition, the Recovery Ohio Law Enforcement line item was \$2.5 million below estimate due to below estimate prior year expenditures.

Department of Rehabilitation and Correction

September disbursements for the Department of Rehabilitation and Correction totaled \$126.3 million and were \$15.5 million (-10.9%) below estimate. This variance was primarily attributable to disbursements in the Institutional Operations and Parole and Community Operations line items, which were \$15.6 million and \$1.0 million below estimate, respectively. The variance in the Institutional Operations line item was due primarily to a delay in receiving invoices for large contracts which has affected the timing of payments. This variance will be offset in the coming months. The variance in the Parole and Community Operations line item was due to a delay in hiring parole officers.

Department of Youth Services

September disbursements for the Department of Youth Services totaled \$9.2 million and were \$3.8 million (-29.3%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item, which was \$3.5 million below estimate due to the timing of payments to community correctional facilities and payments against prior year purchase orders which have been delayed.

Public Defender Commission

September disbursements for the Public Defender Commission totaled \$14.2 million and were \$8.9 million (-38.4) below estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item, which was \$8.8 million below estimate due to delays in processing county reimbursement payments.

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.

September disbursements in this category totaled \$51.3 million and were \$6.7 million (-11.5%) below estimate. Year-to-date disbursements were \$142.6 million and were \$10.9 million (-7.1%) below estimate. On a year-over-year basis, disbursements in this category were \$23.5 million (84.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$40.0 million (38.9%) higher than at the same point in fiscal year 2021.

Department of Administrative Services

September disbursements for the Department of Administrative Services totaled \$1.0 million and were \$1.8 million (-64.2%) below estimate. This variance was primarily attributable to the Ohio Business Gateway line item, which was \$1.2 million below estimate due the timing of billed charges.

Department of Development

September disbursements for the Department of Development totaled \$3.7 million and were \$4.6 million (-55.4%) below estimate. This variance was primarily attributable to disbursements in the Local Development Projects and BSD Federal Programs Match line items, which were \$3.4 million and \$1.2 million below estimate, respectively, due to grantees drawing down funds at a slower pace than anticipated in September.

Department of Transportation

September disbursements for the Department of Transportation totaled \$7.0 million and were \$2.3 million (49.1%) above estimate. This variance was primarily attributable to disbursements in the Public Transportation – State line item, which were \$2.4 million above estimate due to above estimate subsidy reimbursement payments for rural and urban transit operators.

Environmental Protection Agency

September disbursements for the Environmental Protection Agency totaled \$2.0 million and were \$1.0 million (103.9%) above estimate. This variance was primarily attributable to disbursements in the Auto Emissions E-Check Program line item, which were \$1.0 million above estimate due to a payment being made in September that had been scheduled for August.

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 because of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. September reimbursements totaled \$239.9 million and were \$117.9 million (-33.0%) below estimates. Year-to-date reimbursements totaled \$538.5 million and were \$32.8 million (-5.7%) below estimate. The large monthly negative variance more than offset the positive variance that occurred in August.

Debt Service

September payments for debt service were \$375.7 million and were \$2.8 million (-0.7%) below estimate for the month. The monthly variance was primarily due to actual interest costs on variable rate debt being less than the budgeted 3.0 percent, primarily in the Adult Correctional and Common Schools debt service line items. Year-to-date debt service payments were \$758.5 million and were \$2.8 million (-0.4%) below estimate for the year. Debt payments are \$346.9 million (84.3%) over this point last fiscal year due to debt restructuring which lowered first quarter 2021 payments below typical levels.

Transfers Out

There were no transfers out in September although \$750,000 were estimated. Year-to-date transfers out totaled \$2.9 billion and were \$8.1 million above estimate. The monthly variance was attributable to planned transfers to the OSU Extension Fund and the At Home Technology Pilot Fund which did not occur in September. These transfers are now expected to occur later in the fiscal year.

10/7/2021

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	\$	%
	SEPTEMBER	SEPTEMBER	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary and Secondary Education	316,597	432,932	(116,335)	-26.9%	2,111,022	2,233,818	(122,797)	-5.5%
Higher Education	197,873	235,910	(38,037)	-16.1%	562,907	606,189	(43,282)	-7.1%
Other Education	12,759	11,302	1,457	12.9%	30,187	28,051	2,137	7.6%
Medicaid	955,091	1,028,625	(73,534)	-7.1%	4,353,108	4,581,274	(228,166)	-5.0%
Health and Human Services	129,863	136,617	(6,754)	-4.9%	366,697	404,821	(38,124)	-9.4%
Justice and Public Protection	178,651	270,451	(91,800)	-33.9%	675,917	796,883	(120,966)	-15.2%
General Government	51,311	57,979	(6,667)	-11.5%	142,591	153,470	(10,879)	-7.1%
Property Tax Reimbursements	239,931	357,869	(117,938)	-33.0%	538,546	571,328	(32,782)	-5.7%
Debt Service	375,666	378,465	(2,799)	-0.7%	758,497	761,320	(2,823)	-0.4%
Total Expenditures & ISTV's	2,457,742	2,910,149	(452,407)	-15.5%	9,539,472	10,137,154	(597,682)	-5.9%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	0	750	(750)	N/A	2,941,052	2,933,000	8,052	0.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	750	(750)	N/A	2,941,052	2,933,000	8,052	0.3%
Total Fund Uses	2,457,742	2,910,899	(453,157)	-15.6%	12,480,523	13,070,154	(589,630)	-4.5%

10/7/2021

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	SEPTEMBER FY 2022	SEPTEMBER FY 2021	\$ VAR	% VAR	ACTUAL FY 2022	ACTUAL FY 2021	\$ VAR	% VAR
Primary and Secondary Education	316,597	669,146	(352,549)	-52.7%	2,111,022	2,395,750	(284,728)	-11.9%
Higher Education	197,873	196,351	1,522	0.8%	562,907	566,239	(3,332)	-0.6%
Other Education	12,759	7,956	4,803	60.4%	30,187	25,379	4,808	18.9%
Medicaid	955,091	1,303,977	(348,886)	-26.8%	4,353,108	5,265,222	(912,114)	-17.3%
Health and Human Services	129,863	98,373	31,490	32.0%	366,697	329,919	36,778	11.1%
Justice and Public Protection	178,651	189,201	(10,550)	-5.6%	675,917	682,021	(6,104)	-0.9%
General Government	51,311	27,793	23,518	84.6%	142,591	102,633	39,958	38.9%
Property Tax Reimbursements	239,931	358,510	(118,579)	-33.1%	538,546	498,980	39,566	7.9%
Debt Service	375,666	237,970	137,696	57.9%	758,497	411,621	346,876	84.3%
Total Expenditures & ISTV's	2,457,742	3,089,278	(631,536)	-20.4%	9,539,472	10,277,763	(738,291)	-7.2%
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	0	670	(670)	N/A	2,941,052	411,398	2,529,654	614.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	670	(670)	N/A	2,941,052	411,398	2,529,654	614.9%
Total Fund Uses	2,457,742	3,089,948	(632,206)	-20.5%	12,480,523	10,689,161	1,791,363	16.8%

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.

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