LBO Budget Footnotes

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Highlights

– Russ Keller, Chief Economist

January GRF tax receipts amounted to $2.77 billion, which was $172.5 million above the Office of Budget and Management (OBM) estimate published last September. The strong performance of the sales and use tax suggests holiday spending in Ohio was more robust than anticipated, as the tax yielded a $90.7 million surplus. The National Retail Federation originally forecasted 2024 holiday sales would grow between 2.5% and 3.5%, but national data showed that retail sales increased 4% over last year's holiday season. Commercial activity tax (CAT) receipts were $76.8 million above their January estimate as an unusual amount of early payments were submitted ahead of the February 10 deadline.

Ohio's unemployment rate was 4.4% in December, up from 4.3% in November. Ohio's total nonfarm payroll employment grew 6,800 in December. This month's *Tracking the Economy* article includes forecasts of several key economic variables used by LBO economists in forecasting revenue for the upcoming biennium.

Through January 2025, GRF sources totaled $26.26 billion:

- Revenue from the sales and use tax was $558.8 million above estimate;
- GRF transfers in were $459.1 million below estimate;
- The personal income tax (PIT) was $293.9 million above estimate.

Through January 2025, GRF uses totaled $27.88 billion:

- Program expenditures were $724.8 million below estimate, of which $484.6 million was attributable to Medicaid.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of January 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on February 3, 2025)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$159,918	$148,500	$11,418	7.7%
Nonauto Sales and Use	$1,189,974	$1,110,700	$79,274	7.1%
Total Sales and Use	*$1,349,892*	*$1,259,200*	*$90,692*	*7.2%*
Personal Income	$1,102,710	$1,140,600	-$37,890	-3.3%
Commercial Activity Tax	$127,998	$51,200	$76,798	150.0%
Cigarette	$60,782	$56,100	$4,682	8.3%
Kilowatt-Hour Excise	$25,615	$24,100	$1,515	6.3%
Foreign Insurance	$181	-$6,700	$6,881	102.7%
Domestic Insurance	$224	$0	$224	---
Financial Institution	$93,958	$61,600	$32,358	52.5%
Public Utility	-$1,668	$100	-$1,768	-1767.6%
Natural Gas Consumption	$88	$200	-$112	-56.2%
Alcoholic Beverage	$3,987	$4,600	-$613	-13.3%
Liquor Gallonage	$5,443	$5,700	-$257	-4.5%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$18	$0	$18	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,769,227**	**$2,596,700**	**$172,527**	**6.6%**
Nontax Revenue				
Earnings on Investments	$92,664	$62,500	$30,164	48.3%
Licenses and Fees	$3,536	$4,117	-$581	-14.1%
Other Revenue	$2,277	$958	$1,319	137.7%
Total Nontax Revenue	**$98,477**	**$67,574**	**$30,902**	**45.7%**
Transfers In	**$0**	**$0**	**$0**	**---**
Total State Sources	**$2,867,704**	**$2,664,274**	**$203,429**	**7.6%**
Federal Grants	**$1,268,768**	**$1,284,500**	**-$15,732**	**-1.2%**
Total GRF Sources	**$4,136,472**	**$3,948,774**	**$187,697**	**4.8%**

*Estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate ($ in thousands)
FY 2025 as of January 31, 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on February 3, 2025)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$1,128,023	$1,116,400	$11,622	1.0%	$1,110,531	1.6%
Nonauto Sales and Use	$7,120,988	$6,573,800	$547,188	8.3%	$7,074,382	0.7%
Total Sales and Use	*$8,249,011*	*$7,690,200*	*$558,811*	*7.3%*	*$8,184,913*	*0.8%*
Personal Income	$6,222,065	$5,928,200	$293,865	5.0%	$6,060,850	2.7%
Commercial Activity Tax	$1,296,102	$1,192,400	$103,702	8.7%	$1,365,355	-5.1%
Cigarette	$400,362	$389,300	$11,062	2.8%	$409,621	-2.3%
Kilowatt-Hour Excise	$181,551	$179,800	$1,751	1.0%	$161,513	12.4%
Foreign Insurance	$230,208	$210,000	$20,208	9.6%	$203,304	13.2%
Domestic Insurance	$1,097	$300	$797	265.6%	$845	29.7%
Financial Institution	$50,946	$43,000	$7,946	18.5%	$24,025	112.1%
Public Utility	$75,463	$83,700	-$8,237	-9.8%	$80,597	-6.4%
Natural Gas Consumption	$16,041	$19,200	-$3,159	-16.5%	$19,414	-17.4%
Alcoholic Beverage	$36,614	$36,800	-$186	-0.5%	$34,554	6.0%
Liquor Gallonage	$33,260	$34,500	-$1,240	-3.6%	$34,349	-3.2%
Petroleum Activity Tax	$5,205	$4,800	$405	8.4%	$6,398	-18.6%
Corporate Franchise	$108	$0	$108	---	$139	-22.1%
Business and Property	$0	$0	$0	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$16,798,038**	**$15,812,202**	**$985,836**	**6.2%**	**$16,585,878**	**1.3%**
Nontax Revenue						
Earnings on Investments	$220,845	$162,500	$58,345	35.9%	$230,936	-4.4%
Licenses and Fees	$17,767	$20,240	-$2,473	-12.2%	$18,168	-2.2%
Other Revenue	$125,900	$127,643	-$1,743	-1.4%	$142,275	-11.5%
Total Nontax Revenue	**$364,512**	**$310,383**	**$54,129**	**17.4%**	**$391,380**	**-6.9%**
Transfers In	**$125,236**	**$584,300**	**-$459,064**	**-78.6%**	**$7,042**	**1678.4%**
Total State Sources	**$17,287,786**	**$16,706,884**	**$580,901**	**3.5%**	**$16,984,300**	**1.8%**
Federal Grants	**$8,967,310**	**$9,321,750**	**-$354,440**	**-3.8%**	**$8,078,087**	**11.0%**
Total GRF SOURCES	**$26,255,096**	**$26,028,635**	**$226,461**	**0.9%**	**$25,062,387**	**4.8%**

*Estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2024.
Detail may not sum to total due to rounding.

Revenues[1]

– Ruhaiza Ridzwan, Senior Economist

Overview

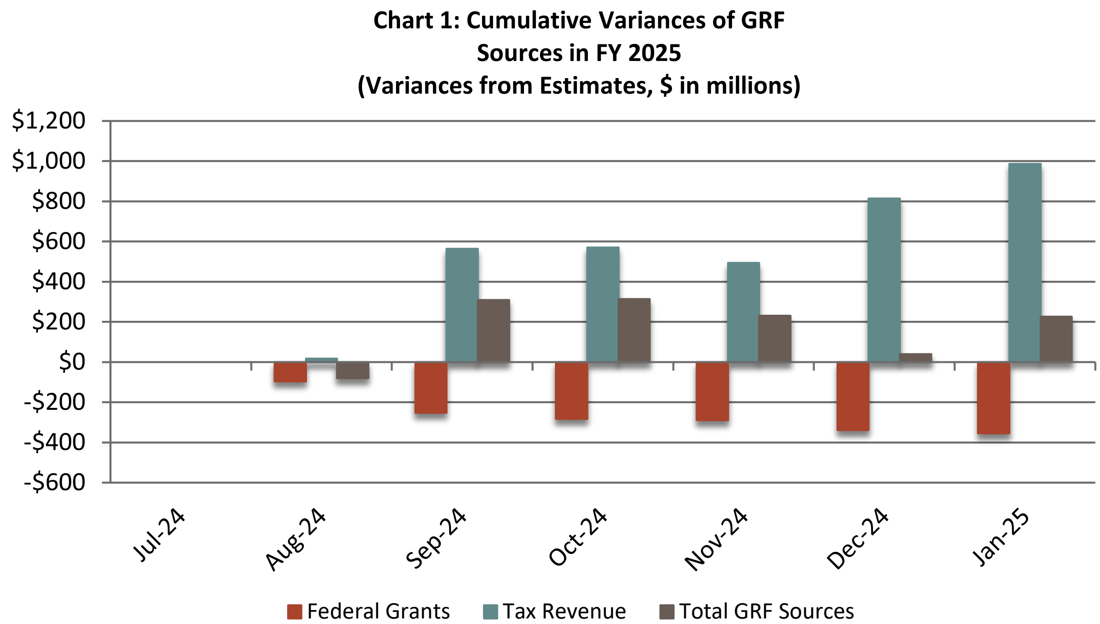
January's GRF tax receipts exceeded OBM's estimate by $172.5 million (6.6%). The largest source of this positive variance was the sales and use tax, with revenues $90.7 million (7.2%) above the estimate, followed by the CAT, $76.8 million (150.0%) above the estimate; and the financial institution tax (FIT), $32.4 million (52.5%) above the estimate. Other GRF tax sources also exceeded their respective estimates in January – foreign insurance tax ($6.9 million), cigarette tax ($4.7 million), and kilowatt-hour excise tax ($1.5 million). Partially offsetting the positive variances were shortfalls in January for the PIT ($37.9 million) and public utility excise tax ($1.8 million). Earnings on investments were $30.2 million (48.3%) above estimate. Federal grants were $15.7 million (1.2%) below estimate. Total GRF sources for January were above estimate by $187.7 million (4.8%).

Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Table 1 shows GRF sources for the month of January compared to estimates, while Table 2 shows GRF sources for the fiscal year-to-date (YTD) compared to both estimates and FY 2024 revenue. The variance analysis continues to reflect the FY 2025 revenues estimates released by OBM in September.

FY 2025 GRF tax receipts through January were $16.80 billion, $985.8 million (6.2%) above estimate. This positive variance was due to above-estimate receipts from the sales and use tax, $558.8 million (7.3%); the PIT, $293.9 million (5.0%); the CAT, $103.7 million (8.7%); the foreign insurance tax, $20.2 million (9.6%); and the cigarette tax, $11.0 million (2.8%). Other tax sources – the FIT, kilowatt-hour excise tax, and petroleum activity tax - also posted smaller positive variances. Those surplus amounts were partially offset by negative variances for the public utility excise tax, natural gas consumption tax, and liquor gallonage tax. Earnings on investments were $58.3 million (35.9%) above estimate. However, transfers in were $459.1 million (78.6%) lower than estimate, and federal grants were $354.4 million (3.8%) below estimate. As discussed in the previous edition, the negative variance for transfers in is primarily related to the expanded sales tax holiday. The total YTD GRF sources of $26.26 billion were above estimate by $226.5 million (0.9%).

Chart 1 below shows cumulative FY 2025 variances of GRF sources through January.

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



FY 2025 YTD GRF tax revenue was higher than in the first seven months of FY 2024 by $212.2 million (1.3%). The increase resulted from higher PIT collections, by $161.2 million (2.7%), higher sales and use tax receipts, by $64.1 million (0.8%), higher financial institutions tax receipts, by $26.9 million (112.1%), higher foreign insurance tax receipts, by $26.9 million (13.2%), higher kilowatt-hour excise tax receipts, by $20.0 million (12.4%), along with increases in other smaller taxes. These increases were partially offset by declines in CAT receipts, by $69.3 million (5.1%), cigarette and other tobacco products (OTP), by $9.3 million (2.3%),[2] and other negative variances in smaller tax sources.

Total GRF sources were higher in the first seven months than a year earlier by $1.19 billion (4.8%). YTD GRF revenue from federal grants was $889.2 million (11.0%) higher than in the year-earlier period. Transfers in YTD were $125.2 million, up from $7.0 million in the year-earlier period. However, YTD earnings on investments were $10.1 million (4.4%) lower than a year earlier.

Sales and Use Tax

January GRF receipts from the sales and use tax were $1.35 billion, $90.7 million (7.2%) above the estimate. For the first seven months of FY 2025, revenue from the tax was $8.25 billion, $558.8 million (7.3%) above estimate. The sales and use tax is the state's largest tax revenue source.

For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally are from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

[2] The "Cigarette" category in Tables 1 and 2 includes OTP.

The tax base[3] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product data through December show growth in the dollar value of consumer spending in the past year, mainly in consumer services. Inflation faced by consumers, measured by changes in the personal consumption expenditures price index (i.e., the Federal Reserve's preferred inflation measure), slowed substantially from a peak in 2022, but inflation is no longer slowing. As of December 2024, this inflation index was 2.6% higher than a year earlier, still above the central bank's 2% target. The December rate was the highest since May 2024.

Nonauto Sales and Use Tax

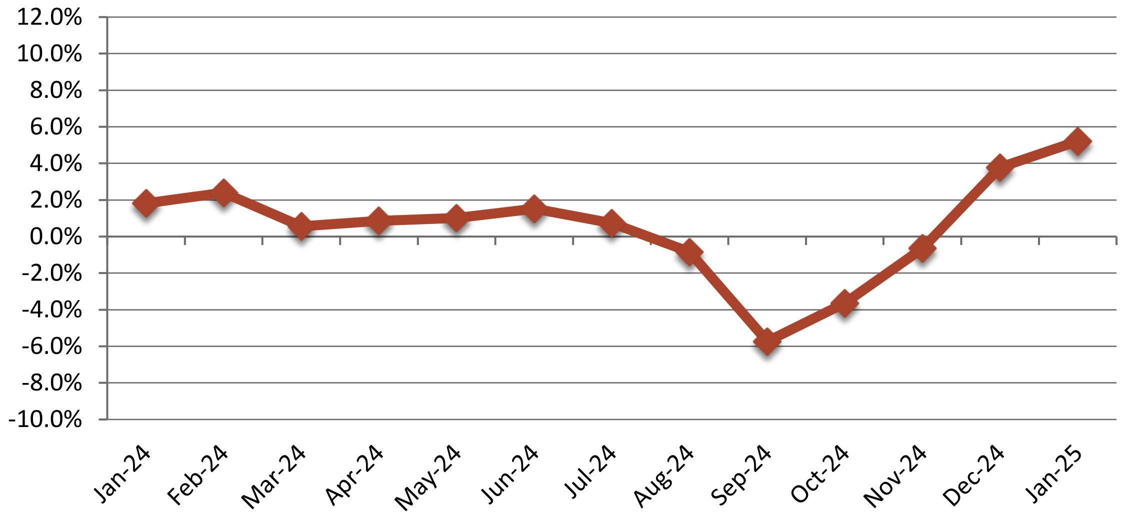
January GRF receipts from the nonauto sales and use tax of $1.19 billion were $79.3 million (7.1%) below the OBM estimate and $100.0 million (9.2%) above revenue in January 2024. YTD revenues were $7.12 billion, $547.2 million (8.3%) above estimate and $46.6 million (0.7%) higher than receipts a year earlier. As discussed in previous editions, YTD revenues were affected by this fiscal year's expanded sales tax holiday in July and August. The negative impact of the sales tax holiday on tax collections was considerably smaller than OBM anticipated.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2024. The data are shown using a three-month moving average[4] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Declines indicated by the smoothed line in August through November, compared with a year earlier, reflect the effects of the July-August sales tax holiday and the lag in receipt of tax collections from vendors, as well as three-month averaging. Growth picked up the pace late last year and continued accelerating into the current calendar year (CY) based on strong holiday season spending.

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

[4] A three-month moving average means, for example, that the most recent data point shown is the percentage change from revenue received during November 2023 through January 2024 to revenue received during November 2024 through January 2025.

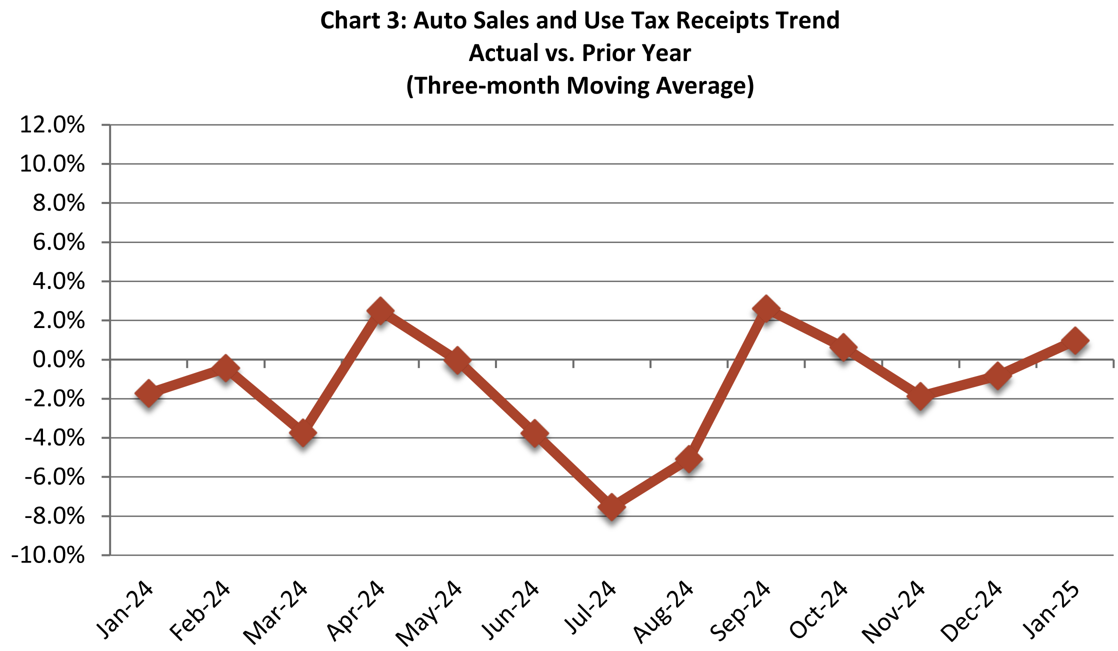
Chart 2: GRF Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

January receipts from the auto component of the sales and use tax were $159.9 million, $11.4 million (7.7%) above estimate and $8.6 million (5.7%) above receipts in January 2024. Tax receipts in the first seven months of FY 2025 totaled $1.13 billion, about $11.6 million above estimate (1.0%), and were above year-earlier revenues by $17.5 million (1.6%). Most auto sales tax collections reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2024. Auto sales and use tax receipts are volatile from month to month, and subject to pronounced seasonal swings. A decline in the dollar value of sales for nearly two years appears to be mainly due to lower used vehicle prices, though price declines seem to have ended in 2024.



Personal Income Tax

January GRF revenue from the PIT of $1.10 billion was $37.9 million (3.3%) below estimate. GRF revenue received in the first seven months of this fiscal year totaled $6.22 billion, $293.9 million (5.0%) above estimate and $161.2 million (2.7%) higher than a year earlier. Gross PIT collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue.

The table below provides details on revenue from PIT components in July through January compared to OBM estimates and year-earlier revenues. Gross collections were $43.5 million (0.6%) above anticipated revenue, but $120.9 million (1.6%) below year-earlier revenues. The strength of GRF revenues compared with both the estimate and year-earlier revenues mostly reflects smaller refunds than both those expected and those issued last year. YTD refunds were $264.2 million (22.1%) lower than estimated and $280.0 million (23.1%) lower than in the year-earlier period. The income tax cuts in H.B. 33 and subsequent withholding rate reductions continue nevertheless to curtail revenues. Withholding, the largest category, was $20.3 million (0.3%) higher than a year earlier. PTE Annual Returns and PTE Estimated Payments were down by $77.2 million and $125.1 million, respectively. IT-1040 Estimated Payments, however, were $43.6 million higher.

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

FY 2025 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		YTD Change from FY 2024	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$158.0	2.6%	$20.3	0.3%
PTE Annual Returns	-$9.3	-8.5%	-$77.2	-43.5%
PTE Estimated Payments	-$159.1	-24.0%	-$125.1	-19.8%
IT-1040 Estimated Payments	$47.7	13.9%	$43.6	12.6%
Annual Return Payments	$0.1	0.1%	$1.0	0.8%
Trust Payments	$3.7	14.5%	$5.6	23.3%
Miscellaneous Payments	$2.3	5.2%	$11.0	31.0%
Gross Collections	$43.5	0.6%	-$120.9	-1.6%
Less Refunds	-$264.2	-22.1%	-$280.0	-23.1%
Less LGF Distribution	$13.9	4.8%	-$2.1	-0.7%
GRF PIT Revenue	$293.9	5.0%	$161.2	2.7%

Commercial Activity Tax

January GRF CAT receipts were $128.0 million, $76.8 million (150.0%) above estimate. For July through January GRF CAT revenues were $1.30 billion, $103.7 million (8.7%) above estimate. CAT payments are due in February, May, August, and November, based on gross receipts in the previous calendar quarter. Payments in other months generally are lower. H.B. 33 eliminated annual CAT payments from smaller businesses.

YTD GRF revenue from the CAT was $69.3 million (5.1%) lower than a year earlier. Allocation of CAT revenue was changed by H.B. 33 to direct virtually all revenue after the first 0.65% to the GRF. The 0.65% credited from CAT revenues goes to Fund 2280, used by the Department to enforce state tax law. Prior to FY 2024 the GRF received 85% of total CAT revenue net of the Fund 2280 portion.

All-funds CAT revenue net of refunds was $1.30 billion in the first seven months of FY 2025, $69.8 million (5.1%) below net revenue in the corresponding months of FY 2024. The YTD declined due to an H.B. 33 provision that reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less in CY 2024 no longer owe the CAT. This exclusion increased to $6 million per year in CY 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

January revenue from the cigarette and OTP tax of $60.8 million was above estimate by $4.7 million (8.3%). Revenue from the tax in the seven months of FY 2025 was $400.4 million, $11.1 million (2.8%) above estimate. The fiscal YTD total included $328.8 million from cigarette sales and $71.6 million from OTP.

FY 2025 YTD revenue was $9.3 million (2.3%) lower than in the first seven months of FY 2024. Receipts from cigarette sales decreased $14.6 million (4.3%) while OTP sales increased by $5.4 million (8.1%).

OTP revenue was boosted by rising OTP prices. The tax is an ad valorem tax, generally 17% of the cost paid by wholesalers for the product. Revenue tends to increase as prices rise. Taxes on cigarettes, on the other hand, are based on unit sales. Revenue from cigarette sales generally declines from year to year, a pattern that has persisted for many years, with occasional months when revenues rise temporarily.

Nontax Revenue

YTD GRF nontax revenue totaling $364.5 million was $54.1 million (17.4%) above estimate and $26.9 million (6.9%) below such revenue in the first seven months of FY 2024. The year-over-year decrease in revenues was due to lower earnings on investment, down $10.1 million (4.4%) from a year earlier, and by "other revenue," which was $16.4 million (11.5%) lower than a year earlier.

GRF transfers in of $125.2 million during the first seven months of FY 2025 were $459.1 million lower than the estimate, but $118.2 million higher than in the first seven months of FY 2024. As discussed in January's edition, almost all of the transfers in was made in December as a result of reimbursement to the GRF for sales tax receipts forgone associated with the expanded sales tax holiday.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of January 2025
($ in thousands)
(Actual based on OAKS reports run February 5, 2025)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$1,270,373	$1,265,043	$5,330	0.4%
Higher Education	$197,900	$201,175	-$3,275	-1.6%
Other Education	$11,055	$9,739	$1,315	13.5%
Total Education	**$1,479,327**	**$1,475,957**	**$3,370**	**0.2%**
Medicaid	$1,742,333	$1,772,287	-$29,954	-1.7%
Health and Human Services	$174,405	$178,936	-$4,531	-2.5%
Total Health and Human Services	**$1,916,738**	**$1,951,223**	**-$34,485**	**-1.8%**
Justice and Public Protection	$274,570	$320,875	-$46,305	-14.4%
General Government	$60,860	$78,486	-$17,626	-22.5%
Total Government Operations	**$335,430**	**$399,361**	**-$63,931**	**-16.0%**
Property Tax Reimbursements	$88	$0	$88	---
Debt Service	$95,634	$79,376	$16,258	20.5%
Total Other Expenditures	**$95,722**	**$79,376**	**$16,346**	**20.6%**
Total Program Expenditures	**$3,827,217**	**$3,905,917**	**-$78,700**	**-2.0%**
Transfers Out	**$303**	**$0**	**$303**	**---**
Total GRF Uses	**$3,827,520**	**$3,905,917**	**-$78,397**	**-2.0%**

*September 2024 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2025 as of January 31, 2025
($ in thousands)
(Actual based on OAKS reports run February 5, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$6,329,143	$6,254,855	$74,288	1.2%	$6,033,565	4.9%
Higher Education	$1,568,080	$1,570,016	-$1,936	-0.1%	$1,489,853	5.3%
Other Education	$74,230	$75,063	-$833	-1.1%	$72,327	2.6%
Total Education	**$7,971,452**	**$7,899,934**	**$71,518**	**0.9%**	**$7,595,746**	**4.9%**
Medicaid	$13,831,262	$14,315,867	-$484,604	-3.4%	$12,423,366	11.3%
Health and Human Services	$1,191,165	$1,414,641	-$223,476	-15.8%	$1,103,436	8.0%
Total Health and Human Services	**$15,022,428**	**$15,730,508**	**-$708,080**	**-4.5%**	**$13,526,802**	**11.1%**
Justice and Public Protection	$1,871,204	$1,962,750	-$91,546	-4.7%	$1,780,394	5.1%
General Government	$421,738	$461,735	-$39,997	-8.7%	$947,729	-55.5%
Total Government Operations	**$2,292,943**	**$2,424,486**	**-$131,543**	**-5.4%**	**$2,728,123**	**-16.0%**
Property Tax Reimbursements	$964,890	$938,033	$26,857	2.9%	$916,555	5.3%
Debt Service	$898,328	$881,870	$16,457	1.9%	$900,448	-0.2%
Total Other Expenditures	**$1,863,218**	**$1,819,903**	**$43,315**	**2.4%**	**$1,817,003**	**2.5%**
Total Program Expenditures	**$27,150,041**	**$27,874,831**	**-$724,790**	**-2.6%**	**$25,667,674**	**5.8%**
Transfers Out	**$732,004**	**$730,093**	**$1,911**	**0.3%**	**$6,584,019**	**-88.9%**
Total GRF Uses	**$27,882,045**	**$28,604,924**	**-$722,878**	**-2.5%**	**$32,251,693**	**-13.5%**

*September 2024 estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2024.

Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on February 6, 2025)

	Month of January 2025				Year to Date through January 2025			
Department	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid								
GRF	$1,652,200	$1,678,252	-$26,052	-1.6%	$13,149,547	$13,633,750	-$484,203	-3.6%
Non-GRF	$1,112,309	$1,066,486	$45,823	4.3%	$8,382,528	$8,605,799	-$223,272	-2.6%
All Funds	$2,764,508	$2,744,738	$19,770	0.7%	$21,532,075	$22,239,550	-$707,474	-3.2%
Developmental Disabilities								
GRF	$83,682	$86,361	-$2,679	-3.1%	$601,219	$603,487	-$2,268	-0.4%
Non-GRF	$294,926	$302,217	-$7,291	-2.4%	$2,362,191	$2,373,537	-$11,346	-0.5%
All Funds	$378,609	$388,578	-$9,970	-2.6%	$2,963,411	$2,977,025	-$13,614	-0.5%
Job and Family Services								
GRF	$5,847	$6,814	-$967	-14.2%	$74,667	$71,661	$3,006	4.2%
Non-GRF	$11,745	$12,528	-$783	-6.3%	$114,847	$113,185	$1,662	1.5%
All Funds	$17,592	$19,342	-$1,750	-9.0%	$189,514	$184,846	$4,668	2.5%
Other								
GRF	$604	$860	-$256	-29.8%	$5,829	$6,968	-$1,139	-16.3%
Non-GRF	$12,072	$9,628	$2,444	25.4%	$77,881	$109,565	-$31,684	-28.9%
All Funds	$12,676	$10,488	$2,188	20.9%	$83,710	$116,533	-$32,823	-28.2%
All Departments								
GRF	**$1,742,333**	**$1,772,287**	**-$29,954**	**-1.7%**	**$13,831,262**	**$14,315,867**	**-$484,604**	**-3.4%**
Non-GRF	**$1,431,052**	**$1,390,860**	**$40,192**	**2.9%**	**$10,937,448**	**$11,202,087**	**-$264,639**	**-2.4%**
All Funds	**$3,173,385**	**$3,163,146**	**$10,239**	**0.3%**	**$24,768,710**	**$25,517,953**	**-$749,243**	**-2.9%**

*August 2024 estimates from the Department of Medicaid.

Detail may not sum to total due to rounding.

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on February 6, 2025)

	Month of January 2025				Year to Date through January 2025			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$1,957,204**	**$2,055,789**	**-$98,586**	**-4.8%**	**$15,588,242**	**$16,229,296**	**-$641,054**	**-3.9%**
CFC†	$475,917	$539,182	-$63,265	-11.7%	$4,358,601	$4,800,758	-$442,157	-9.2%
Group VIII	$424,677	$470,123	-$45,446	-9.7%	$3,531,362	$3,505,663	$25,699	0.7%
ABD†	$177,927	$193,063	-$15,136	-7.8%	$1,304,367	$1,365,879	-$61,511	-4.5%
ABD Kids	$69,618	$63,821	$5,797	9.1%	$403,127	$455,583	-$52,456	-11.5%
My Care	$324,822	$300,972	$23,850	7.9%	$2,291,311	$2,118,182	$173,129	8.2%
OhioRise	$76,692	$55,264	$21,427	38.8%	$521,921	$451,206	$70,714	15.7%
SPBM	$407,551	$433,364	-$25,812	-6.0%	$3,177,553	$3,305,026	-$127,472	-3.9%
Pay for Performance	$0	$0	$0	-	$0	$227,000	-$227,000	-100.0%
Fee-For-Service	**$941,619**	**$879,745**	**$61,874**	**7.0%**	**$7,567,381**	**$7,570,305**	**-$2,923**	**0.0%**
ODM Services	$573,080	$497,404	$75,676	15.2%	$3,891,071	$3,718,714	$172,357	4.6%
DDD Services	$368,538	$382,341	-$13,803	-3.6%	$2,860,509	$2,905,591	-$45,082	-1.6%
Hospital-HCAP	$0	$0	$0	-	$815,801	$946,000	-$130,199	-13.8%
Premium Assistance	**$182,137**	**$142,776**	**$39,361**	**27.6%**	**$911,683**	**$945,834**	**-$34,151**	**-3.6%**
Medicaid Buy-In	$80,412	$83,518	-$3,107	-3.7%	$544,000	$557,630	-$13,630	-2.4%
Medicare Part D	$101,726	$59,258	$42,467	71.7%	$367,684	$388,204	-$20,520	-5.3%
Administration	**$92,426**	**$84,836**	**$7,590**	**8.9%**	**$701,404**	**$772,519**	**-$71,115**	**-9.2%**
Total	**$3,173,385**	**$3,163,146**	**$10,239**	**0.3%**	**$24,768,710**	**$25,517,953**	**-$749,243**	**-2.9%**

*August 2024 estimates from the Department of Medicaid.

†CFC - Covered Families and Children; ABD - Aged, Blind, and Disabled; SPBM - Single Pharmacy Benefit Manager; HCAP-Hospital Care Assurance Program.

Detail may not sum to total due to rounding.

Expenditures[6]

– *Michael Kerr, Budget Analyst*

– *Ivy Chen, Division Chief*

– *Brandon T. Minster, Senior Economist*

Overview

GRF program expenditures totaled $27.15 billion in the first seven months of FY 2025. These expenditures were $724.8 million (2.6%) below OBM's estimate for the YTD. GRF uses also include transfers out, which totaled $732.0 million and were $1.9 million (0.3%) over estimate for the YTD. Total GRF uses for these seven months were $27.88 billion, which was $722.9 million (2.5%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of January and YTD, respectively.

For January program expenditures, negative monthly variances in Justice and Public Protection ($46.3 million, 14.4%), GRF Medicaid ($30.0 million, 1.7%), and General Government ($17.6 million, 22.5%) were partially offset by positive monthly variances in Debt Service ($16.3 million, 20.5%) and Primary and Secondary Education ($5.3 million, 0.4%). The remaining categories had monthly variances of less than $5 million. Total program expenditures were $78.7 million (2.0%) below estimate for the month of January.

For the YTD, most program categories were under their OBM estimate, most significantly GRF Medicaid ($484.6 million, 3.4%), Health and Human Services ($223.5 million, 15.8%) and Justice and Public Protection ($91.5 million, 4.7%). A significant positive YTD variance for GRF uses occurred in Primary and Secondary Education ($74.3 million, 1.2%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were below their monthly estimate in January by $30.0 million (1.7%) and below their yearly estimate by $484.6 million (3.4%). Non-GRF Medicaid expenditures were above their monthly estimate by $40.2 million (2.9%) but below their yearly estimate by $264.6 million (2.4%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $10.2 million (0.3%) above estimate in January but $749.2 million (2.9%) below their FY 2025 estimate.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and eight other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all-funds positive variance in January of $19.8 million (0.7%), but a FY 2025 all-funds negative variance of $707.5 million (3.2%). DODD

[6] This report compares actual monthly and YTD expenditures from the GRF to OBM's estimates. If a program category's actual expenditures were higher than estimate, that program category is deemed to have a positive variance. The program category is deemed to have a negative variance when its actual expenditures were lower than estimate.

had a January all-funds negative variance of $10.0 million (2.6%) and ended the month with yearly expenditures being $13.6 million (0.5%) below estimate. The other eight "sister" agencies – Job and Family Services (ODJFS), Health (ODH), Aging (ODA), Mental Health and Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), Higher Education (ODHE), and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the eight "sister" agencies incur only administrative spending.

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for all four major payment categories. In percentage terms, the Administration variance of $71.1 million was the largest (9.2%). The Administration variance continues the trend from the previous fiscal year of underspending on administration. In terms of absolute dollars, the largest variance was in Managed Care, which was $641.1 million (3.9%) below the yearly estimate. The Managed Care variance is likely the result of an increase in the rate of decline of caseloads, discussed below. Fee-for-Service (FFS) and Premium Assistance also had negative variances. The Premium Assistance variance was $34.2 million (3.6%), and the FFS variance was $2.9 million (0.0%). Some subcategories showed large monthly variances. In Managed Care, the OhioRISE program had a monthly positive variance of $21.4 million (38.8%). ODM attributes the OhioRISE variance to a higher program participation rate than forecasted. The OhioRISE yearly positive variance is $70.7 million (15.7%). In Premium Assistance the positive variance for Medicare Part D was $42.4 million (71.7%). This offsets last month's large negative variance tied to the timing of payments from the U.S. Centers for Medicare & Medicaid Services (CMS). Previous months saw similar large offsetting variances due to similar timing issues.

Due to federal requirements for states to provide continuous coverage throughout the COVID-19 public health emergency (PHE) in exchange for receiving a higher reimbursement on Medicaid expenditures, caseloads increased more than 28% from February 2020 to April 2023. The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM's net caseload had declined by January 2024 by over 560,000 (15.8%). The rate of decline slowed significantly in the fall, approaching zero in October, but has increased since then. January caseload figures were down nearly 11,000, the largest decline since June.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. Ohio Department of Children and Youth (DCY) accounted for a majority of the actual expenditures for this category in the first seven months of FY 2025 (31.8%), followed by OhioMHAS at 30.8%. Ten other agencies made up the remaining 37.4% of YTD spending.

The negative YTD variance for this category decreased by $4.5 million in January to settle at $223.5 million (15.8%). The largest contributor towards this negative YTD variance was the DCY. DCY was under estimate for the YTD by $143.6 million, which accounted for 64.2% of the program category's negative YTD variance. Three ALIs accounted for $104.4 million of DCY's YTD variance: ALI 830407, Early Childhood Education ($63.0 million); ALI 830400, Child Care State/Maintenance of Effort ($22.1 million); and ALI 830506, Family and Children Services ($19.4 million).

ALI 830407 funds early childhood education programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers. ALI 830400 is used to meet the matching and maintenance of effort (MOE) grant requirements of the federal Child Care and Development Fund, which supports publicly funded child care. A portion may also be used as MOE for the Temporary Assistance for Needy Families (TANF) Block Grant. ALI 830506 is used to provide funds for a number of programs, including the State Child Protection Allocation which partially reimburses costs incurred by county public children services agencies (PCSAs) in performing their duties, foster parent stipends and reimbursements for completing foster training, Feisal Case Review recommendations, and the Kinship Guardianship Assistance Program.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounted for 70.9% of actual expenditures for this category in the first seven months of FY 2025. Eleven other agencies made up the remaining 29.1% of spending.

The negative YTD variance in this category was $91.5 million (4.7%). This was primarily due to the DRC and the Ohio Public Defender Commission (PUB), which had negative YTD variances of $46.1 million and $24.5 million, respectively; DRC's variance increased by $25.4 million in January and PUB's rose by $15.1 million. The category as a whole was $46.3 million (14.4%) below estimate for the month.

PUB's monthly variance was due mainly to lower than anticipated spending in ALI 019501, County Reimbursement. ALI 019501 is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters.

DRC's monthly variance was mainly due to negative variances of $24.4 million in ALI 501501, Community Residential Programs-Community Based Correctional Facilities, and $3.4 million in ALI 505321, Institution Medical Services. ALI 501501 provides subsidies for the operation of 17 community-based correctional facilities (CBCFs) used to divert nonviolent felony offenders from state correctional institutions and offer services such as education, job training, and substance abuse treatment. ALI 505321 pays for the provision of medical and behavioral services to offenders housed in the state's prison system.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The January expenditures in this category were below OBM's monthly estimate by $17.6 million (22.5%), increasing its negative YTD variance to $40.0 million (8.7%). The Ohio Department of Transportation (ODOT) accounts for 41.1% of the category's negative YTD variance, followed by the Department of Development (DEV) at 16.3%. Twenty-three other agencies made up the remaining 42.6% of the category's YTD variance.

The particularly large negative variance for the month of January in this category was due to ALI 195456, Local Roads, which is a discontinued line item previously used to fund local road improvements for economic development purposes. ALI 195456 was originally expected to spend $11.2 million in January, but no expenditures occurred for the month or YTD.

The most significant ODOT line item that contributed to the category's negative monthly and YTD variances was ALI 775471, State Road Improvements. This line item was below its monthly and YTD estimates by $4.7 million and $12.5 million, respectively. ALI 775471 is used to provide supplemental funding for road improvement projects in conjunction with a Highway Operating Fund appropriation.

Primary and Secondary Education

This program category contains all GRF spending by the Department of Education and Workforce, except for property tax reimbursement and Medicaid spending. This category was over the YTD estimate by $74.3 million (1.2%) at the end of January, with a positive monthly variance of $5.3 million (0.4%). The positive monthly variance was primarily due to ALI 200437, Student Assessment, which was over estimate by $4.5 million (98.8%) in January. This January spending resulted in a $1.0 million positive YTD variance for the line item.

ALI 200437 supports state academic content standards and assessments, model curricula, and the state school accountability system. For the first seven months of FY 2025, actual spending in this ALI comprised 0.5% of total spending in the category.

Issue Updates

ODJFS Makes $1.2 Million Available to Create Apprenticeship Opportunities

– Jacob Graffius, Budget Analyst

On December 13, 2024, the Ohio Department of Job and Family Services (ODJFS) made $1.2 million in federal funds available to employers to create new apprenticeship and pre-apprenticeship opportunities. Preference will be given to employers from industries that are innovative, critical, necessary, and in-demand. This includes industries such as: semiconductor and advanced manufacturing, construction, broadband and 5G, and education. To be eligible for funding, an employer must have a physical presence in Ohio and be either incorporated or have operated within the state for at least 12 months. Eligible employers must demonstrate that the apprenticeship program has an organized written plan that explains the terms and conditions of employment, training, and supervision of apprentices. Participating employers must provide 2,000 hours of on-the-job training and 144 hours of related instruction on theoretical and technical subjects related to the apprentice's occupation. Registered programs also have access to technical support, as well as other funding opportunities and resources. Interested employers had to apply to ODJFS to receive funds by January 30, 2025.

ApprenticeOhio is the state's program to connect people interested in an apprenticeship to employers. Under federal law, a state may elect to administer an apprenticeship program through a state agency recognized by the United States Department of Labor (DOL). In Ohio, ODJFS oversees the apprenticeship system and receives funding from DOL to do so. The program is designed to benefit both participating employers and apprentices. Employers receive funds to assist in the development of their future workforce, reduce turnover costs, and improve productivity. Apprentices develop skills, avoid student debt, receive pay increases with program progression, and obtain recognized credentials. There are currently about 23,000 active apprentices in Ohio in 171 occupations. The number of active sponsors is 651.

$2 Million to Expand the Ohio Child Protective Services Fellowship

– Jacob Graffius, Budget Analyst

On December 11, 2024, DCY announced that $2 million would be used to expand the Ohio Child Protective Services Fellowship. The fellowship allows college students majoring in human-services related fields to apply to work part-time at county public children services agencies (PCSAs). Participants are paid $15 per hour and work up to 26 hours per week in return for on-the-job experience. The goal of the fellowship is that students will obtain permanent caseworker positions at a PCSA or other county human services agency after graduation. The funds provided by DCY will increase the number of county PCSAs participating from 19 to 35.

The fellowship was started by Wood County Job and Family Services (WCJFS) in 2022. WCJFS will continue to manage the program with the support of DCY during this phase of the program's expansion. The fellowship partners with universities to recruit students entering their junior year. Qualifying majors include child welfare related programs, such as psychology, sociology, criminal justice, and family-related studies. The fellowship requires a two-semester commitment. Fellows receive hands-on experience by observing home visits and interviews and attending court hearings. Fellows also become familiar with the rules and policies involved in the child welfare profession.

Nitrile Glove Operation at Madison Correctional Institution Nears Completion with $2.4 Million Controlling Board Request

– Keegan Kennedy, Budget Analyst

On November 18, 2024, the Controlling Board approved a $2.4 million request from the DRC) to contract with Technical Dipping Solutions (TDS), based in Minerva, Ohio. Under the contract, TDS will provide DRC's Ohio Prison Industries (OPI) with materials to create the polymer recipe that will be utilized to manufacture nitrile gloves. This procurement is part of a multi-phase project in collaboration with DRC, OPI, TDS and the University of Akron to create a nitrile glove operation at the Madison Correctional Institution in London, Ohio. Once operational, OPI is expected to supply state agencies with 20 million FDA-approved nitrile gloves annually which will provide protection against fentanyl, heroin, and gastric acid. DRC anticipates running three lines of operation, with the first line starting in February 2025. Full production is expected by the summer of 2025.

Funding for this request is from the Ohio Penal Manufacturing Fund (Fund 2000), ALI 501607, Ohio Penal Industries. Fund 2000 is supported through the sale of goods and services, primarily to state agencies. This fund and ALI support OPI, which operates factories and shops in DRC's correctional institutions. As of FY 2024, DRC reported that 31 shops were in operation across the state employing 950 inmates. OPI is designed to be self-sufficient from the sale of its goods and services while also providing incarcerated individuals with life skills and job training in certain industries. In recent years, the Controlling Board has approved several requests related to this project including one in September 2024 for professional consultation and design services throughout the remainder of FY 2025.

Drug Interdiction Task Forces Seized $92.2 Million in Illegal Drugs in 2024

– Jessica Murphy, Senior Budget Analyst

On December 31, 2024, the Ohio Attorney General announced that eight major drug interdiction task forces organized across the state under the Ohio Organized Crime Investigations Commission (OOCIC) seized illegal drugs in 2024 with a total estimated street value of $92.2 million. The task forces also seized 560 firearms and $4.7 million in currency that year.

The table below shows the quantity of drugs seized from a selection of notable drug seizures during 2020 through 2024. In each of these years, the quantity by weight of marijuana, which reached over 4,800 pounds in 2024, exceeds the quantity by weight of other drugs seized. In 2024, methamphetamine seizures reached a historic high, with a single seizure of 300 pounds in Madison County believed to be the largest methamphetamine interdiction in Ohio's history. This seizure occurred during a joint operation by the Central Ohio OOCIC/HIDTA Major Drug

Interdiction Task Force and the Ohio State Highway Patrol in August 2024 (HIDTA refers to "High Intensity Drug Trafficking Areas"). The quantity of methamphetamine seized in 2024 more than doubled the quantity of any of the preceding years.

OOCIC task forces are formed through collaborative efforts and often involve local, state, and federal law enforcement agencies. Upon the filing of a complaint or upon its own initiative, OOCIC is authorized to establish task forces to investigate organized criminal activity in a county or adjacent counties. Major drug interdiction task forces operate throughout the state with a focus on seizing illegal drugs, weapons, and cash before they impact Ohio communities. OOCIC major drug task forces currently operate in 17 Ohio counties, serving 52.6% of the state's population.

Notable OOCIC Task Force Drug Seizures*
(Quantities Are in Pounds Unless Otherwise Noted)

Category	2020	2021	2022	2023	2024
Marijuana	3,787	2,831	3,602	1,888	4,891
Marijuana (# of Plants)	5,844	8,954	2,702	1,906	661
Marijuana Food/Candy	989	159	19	3	17
Marijuana Wax	4	8	29	19	10
THC Oil	162	22	42	7	144
Psilocybin Mushrooms	2	4	10	44	54
Cocaine	251	387	313	605	304
Crack Cocaine	1	5	2	3	4
Methamphetamine	320	534	554	367	1,142
Heroin	29	20	16	2	21
Fentanyl	176	225	248	280	140
Opioid Pain Pills (# of Pills)	38,319	11,117	37,707	60,726	20,364
Other Prescription Pills (# of Pills)	2,189	12,978	1,273	7,799	6,707

*This table shows selected data and is not a comprehensive list of all drug seizures.

ODPS and ODHE Award $7.5 Million in Campus Safety Grants to 28 Community Colleges and Universities

– Jason Glover, Senior Budget Analyst

In January 2025, the Ohio Department of Public Safety (ODPS), in coordination with the Ohio Department of Higher Education (ODHE), awarded a total of $7.5 million to 28 public community colleges and universities under the Campus Safety Grant Program. Under the program, ODPS makes competitive grants to public community colleges and universities for eligible security improvements that assist the institutions in improving the overall security and safety of their buildings. Funds may be used for physical security enhancement equipment or inspection and screening equipment. The applications had to include (1) a vulnerability assessment conducted by security, law enforcement, or military personnel, (2) descriptions of how the grant would (a) address the identified vulnerabilities and (b) be used to integrate the campus's organizational preparedness into broader state and local preparedness efforts, (3) information on each campus including (a) prior instances of violence, vandalism, or attacks at the campus and (b) student housing on campus, and (4) certain details related to grant management. H.B. 2, the capital budget enacted by the 135th General Assembly, supports the third round of the program with an appropriation of $7.5 million from Higher Education Improvement Fund (Fund 7034) ALI C23566, Campus Safety Grant Program, under ODHE's budget for the FY 2025-FY 2026 biennium. Previously, the program received $5.0 million in appropriations in each of the FY 2023-FY 2024 and FY 2021-FY 2022 biennia.

Grants ranged from $60,000 for Stark State College to $500,000 each for Akron, Bowling Green, Kent State, and Wright State universities. Institutions with satellite or branch campuses submitted one application that included the needs of all campuses. The table below summarizes the grant recipients and total awards by institution type. As the table shows, 13 universities received about $4.2 million (56%), and 15 community colleges received about $3.3 million (44%). The full list of awards and recipients can be accessed by conducting a keyword "safety and security support" search on the governor's website: governor.ohio.gov.

Campus Safety Grant Awards, FY 2025-FY 2026		
Type of Institution	**Number of Institutions**	**Total Awards**
University	13	$4,196,327
Community College	15	$3,303,673
Total	**28**	**$7,500,000**

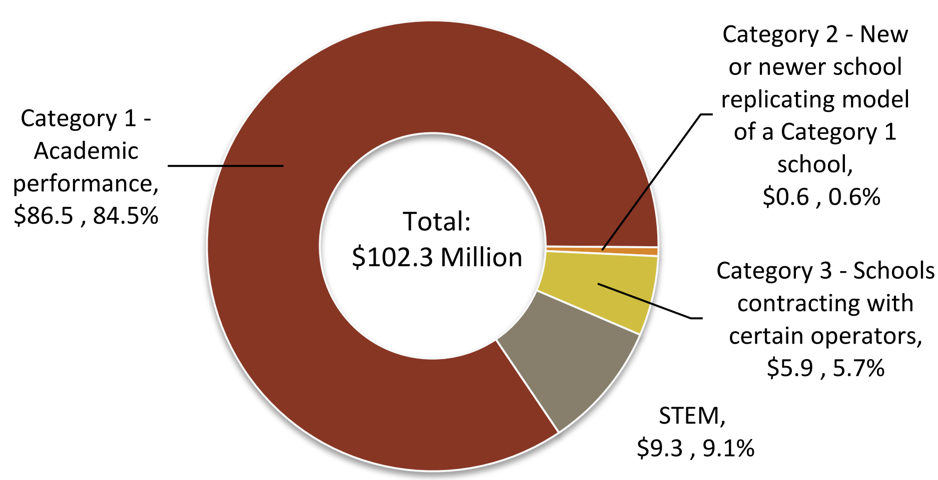
DEW Announces FY 2025 Quality Community and Independent STEM School Support Grants

– Jorge Valdebenito, Economist

In December 2024, the Department of Education and Workforce (DEW) released its preliminary list of 89 schools awarded $102.3 million in Quality Community and Independent science, technology, engineering and math (STEM) School Support funds for FY 2025. This marks an increase in both the number of schools and the funds awarded compared to FY 2024, when 72 schools received $87.6 million. The program uses a portion of state lottery profits to reward community schools that meet certain criteria with respect to sponsor ratings, report card performance, and other factors and STEM schools that meet certain conditions. Designated schools receive payments of $3,000 for every student identified as economically disadvantaged and $2,250 for every other student in FY 2025, which are the same amounts as in FY 2024. The designated schools serve about 35,137 full-time equivalent (FTE) students, of whom 31,039 (88%) are identified as economically disadvantaged.

A community school must meet at least one of three categories of criteria to qualify for the Community School of Quality designation, all of which require that a school's sponsor must be rated "exemplary" or "effective" on the sponsor's most recent evaluation. The three categories allow schools to qualify based on a variety of metrics and capture different dimensions of school quality. An independent STEM school qualifies if it satisfies the requirements described in the Quality Model for STEM and science, technology, engineering, art and math (STEAM) Schools established by DEW and meets other criteria. Schools that meet the designation criteria for a given fiscal year, in general, retain the designation for the subsequent two fiscal years, for a total of three years of eligibility. The chart below illustrates the portion of FY 2025 funding distributed by designation category.

Quality Community and Indepednent STEM School Support Funds by Designation Category ($ in Millions), FY 2025



Of the 89 preliminary schools designated, 70 schools (79%), receiving $86.5 million, qualified under Category 1, which focuses on the academic performance of the schools. In general, this category considers performance index scores relative to the school district in which the school is located, the value-added progress dimension on the report cards (a statistical measure intended to capture students' learning over the course of a school year), and the school's concentration of students identified as economically disadvantaged. Five schools (6%), receiving about $645,000, qualified under Category 2, which designates certain schools that are new or opened within the last four years and that are replicating an instructional or operational model of a school designated under Category 1, and whose operator, if any, meets certain performance requirements. Seven schools (8%), receiving $5.9 million, qualified under Category 3, which applies to schools contracting with certain operators that also operate schools in other states. Seven independent STEM schools (8%) also qualified for funding, receiving $9.3 million.

The Division of State Fire Marshal Awards MARCS Grants Totaling Nearly $4.0 Million

– Terry Steele, Senior Budget Analyst

On December 11, 2024, the Division of State Fire Marshal within the Department of Commerce announced almost $4.0 million in grant awards under the Multi-Agency Radio Communication System (MARCS) Grant Program. Of the amount awarded, nearly $3.7 million was for MARCS equipment and approximately $300,000 was for covering MARCS subscriber fees. Overall, 229 fire departments in 71 counties were awarded grants, ranging from $350 to $50,000, the maximum award allowed under the program. The list of grant recipients (PDF) and further details about the program and eligibility requirements can be found on the State Fire Marshal's website.

The Division uses several criteria to decide award amounts, including: (1) the fire department's annual budget; (2) the annual number of fire incidents within an applicant's jurisdiction; (3) the resident population served; (4) the size of fire protection area covered; and (5) requests from multiple jurisdictions within the same county or region collaborating to acquire or complete MARCS service for their fire departments. Funding for MARCS grants comes from revenue collected from taxes on insurance companies selling fire insurance in Ohio, inspection fees, hotel permits, and fireworks licenses, which is deposited into the State Fire Marshal Fund (Fund 5460).

Ohio Expo Commission Recorded a Small Loss from the 2024 State Fair

– Gavin Enseleit, LSC Fellow

The Ohio Expositions Commission reported a loss of almost $60,000 from the 2024 State Fair, which was held from July 24 through August 4. Overall, revenue from the event was nearly $11.6 million, of which more than $9.8 million (85.1%) was derived from admission fees, ticket sales for entertainment and attractions, and exhibit space rental fees. The remaining $1.7 million (14.9%) came from event sponsorship, parking and camping fees, and other sources, such as concessions and livestock auction revenues. Total expenses for the State Fair were approximately $11.6 million, with payroll and personal service contracts for entertainment accounting for approximately $8.3 million (71.3%) of that amount. The remaining $3.3 million (28.7%) was spent on advertising, fairground maintenance, supplies, utilities, and other items. Notably, revenue from sponsorship, parking and camping fees, and other sources grew by 31.5% compared to 2023. But this was offset by higher expenses for payroll and personal service contracts for entertainment, which grew by 17.8% over the prior year. Over one million people attended the 2024 State Fair.

The Exposition Commission's funding comes from the net proceeds of the State Fair and several other events held on the state fairgrounds throughout the year. Also, an annual GRF appropriation of $380,000 is used to support the Junior Fair held in conjunction with the State Fair. In addition to these ongoing sources of funding, H.B. 33 appropriates $190.0 million over the FY 2024-FY 2025 biennium transferred from the GRF for projects outlined in the Expo 2050 master plan.

Tracking the Economy

– Craig Kerr, Senior Economist

This month's edition of *Tracking the Economy* was derived from the Economic Outlook in LBO's *Baseline Forecast of GRF Revenues & Medicaid Expenditures*.

Overview

With inflation cooling and unemployment slowly trending upward, the Federal Reserve began a series of rate cuts this past September, lowering its targeted interest rate by one percentage point in total by the end of the year. Inflation expectations inched up and investors demanded a higher rate of return, pushing up interest rates on long-term debt such as 30-year mortgages. This, combined with the economic uncertainty surrounding potential federal policy changes, have factored into the Federal Reserve's decision to slow the pace of short-term interest rate reductions in 2025. Neither inflation nor the unemployment rate were substantially different at the end of 2024 compared to September.

Output growth slowed in the first quarter of 2024 then picked up over the following quarters. Industrial production contracted in the first and third quarters and finished the year at roughly the same level as the end of 2023. The aerospace industry suffered work stoppages at two companies, losing a total estimated 1.3 million worker days before new contracts were approved by the workers union. Employers collectively continued to add to payrolls through the end of 2024, though growth of total employment continued to slow from 2023. Contrary to the increasing number of jobs, the unemployment rate slowly increased in 2024, settling at 4.1% by December.

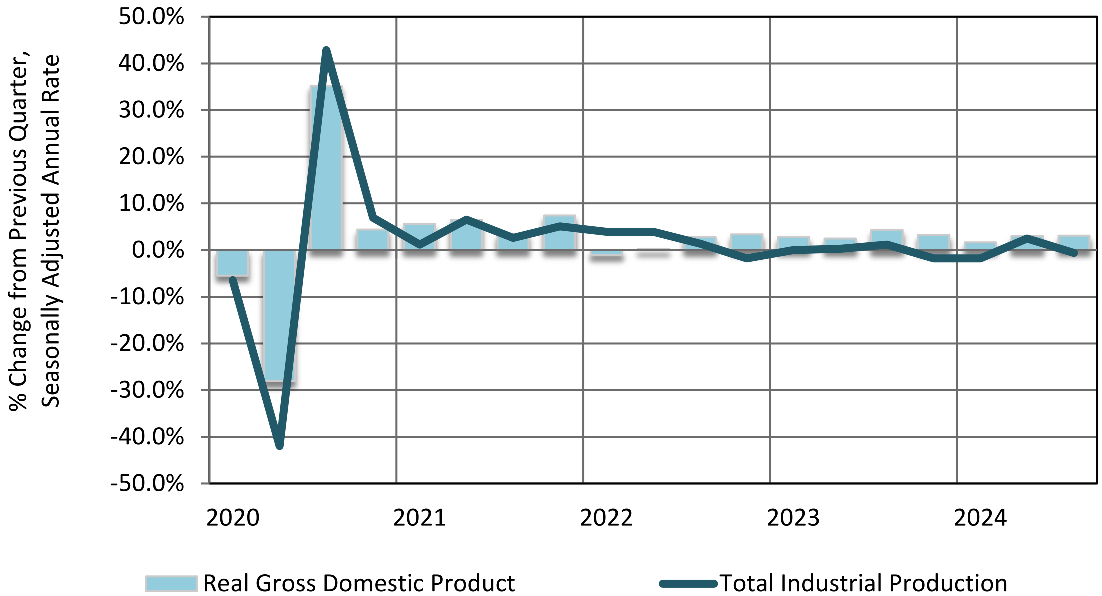
Economic activity in Ohio, as elsewhere, will be influenced by a host of forces in the near future. On the one hand, production growth is slowing, and the labor market is becoming a buyer's market as companies post fewer openings and fewer workers quit their jobs for better opportunities elsewhere. Furthermore, inflation has not yet reached the Federal Reserve's stated target of 2%, meaning that the rate of increase in the price level is higher than the central bank deems ideal for the economy. The potential of new tariffs also threatens to contribute to inflation and reduce economic activity overall. On the other hand, if the Federal Reserve can control inflation and continue lowering short-term interest rates, consumer loans such as those for automobiles or short-term revolving credit may become cheaper, stimulating consumption.

As discussed more fully below, most but not all measures of economic activity in the state show Ohio trailing the nation in the expansion following the 2020 recession.

The National Economy

The chart below displays the extreme deviations in real GDP and industrial production that occurred during the COVID-19 pandemic followed by a return to lower, more typical rates of growth. After a minor contraction in 2022, the economy expanded at a normal pace through 2024. On the other hand, industrial production fell in the fourth quarter of 2022 and in three of the four most recent quarters as manufacturing production was reduced in numerous industries. Aerospace manufacturing output is slowly recovering from worker strikes at Textron Aviation and Boeing, the world's largest manufacturer of commercial jetliners and defense, space, and security systems.

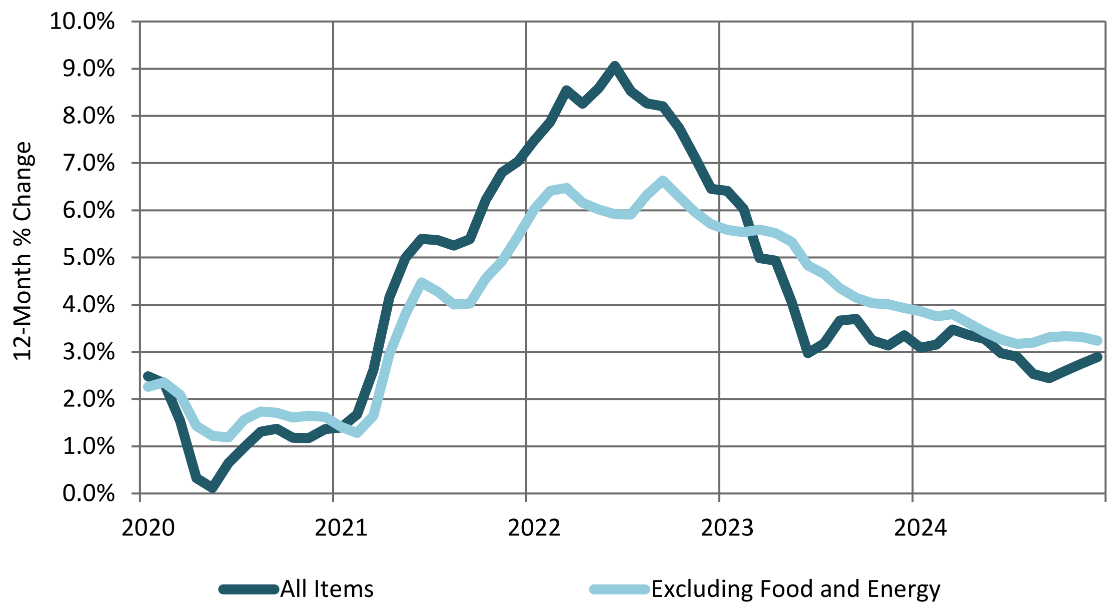
Chart 4: United States Output Measures



In an effort to stimulate the economy during the pandemic, the Federal Reserve increased the money supply at historic rates by lowering short-term interest rates and purchasing substantial amounts of financial assets during the pandemic. The increase was such that by 2021, one in four dollars in the money supply was newly created. The combination of cheaper loans, government stimulus, and a pausing in the payment of many debt obligations, such as student loans, led to a dramatic increase in the demand for goods and services, pushing up prices. Inflation during this time was exacerbated by supply constraints caused by economic shutdowns all over the world, leading buyers flush with excess cash to outbid each other over fewer available goods and services.

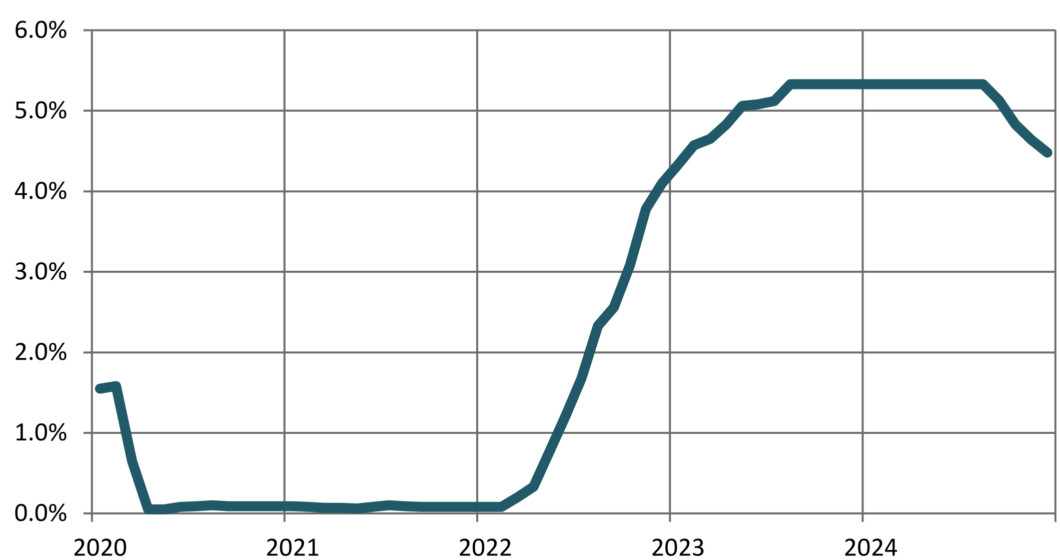
Inflation measured by the year-over-year percent change in the consumer price index for all urban consumers (CPI-U) is shown in the following chart, for all items and for consumer prices other than food and energy (Core CPI-U). Inflation reached levels not observed since the early 1980s in 2022; inflation for all items peaked at 9.1% in June. The rate at which prices increase moderated since this peak, settling down around 3% over the past year.

Chart 5: United States Consumer Price Index



As the economy began to fully reopen, the Federal Reserve sharply increased its target short-term interest rate to fight the rapid ascent of inflation observed in the chart above. The central bank also halted their program of buying U.S. Treasury, agency, and mortgage-backed securities, which was designed to hold down longer-term interest rates, and began allowing its securities holdings to decline as they matured. In mid-September 2024, the central bank's policy-setting Federal Open Market Committee began a series of interest rate cuts, lowering its target rate from 5.3% to 4.3% over the following three months. Chairman Jerome Powell announced in December the central bank's intention to slow the rate of interest rate cuts in 2025 due to core inflation remaining above 2% and economic uncertainty surrounding potential economic policy changes.

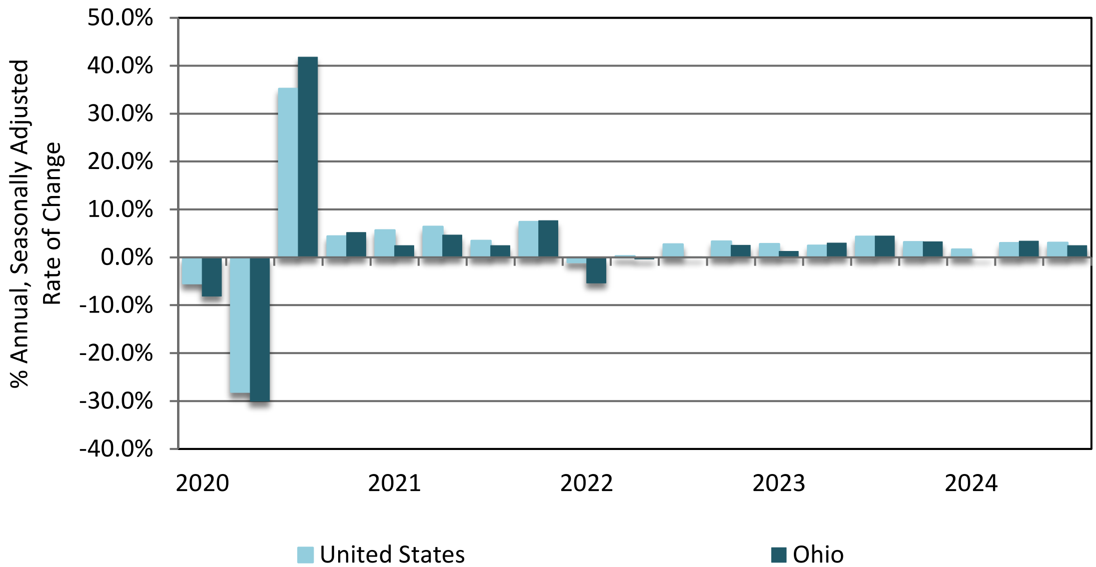
Chart 6: Effective Federal Funds Rate



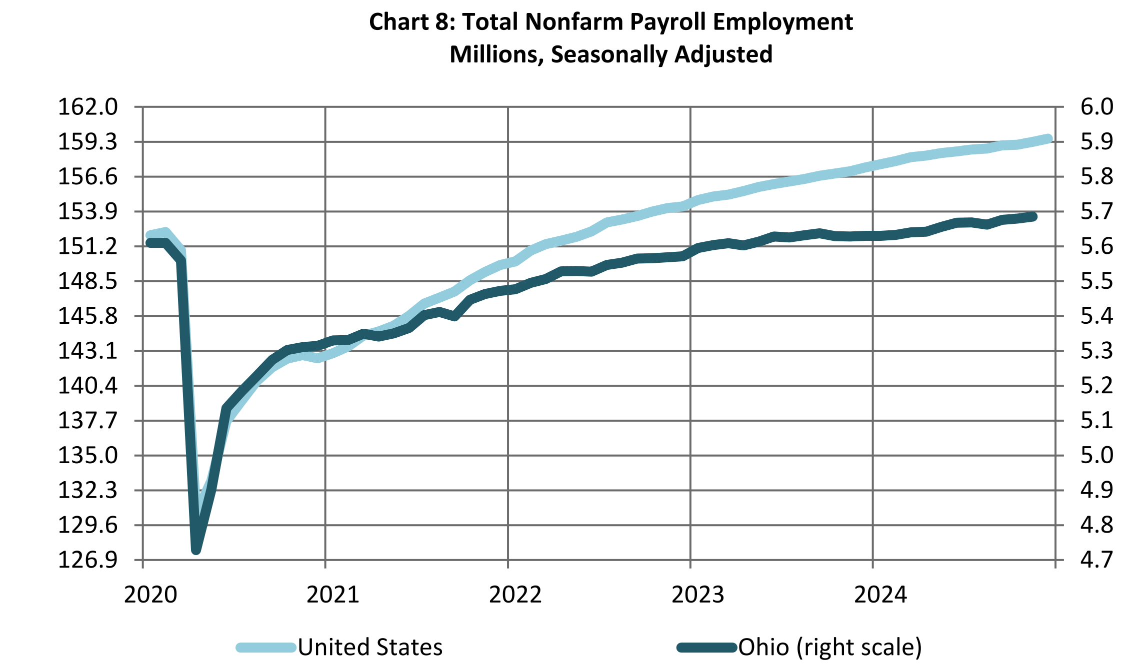
The Ohio Economy

Ohio's economy has grown slower in the post-pandemic expansion compared to the nation by the broadest measure, real GDP. Most industries grew at a slow pace or contracted slightly. The retail industry expanded faster than others over the last two years while the manufacturing industry has alternated between expansion and contraction.

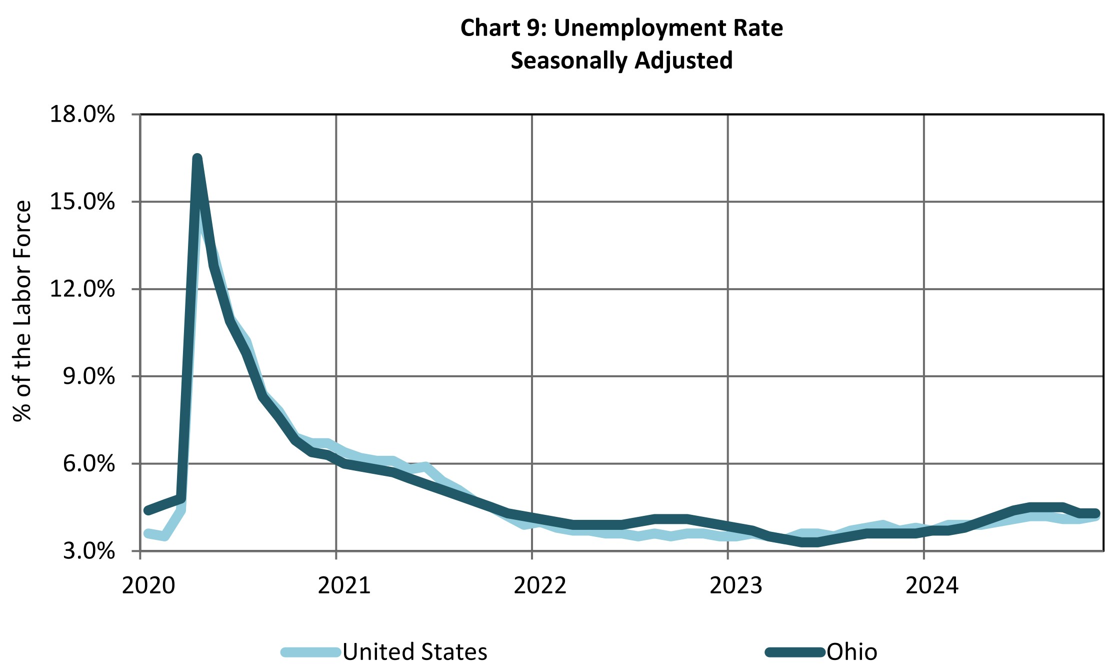
Chart 7: Real Gross Domestic Product Growth
Seasonally Adjusted



Job growth in Ohio has lagged that of the nation since the reopening of the economy. From the April 2020 recession trough through November 2024, total statewide nonfarm payroll employment rose 20.2%, compared with a 22.1% increase nationwide. Ohio employment remained above the prerecession peak from May 2023 onwards and surpassed the previous all-time high in March 2024. This contrasts with the comparable nationwide statistic, which rose to an all-time high more than a year before Ohio in January 2023.

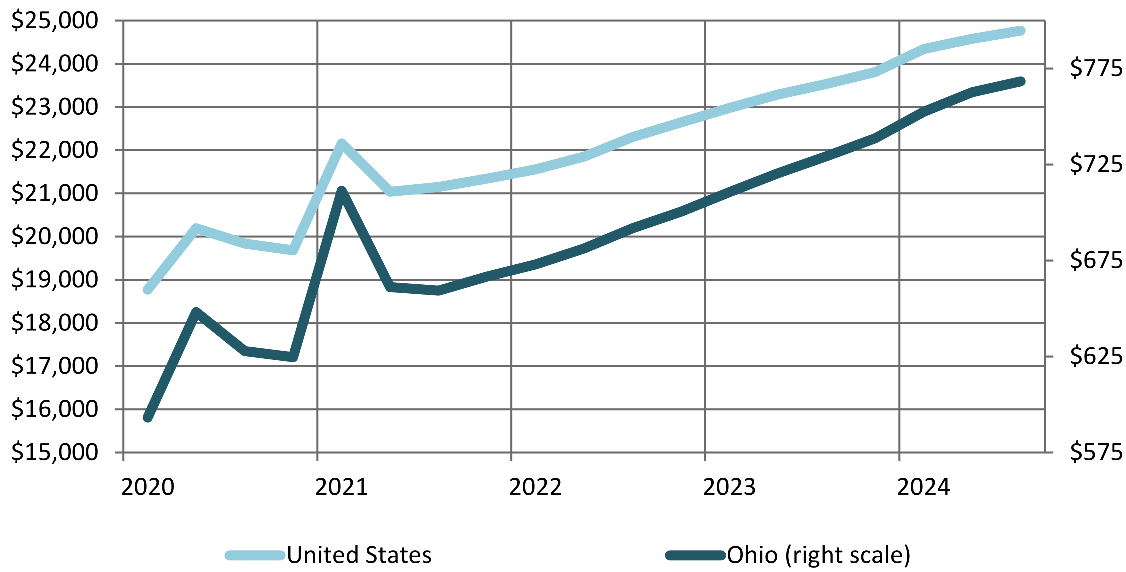


Ohio's unemployment rate was the same as or lower than the nation's between March 2023 and March 2024. However, the state unemployment rate surpassed that of the nation in April 2024 and has remained higher since. In December, the percentage of unemployed individuals actively seeking work in the state was 4.4%, slightly higher than the national average of 4.1%. Unemployment rates from January 2020 through December 2024 are shown in the chart below for both the state and the nation.



Personal income per capita rose sharply in 2020 and 2021 due to federal transfer payments enacted in response to the pandemic. Over the full period shown in the chart, Ohio's total personal income rose by 29.5%, which is approximately equivalent to a 5.6% annual rate. Nationwide, total personal income increased by 31.9%, which is approximately equivalent to a 6.0% annual rate.

Chart 10: Personal Income
Billions of Dollars, Seasonally Adjusted Annual Rates



Economic Forecasts

The following are forecasts of key indicators of the economic environment that will determine state tax revenues during the next biennium. Some of the indicator forecasts were inputs to LBO models used to make state revenue forecasts. Both these economic indicator forecasts and LBO's forecasts for state revenues are inherently subject to uncertainty. The economic indicator projections shown below are from baseline forecasts released in December 2024 by Moody's Analytics, an economic forecasting firm used by LBO.

The first line in each table contains quarter-by-quarter projected changes in the indicator at annual rates. The second line contains year-over-year projected changes in the indicator averaged over the four quarters of the fiscal year. The unemployment rate tables are Moody's Analytics unemployment rate projections for the quarters indicated (first line) and the average of the rates in the quarters of each fiscal year (second line).

U.S. Gross Domestic Product

Moody's Analytics anticipates slowing economic growth through the third quarter of calendar year (CY) 2026, followed by a modest increase in the growth rate through CY 2027. U.S. real GDP is projected to increase about 1.7% annually on average in the next biennium, as shown below.

U.S. Real GDP Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	2.2	1.8	1.7	1.7	1.5	1.5	1.5	1.6	1.8	1.9	2.0	2.1
Fiscal Year		2.5				1.8				1.6		

Ohio Gross Domestic Product

Ohio's economy is expected to expand at a slower pace than the national economy, with growth bottoming out in the second quarter of CY 2026 before steadily increasing through CY 2027. Real GDP in the state is projected to increase at about a 1.2% annual rate on average in the next biennium, somewhat slower than the nation's growth rate.

Ohio Real GDP Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	1.8	1.3	1.1	1.1	1.0	0.9	1.1	1.2	1.4	1.5	1.6	1.6
Fiscal Year		2.0				1.2				1.1		

U.S. Inflation

Inflation, as measured by the rate of increase in the CPI for all urban consumers, is predicted to oscillate in the narrow range of 2.2% to 2.9% and to average around 2.6% annually during the next biennium.

U.S. Consumer Price Index Inflation												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	2.2	2.5	2.7	2.9	2.9	2.8	2.6	2.5	2.5	2.4	2.4	2.3
Fiscal Year		2.4				2.6				2.7		

U.S. Personal Income

Nationwide personal income growth is projected to fluctuate between 4.0% and 4.7%, and equal about 4.5% on average annually during the upcoming biennium. After dipping in the first quarter of 2026 and recovering in the second, the rate of growth is expected to slow from the third quarter until the end of the biennium.

U.S. Personal Income Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	4.5	4.5	4.6	4.7	4.2	4.6	4.3	4.2	4.2	4.2	4.0	4.0
Fiscal Year		4.7				4.6				4.4		

Ohio Personal Income

Total personal income in Ohio is forecast to grow slower than the nation, equaling about 4.2% on average annually during the upcoming biennium. Similar to the nation as a whole, total personal income growth in the state is projected to drop in the first quarter of 2026, recover in the second, and then moderate throughout the biennium.

Ohio Personal Income Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	4.2	4.2	4.4	4.5	3.9	4.4	4.1	4.1	4.0	3.9	3.7	3.6
Fiscal Year		4.6				4.3				4.1		

U.S. Unemployment Rate

In Moody's Analytics December baseline forecast, the seasonally adjusted national unemployment rate remains stable throughout this calendar year and the following two. The nationwide unemployment rate is forecast to remain at 4.1% in all quarters outside of the first in 2026.

U.S. Unemployment Rate												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent of the labor force ----------------------------------											
Quarterly	4.1	4.1	4.1	4.1	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Fiscal Year		4.2				4.1				4.1		

Ohio Unemployment Rate

Ohio's seasonally adjusted unemployment rate is projected to rise slightly this calendar year and remain relatively unchanged through 2027. Statewide unemployment is forecast to average 4.6% of the labor force in the upcoming biennium, half a percentage point above the national figure.

Ohio Unemployment Rate												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent of the labor force ----------------------------------											
Quarterly	4.5	4.5	4.6	4.6	4.6	4.6	4.6	4.7	4.7	4.6	4.6	4.6
Fiscal Year		4.5				4.6				4.6		