

# ON THE MONEY

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## FISCAL YEAR 2021:

### August Bottom Line: Plus \$36 Million

This edition of the Bottom Line reports the revenue and expenditure totals for the first 2 months of fiscal year 2022. General Revenue Fund (GRF) *Tax revenues* exceeded estimate by \$40.1 million for the first 2 months of the new fiscal year. “Other revenues” were \$65.8 million below estimate for August and combined with Federal grant revenues that were \$82.9 million below estimate for the first 2 months, *Total General Fund Revenue* fell short of estimates by \$108.7 million through the first 2 months of FY22. Meanwhile, FY21 Expenditures through August were below estimate by \$145.0 million. Thus, the combination of total GRF revenue below estimates with expenditures even further below projections means that the net Bottom Line for the first 2 months of FY22 is a positive \$36.4 million.

A comparison of FY22 GRF tax revenues to FY21 GRF tax revenues for the first 2 months of the fiscal year showed that the State GRF received \$379 million less in tax receipts through August FY22 than it received over the same portion of FY21. The bulk of the tax revenue decrease compared to last August was due to last year’s pandemic-related delay of the income tax filing deadline from April 15<sup>th</sup> to July 15<sup>th</sup> which shifted revenue from FY20 to FY21 thereby artificially inflating the Fy21 revenue total. The state also received \$351 million less in Federal grant revenues through August FY22 as compared to the same portion of FY21. On the expenditure side, the State spent \$107 million less in the first 2 months of FY22 than it spent over the same period one year ago.

### August Receipts: Minus \$142 Million

Table 1 summarizes General Revenue Fund (GRF) revenues and expenditures for the month of August. August revenues were \$141.7 million less than forecast and combined with August spending of \$145.3 million below estimated levels, a Bottom Line of plus \$3.6 million for the month of August was realized.

GRF receipts come from three sources: taxes, federal grants, and “other.” The latter category consists of licenses and fees and earnings on the State’s investments. Non-auto sales tax revenues were \$20 million below estimate in August, the second consecutive month that non-auto sales tax GRF revenues have been below estimate. However, OBM

attributes this to a timing issue involving the distribution of sales tax revenues to local governments and points to “all funds” non-auto sales tax revenues coming in 10.3% above estimate as more valid indicator of revenues going forward. The auto sales tax (+\$1 million) has now been above estimate for 15 straight months.

On the plus side, personal income tax revenues continued their strong performance and were \$24 million over estimate in August while commercial activity tax revenues were \$9 million above estimate. Cigarette tax revenues (-\$2 million) have now been above estimate in in all but 4 of the 17 months since the pandemic began in March 2020. All other taxes were generally in line with estimated amounts during the month of August. Table 1 provides a summary of August 2021 GRF Revenues and Expenditures. A negative number in the "Difference" column of the expenditure tables means that the State spent *less* than expected over the period under consideration and a positive number means that the State spent more than expected

**Table 1: General Revenue Fund: August Receipts and Spending (Millions of \$)**

<b>Receipts</b>	<b>Actual</b>	<b>Estimate</b>	<b>Difference</b>
Non-Auto Sales Tax	\$870	\$890	(\$20)
Auto Sales Tax	\$180	\$180	\$1
Income Tax	\$766	\$742	\$24
Financial Institutions Tax	\$0	\$0	\$0
Commercial Activity Tax	\$356	\$347	\$9
Cigarette Tax	\$83	\$85	(\$2)
Other Taxes	\$87	\$85	\$3
<b>Total Taxes</b>	<b>\$2,343</b>	<b>\$2,328</b>	<b>\$15</b>
Federal Grants	\$750	\$836	(\$86)
Other Receipts	\$6	\$77	(\$71)
<b>Total Receipts</b>	<b>\$3,099</b>	<b>\$3,241</b>	<b>(\$142)</b>
<b>Spending</b>	<b>Actual</b>	<b>Estimate</b>	<b>Difference</b>
K-12 Education	\$1,027	\$1,033	(\$6)
Higher Education	\$190	\$195	(\$5)
Other Education	\$8	\$7	\$1
Medicaid	\$1,172	\$1,326	(\$155)
Health & Human Services	\$111	\$143	(\$31)
Justice & Public Protection	\$177	\$206	(\$29)
General Government	\$45	\$50	(\$4)
Property Tax Reimbursements	\$297	\$212	\$85
Debt Service	\$142	\$142	\$0
<b>Total Expenditures</b>	<b>\$3,169</b>	<b>\$3,315</b>	<b>(\$145)</b>

<b>Bottom Line</b>			<b>\$4</b>
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### August Spending: Minus \$145 Million

August expenditures were \$145 million less than estimated. Of the 9 expenditure categories, only Property Tax Reimbursements (+\$85 million) exceeded estimate in August and is typically the case, this was due to a timing issue. Medicaid expenditures were \$155 million below estimate in August, primarily due to adjustment sin payments rates in the managed care program. Spending on Health & Human Services (-\$31 million), Justice & Public Protection (-\$29 million) were also notably under estimate in August. All other expenditure categories were generally in line with estimated amounts in August.

### Year-to-Date Bottom Line through August: Plus \$36 Million

Table 2 shows FY22 year-to-date revenues and expenditures through August.

**Table 2: General Revenue Fund: Year-to-Date Receipts and Spending (In Millions)**

<b>Receipts</b>	<b>Actual</b>	<b>Estimate</b>	<b>Difference</b>
Non-Auto Sales Tax	\$1,817	\$1,866	(\$49)
Auto Sales Tax	\$359	\$355	\$5
Income Tax	\$1,432	\$1,394	\$38
Financial Institutions Tax	\$0	\$1	(\$1)
Commercial Activity Tax	\$442	\$413	\$28
Cigarette Tax	\$112	\$102	\$10
Other Taxes	\$127	\$119	\$8
<b>Total Taxes</b>	<b>\$4,289</b>	<b>\$4,249</b>	<b>\$40</b>
Federal Grants	\$2,346	\$2,429	(\$83)
Other Receipts	\$25	\$91	(\$66)
<b>Total Receipts</b>	<b>\$6,661</b>	<b>\$6,769</b>	<b>(\$109)</b>
<b>Spending</b>	<b>Actual</b>	<b>Estimate</b>	<b>Difference</b>
K-12 Education	\$1,794	\$1,801	(\$6)
Higher Education	\$365	\$370	(\$5)
Other Education	\$17	\$16	\$1
Medicaid	\$3,398	\$3,553	(\$155)
Health & Human Services	\$237	\$268	(\$31)
Justice & Public Protection	\$497	\$526	(\$29)
General Government	\$91	\$95	(\$4)
Property Tax Reimbursements	\$299	\$213	\$85
Debt Service	\$383	\$383	\$0
<b>Total Expenditures</b>	<b>\$7,082</b>	<b>\$7,227</b>	<b>(\$145)</b>

<b>Bottom Line</b>			<b>\$36</b>

The cumulative revenue perspective for the 2022 fiscal year contained in Table 2 shows that tax receipts have exceeded estimates by \$40 million over the first 2 months of FY21. This result is primarily driven by the performance of the personal income tax (+\$38 million) and Commercial activity tax (+\$28 million), while the cigarette tax (+\$10 million) is also well above estimate through August. The non-auto sales taxes is \$49 million below estimate through the first 2 months of FY22, however this figure is somewhat misleading as explained above. All other taxes are largely in line with estimates through August. Federal grants are \$83 million below estimate through the first 2 months of FY22.

Cumulative expenditure data show \$145 million less in spending through the first 2 months of FY22 than estimated. Every category of expenditure except for Property Tax Reimbursements (+\$85 million) is below estimate thus far in FY22. Medicaid spending (-\$155 million) is significantly below estimate through the first 2 months of the fiscal year, while), Justice & Public Protection (-\$29 million) and Health & Human Services (-\$31 million) were also noticeably below estimate thus far in FY22. All other spending categories were roughly in line with forecasts through the first 2 months of FY22. Under the revised spending categorizations created in FY14 it is now evident how large a role Medicaid spending plays in Ohio's state budget. The \$3.398 billion shown in Medicaid spending through August is 48.0% of the total \$7.082 billion state GRF expenditures for the first 2 months of FY22. This is slightly below the FY21 Medicaid share of 50.8% of total GRF spending.

The positive \$36.3 million on the Bottom Line means that the State's actual net revenue and expenditure position looks better than the projected position by that amount. Through the first two months of the 2022 fiscal year, total receipts fell short of forecast amounts by \$108.7 million, while expenditures were \$145.0 million below estimates. Subtraction of the expenditure difference from the revenue difference yielded a positive number for the period: = -\$108.7 million - (-\$145.0 million) = \$145.0 million - \$107.7 million = **\$36.3 million.**

**Year-to-Date FY22 Tax Receipts: Minus \$379 Million vs. FY21 Taxes**

Tables 3 and 4 show comparisons of the State's tax revenue and spending for the first 2 months of FY22 compared to the same period of FY21. Table 3 shows the tax receipts by tax type for all GRF taxes in both FY21 and FY22. Of the 15 taxes (not counting the eliminated Corporate Franchise and Estate taxes which still report some legacy activity), only the personal income tax (-\$563 million) returned appreciably less revenue through August 2021 (the first 2 months of FY22) than it yielded through August 2020 (the first 2 months of FY21). As mentioned above, this is primarily due to last year's pandemic-related delay of the income tax filing deadline from April to July which shifted tax revenue from FY20 into FY21, thereby artificially inflating the FY21 revenue total. Both the non-auto sales tax (+\$66 million) and auto sales tax (+\$20 million) show

noticeable growth over FY21 through August, as does the commercial activity tax (+\$110 million). All other taxes were relatively unchanged from the same point in FY21. Overall, total tax receipts were \$379 million lower through the first 2 months of FY22 than through the same point in FY21. In addition, Federal grants were \$351 million less through August of FY22 than they were a year ago.

**Table 3: Comparison of Revenues from GRF Taxes in FY22 and FY21 through August (In Millions of Dollars)**

<b>July through August Tax Receipts</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>Difference</b>
Non-Auto Sales & Use	\$1,817	\$1,752	\$66
Auto Sales & Use	\$359	\$339	\$20
Subtotal Sales & Use	\$2,177	\$2,091	\$86
Personal Income	\$1,432	\$2,018	<b>-\$586</b>
Corporate Franchise	\$0	\$0	\$0
Financial Institutions Tax	<b>-\$0</b>	\$2	<b>-\$2</b>
Commercial Activity Tax	\$442	\$332	\$110
Petroleum Activity Tax	\$0	\$0	\$0
Public Utility	\$35	\$31	\$4
Kilowatt Hour	\$53	\$51	\$2
MCF	\$13	\$14	<b>-\$1</b>
Foreign Insurance	\$0	\$0	<b>-\$0</b>
Domestic Insurance	\$2	\$1	\$1
Other Business & Property Tax	\$0	\$0	<b>-\$0</b>
Cigarette	\$112	\$106	\$6
Alcoholic Beverage	\$14	\$12	\$2
Liquor Gallonage	\$10	\$10	\$0
Estate	\$0	\$0	\$0
<b>Total Tax Receipts</b>	<b>\$4,289</b>	<b>\$4,668</b>	<b>-\$379</b>
Federal Grants	\$2,346	\$2,698	<b>-\$351</b>

**Year-to-Date FY22 Expenditures: Plus \$957 Million vs. FY20 Expenditures**

Table 4 compares fiscal year expenditures for FY21 and FY22. The table shows that the State spent \$107 million less through the first 2 months of FY22 than it spent in the same period in FY21. This difference was largely attributable Medicaid spending which was \$563 million less than a year ago. According to OBM, this large variance is attributable to a delay in the implementation of new managed care reimbursement rates. K-12 Education (+\$68 million), and Property Tax Reimbursements (+\$158 million) were also notably above FY21 expenditure levels through the first 2 months of FY22. FY22 Debt Service spending through August was \$209 million above FY21 levels as result of the restructuring of state general obligation debt last summer, a maneuver designed to

improve cash flow and provide budgetary relief in FY21. All other spending categories were largely the same through the first 2 months of FY22 as in FY21.

**Table 4: Comparison of Expenditures in FY22 and FY21 through August  
(In Millions of Dollars)**

<b>July through August Expenditures</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>Difference</b>
Primary and Secondary Education	\$1,794	\$1,727	\$68
Higher Education	\$365	\$370	-\$5
Other Education	\$17	\$17	\$0
Medicaid	\$3,398	\$3,961	-\$563
Health and Human Services	\$237	\$232	\$5
Justice and Public Protection	\$497	\$493	\$4
General Government	\$91	\$75	\$16
Property Tax Reimbursements	\$299	\$140	\$158
Debt Service	\$383	\$173	\$209
<b>Total</b>	<b>\$7,082</b>	<b>\$7,188</b>	<b>-\$107</b>

**Commercial Activity Tax (CAT): Plus \$28.5 Million Through August**

Table 5 summarizes current Commercial Activity Tax receipts. August is one of the 4 months when large taxpayers make estimated payments, so it is a significant indicator of the CAT. CAT GRF deposits were \$8.8 million (2.5%) above estimate in August and the CAT's year-to-date contribution to the GRF is now \$28.5 million (6.9%) above the estimated level through the first 2 months of FY22. FY22 GRF CAT receipts are \$109.5 million (+33.0%) above FY21 levels through the first 2 months of the fiscal year.

The All Funds total for the CAT is now an estimated \$33.5 million more than estimated through August. All Funds CAT revenue includes \$77.9 million in revenue earmarked to Tangible Personal Property Tax (TPP) replacement payments to schools and local governments.

**Table 5: CAT Revenues for August and from FY2022 (In Millions of Dollars)**

<b>Commercial Activity Tax</b>	<b>Actual</b>	<b>Estimated</b>	<b>Difference</b>
August GRF	\$355.8	\$347.0	\$8.8
August TPP	\$62.8	\$61.2	\$1.6
All Funds Total August	\$418.6	\$408.2	\$10.4
<b>Year-To-Date</b>			
FY22 GRF	\$441.6	\$413.1	\$28.5
FY22 Property Tax Replacement	\$77.9	\$72.9	\$5.0
FY22 All Funds	\$519.5	\$486.0	\$33.5

In FY15, 50% of CAT receipts were distributed to the GRF and 50% of receipts were allocated to TPP payments to schools and local governments. However, as a result of continued reductions in TPP replacement payments, the GRF share of CAT revenues increased to 75% in FY16 and FY17, and to 85% in FY18, FY19, FY20, FY21 and FY22, meaning that the TPP share of the CAT has now been reduced to 15%.

**Economic and Fiscal Outlook**

Table 4 summarizes some of the economic and fiscal indicators identified by OBM as useful measures of economic conditions. The data are a mixture of Ohio and national economic statistics. The table includes the most recent employment data for Ohio.

Items on the table begin with a "+" or a "-" to indicate how one might characterize them as favorable or unfavorable news for the economy.

**Table 4: Overview of the National and Ohio Economy Based on OBM's Summary of Economic Developments, Employment Reports from the Ohio Department of Jobs and Family Services, and Data from the Bureau of Labor Statistics**

<p><b>A. Economic Growth</b></p> <p>+/- The US economy continued its recovery from the 2020 onset of the Coronavirus pandemic as advance estimates showed that <i>U.S. Real GDP grew at a 6.6% annualized rate in the 2<sup>nd</sup> quarter of 2021</i>. This large increase followed <i>U.S. Real GDP growth of 6.4% in the 1<sup>st</sup> quarter of 2021 and 4.3% in the 4<sup>th</sup> quarter of 2020</i>. These increases came on the heels of the record 33.1% annualized growth rate in the 3<sup>rd</sup> quarter of 2020, which in turn came in the aftermath of a record -31.4% annualized decline in U.S. Real GDP in the 2<sup>nd</sup> quarter of 2020. GDP declined at a -5.0% annualized rate in the 1<sup>st</sup> quarter of 2020. Prior to the 1<sup>st</sup> quarter of 2020, the U.S. economy had expanded for a record 42 consecutive quarters.</p> <p>+/- U.S. GDP declined -3.5% in 2020, the first decline since the great recession in 2008 and 2009 and the largest decline since the immediate aftermath of WW II.</p> <p>+ The 2020 3<sup>rd</sup> quarter recovery of +33.1% was a bit misleading as the Bureau of Economic utilizes annualized rates and the percentage increase in the 3<sup>rd</sup> quarter was measured against a very low 2<sup>nd</sup> quarter baseline due to the massive decrease in GDP in the 2<sup>nd</sup> quarter. In comparison to the 3<sup>rd</sup> quarter of 2019, 2020 3<sup>rd</sup> quarter GDP declined by 2.9%.</p> <p>- The 2020 2<sup>nd</sup> quarter GDP percentage decrease was the largest since modern record keeping began in 1947 and far exceeded the -8.4% decrease in the 4<sup>th</sup> quarter of 2008 at the height of the Great Recession.</p>
<p><b>B. Moody's "Back to Normal" Index</b></p> <p>+/- The Moody's "Back to Normal" Index was created to track the economy's recovery from the impact of the COVID-19 pandemic. As of September 3, 2021 the national index had increased to 93.1% up from the August rate of 92.0% and the July rate of 91.3%, while the Ohio Back to Normal Index had increased to 97.4% up from the August rate of 96.0% and the July rate of 93.9%. Both the National and Ohio Back to Normal Index were below 60% at the April 2020 low point, while in January 2021 the National Index was 74.4% and Ohio's was 74.4%.</p>
<p><b>C. Employment</b></p>

<p>+/- The U.S. unemployment rate fell to 5.2% in August, down from 5.4% in July and 5.9% in June which was up slightly from the May rate of 5.8%. Prior to April 2021 the US unemployment rate fell steadily for 11 straight months from April 2020's rate of 14.7% to 6.0% in March before ticking up to 6.1% in April of this year. The April 2020 rate was the highest unemployment rate seen since the Great Depression 90 years ago. The March 2020 U.S. unemployment rate was 4.4% while February's pre-pandemic unemployment rate was 3.5% which was the lowest rate since Dec. 1969.</p>
<p>+/- Nonfarm U.S. employment increased by 235,000 jobs in August, after increasing by 943,000 jobs in July, by 850,000 jobs in June, and by 559,000 jobs in May. This followed increases of 266,000 jobs in April, 916,000 jobs in March, 379,000 jobs in February and 49,000 jobs in January. National employment decreased by 140,000 jobs in December 2020 which was the first decrease following 7 consecutive months of increases from May-November 2020 during which employment increased by a total of 12.25 million jobs. These increases followed a record decrease of 20.5 million jobs nationally in April 2020.</p>
<p>-/+ However, while current total national employment through July 2021 is up 16.9 million jobs from April 2020, total US employment remains 5.3 million jobs (3.5%) below the February 2020 pre-pandemic level.</p>
<p>+/- Ohio's unemployment rate increased slightly to 5.4% in July, up from 5.2% in June, 5.0% in May and the March and April rates of 4.7%. Prior to May, Ohio's unemployment rate fell steadily, at 5.0% in February, 5.3% in January, 5.6% in December, 5.7% in November, and 6.1% in October - all well below the April 2020 Ohio unemployment rate of 16.8%. The number of Ohio unemployed workers in July was 301,000, up from 291,000 in June, 278,000 in May, 273,000 in April, 272,000 in March, and 288,000 in February, but lower than the 306,000 unemployed persons in January. 1,796,000 Ohioans were unemployed in April 2020. August data is not yet available.</p>
<p>-/+ Ohio non-farm wage and salary employment increased by 19,2000 jobs in July, after increasing by 31,300 jobs in June which followed decreases of 14,800 jobs in May and 3,700 in April, after increasing by 12,700 in March. December 2020 was the first month since April 2020 that employment in Ohio had decreased. Ohio has now recovered roughly 2/3rds of the 892,300 jobs that were lost during the onset of the COVID-19 pandemic in March and April 2020. August data is not yet available.</p>

<p><b>D. Personal Income &amp; Consumption</b></p>
<p>+/- U.S. personal income growth increased by +1.1% in July after increasing by +0.2% in June after decreasing by -2.1% in May and by the massive \$3.2 trillion (-13.6%) in April. The April and May decreases followed an increase of \$4.2 trillion (21.0%) in March, which more than reversed February's 7.2% decrease. The mammoth March increase was fueled by the American Rescue Plan (the most recent round of Federal stimulus payments). Similarly, the decreases in February, April and May reflect the one-time nature of the Federal pandemic-related assistance programs in the preceding months. August data is not yet available.</p>
<p>+/- Until a -1.8% decrease in March 2020, the monthly personal income growth rate had been at least +0.3% in all but 15 months since October 2014.</p>



+/- U.S. Real Personal consumption expenditures increased by +0.3% in July after increasing by +1.1% in June, a revised +0.1% in May, +1.0% in April and +5.2% rate in March. The large March increase in personal consumption was attributable to the passage by Congress of the American Rescue Plan at the beginning of that month. August data is not yet available.

+/- Personal consumption decreased by -1.1% in February which followed an increase of +3.3% in January, a decrease of -0.6% in December and November, which followed an increase of +0.3% in October, +1.3% in September, +1.2% in August, +1.5% in July, +6.5% in June and by a record +8.7% in May. These increases followed decreases of -12.7% in April, and -6.7% in March. The extremely large March 2020 and April 2020 downturns in personal consumption expenditures were due to the widespread issuance of “stay-at-home” orders in response to the COVID-19 pandemic.

### **Methodology**

The monthly OBM financial report available at the Department’s website is used to produce On The Money’s Bottom Line Report. In the process, we attempt to simplify OBM’s detailed report into a more compact format. To produce a meaningful “bottom line,” under-spending is converted into a positive number and added to net receipts to yield a number indicative of the State’s current status as compared to budgeted expenditures and anticipated revenues.

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