LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2025 Issue: May 2025

Highlights

– Russ Keller, Chief Economist

GRF tax revenue in April was $19.9 million above the Office of Budget and Management (OBM) estimate. The monthly surplus was driven by the sales and use tax, which outperformed its monthly estimate by $80.3 million. Sales tax receipts from automobiles spurred $27.2 million of this positive variance, as consumers purchased vehicles ahead of looming tariffs. On the other hand, personal income tax (PIT) receipts had a $102.3 million shortfall in April. Annual tax returns were due during the recently completed month, and payments from pass-through entities fell short of expectations while payments from individuals exceeded the OBM estimate.

The U.S. economy contracted for the first time in three years with real gross domestic product (GDP) shrinking by 0.3% in the first quarter of 2025. The decline was mostly due to record imports, which is a subtraction from GDP, as businesses attempted to get ahead of upcoming tariffs.

Through April 2025, GRF sources totaled $35.69 billion:

- Revenue from the sales and use tax was $634.6 million above estimate;
- GRF transfers in were $425.2 million below estimate.

Through April 2025, GRF uses totaled $37.39 billion:

- Program expenditures were $312.3 million below estimate;
- Medicaid spending was $63.6 million below estimate, largely due to a decline in caseloads. By April the decrease in net caseloads totaled more than 586,000 (16.3%) since resuming eligibility redeterminations.

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$216,494	$189,300	$27,194	14.4%
Nonauto Sales and Use	$1,098,577	$1,045,500	$53,077	5.1%
Total Sales and Use	*$1,315,071*	*$1,234,800*	*$80,271*	*6.5%*
Personal Income	$1,099,629	$1,202,000	-$102,371	-8.5%
Commercial Activity Tax	$71,236	$34,600	$36,636	105.9%
Cigarette	$54,881	$53,100	$1,781	3.4%
Kilowatt-Hour Excise	$30,748	$26,800	$3,948	14.7%
Foreign Insurance	$477	$400	$77	19.3%
Domestic Insurance	$2,890	$0	$2,890	---
Financial Institution	$26,981	$28,900	-$1,919	-6.6%
Public Utility	$0	$300	-$300	-100.0%
Natural Gas Consumption	$189	$0	$189	---
Alcoholic Beverage	$3,464	$4,500	-$1,036	-23.0%
Liquor Gallonage	$4,339	$4,600	-$261	-5.7%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$21	$0	$21	---
Business and Property	$7	$0	$7	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,609,933**	**$2,590,000**	**$19,933**	**0.8%**
Nontax Revenue				
Earnings on Investments	$93,079	$62,500	$30,579	48.9%
Licenses and Fees	$45,997	$25,679	$20,319	79.1%
Other Revenue	$1,122	$536	$587	109.5%
Total Nontax Revenue	**$140,199**	**$88,714**	**$51,484**	**58.0%**
Transfers In	**$9,300**	**$0**	**$9,300**	**---**
Total State Sources	**$2,759,432**	**$2,678,714**	**$80,717**	**3.0%**
Federal Grants	**$677,352**	**$521,957**	**$155,396**	**29.8%**
Total GRF Sources	**$3,436,784**	**$3,200,671**	**$236,113**	**7.4%**

*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 April 30, 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 1, 2025)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$1,630,208	$1,585,000	$45,208	2.9%	$1,594,157	2.3%
Nonauto Sales and Use	$9,879,236	$9,289,800	$589,436	6.3%	$9,739,692	1.4%
Total Sales and Use	*$11,509,444*	*$10,874,800*	*$634,643*	*5.8%*	*$11,333,849*	*1.5%*
Personal Income	$8,296,026	$8,042,600	$253,427	3.2%	$7,792,682	6.5%
Commercial Activity Tax	$1,907,625	$1,805,500	$102,125	5.7%	$1,940,533	-1.7%
Cigarette	$557,733	$545,300	$12,433	2.3%	$582,004	-4.2%
Kilowatt-Hour Excise	$271,752	$260,300	$11,453	4.4%	$246,351	10.3%
Foreign Insurance	$409,568	$382,300	$27,267	7.1%	$368,625	11.1%
Domestic Insurance	$68,853	$75,700	-$6,847	-9.0%	$75,861	-9.2%
Financial Institution	$144,706	$159,100	-$14,394	-9.0%	$151,062	-4.2%
Public Utility	$119,532	$122,900	-$3,369	-2.7%	$122,639	-2.5%
Natural Gas Consumption	$30,691	$35,400	-$4,710	-13.3%	$36,231	-15.3%
Alcoholic Beverage	$50,111	$50,200	-$89	-0.2%	$48,955	2.4%
Liquor Gallonage	$45,331	$47,500	-$2,170	-4.6%	$47,190	-3.9%
Petroleum Activity Tax	$8,262	$8,200	$62	0.8%	$9,618	-14.1%
Corporate Franchise	$144	$0	$144	---	$193	-25.2%
Business and Property	$20	$0	$20	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$23,419,800**	**$22,409,802**	**$1,009,999**	**4.5%**	**$22,755,793**	**2.9%**
Nontax Revenue						
Earnings on Investments	$313,924	$225,000	$88,924	39.5%	$343,291	-8.6%
Licenses and Fees	$138,565	$127,671	$10,894	8.5%	$121,199	14.3%
Other Revenue	$128,809	$130,405	-$1,596	-1.2%	$144,279	-10.7%
Total Nontax Revenue	**$581,298**	**$483,076**	**$98,222**	**20.3%**	**$608,769**	**-4.5%**
Transfers In	**$159,142**	**$584,300**	**-$425,158**	**-72.8%**	**$13,547**	**1074.7%**
Total State Sources	**$24,160,240**	**$23,477,178**	**$683,062**	**2.9%**	**$23,378,109**	**3.3%**
Federal Grants	**$11,525,514**	**$11,675,236**	**-$149,722**	**-1.3%**	**$10,295,757**	**11.9%**
Total GRF SOURCES	**$35,685,754**	**$35,152,414**	**$533,340**	**1.5%**	**$33,673,865**	**6.0%**

*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

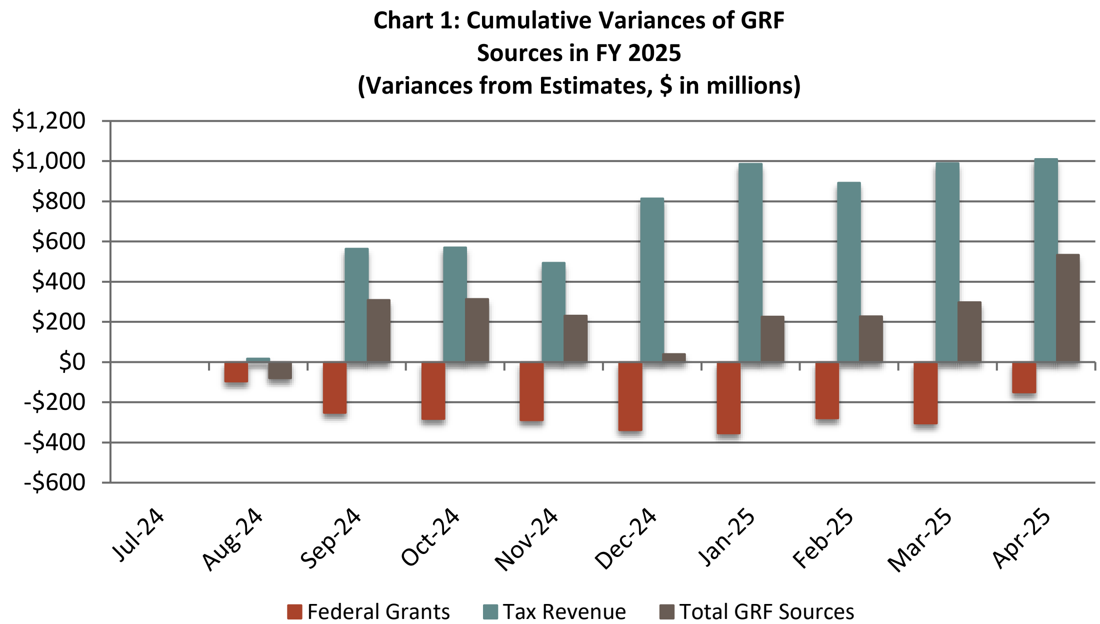
Total GRF tax receipts for April were $2.61 billion, $19.9 million (0.8%) above OBM's estimate. The sales and use tax had the largest positive variance in April with $80.3 million (6.5%); followed by the commercial activity tax (CAT) with $36.6 million (105.9%); and the kilowatt-hour tax with $3.9 million (14.7%). The cigarette tax and other smaller tax sources also experienced surpluses. April's positive variances were partially offset by a total shortfall of $105.9 million, largely from the PIT with $102.4 million (8.5%) as pass-through entity (PTE) payments were below estimate. The remaining shortfalls in April were from the financial institution tax (FIT), the alcoholic beverage tax, the public utility excise tax, and the liquor gallonage tax. Nontax revenue was $140.2 million, about $51.5 million (58.0%) above estimate, largely due to better than projected earnings on investments. Federal grants were $677.4 million, about $155.4 million (29.8%) above estimate. Total GRF sources for April were $3.44 billion, $236.1 million (7.4%) above estimate.

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 April 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 revenue estimates released by OBM in September 2024.

Through the end of April 2025, GRF tax receipts were $23.42 billion, $1.01 billion (4.5%) above estimate. All four of the largest tax sources had positive variances: the sales and use tax with $634.6 million (5.8%); the PIT with $253.4 million (3.2%); the CAT with $102.1 million (5.7%); and the cigarette tax with $12.4 million (2.3%). Other tax sources contributed to the YTD positive variance, including the foreign insurance tax ($27.3 million or 7.1%), the kilowatt-hour tax ($11.5 million or 4.4%), and other smaller tax sources. Those positive variances were partially offset by negative variances totaling $31.6 million from the FIT, the domestic insurance tax, the natural gas consumption tax, the public utility excise tax, the liquor gallonage tax, and the alcoholic beverage tax. Nontax revenue was $98.2 million (20.3%) above estimate, as investment earnings have continued to perform well through the third quarter. Transfers in were $425.2 million (72.8%) below estimate, and federal grants were also below estimate by $149.7 million (1.3%). As discussed in the previous edition, the negative variance for transfers in is primarily related to the expanded sales tax holiday occurring last summer. The total YTD GRF sources of $35.69 billion were above estimate by $533.3 million (1.5%).

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

[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 ten months of FY 2024 by $664.0 million (2.9%). The increase resulted from higher PIT collections, by $503.3 million (6.5%), higher sales and use tax receipts, by $175.6 million (1.5%), higher foreign insurance tax receipts, by $40.9 million (11.1%), and higher kilowatt-hour excise tax receipts, by $25.4 million (10.3%), along with increases in other smaller taxes. These increases were partially offset by declines in CAT receipts, by $32.9 million (1.7%), cigarette and other tobacco products (OTP), by $24.3 million (4.2%),[2] and by other negative variances in smaller tax sources.

Total GRF sources were higher in the first ten months than a year earlier by $2.01 billion (6.0%). YTD GRF revenue from federal grants was $1.23 billion (11.9%) higher than in the year-earlier period. Transfers in YTD were up $145.6 million as compared to the same period in FY 2024.

Sales and Use Tax

GRF receipts from the sales and use tax were $1.32 billion in April, $80.3 million (6.5%) above the estimate. For the first ten months of FY 2025, revenue from the tax was $11.51 billion, $634.6 million (5.8%) 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.

The tax base 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

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

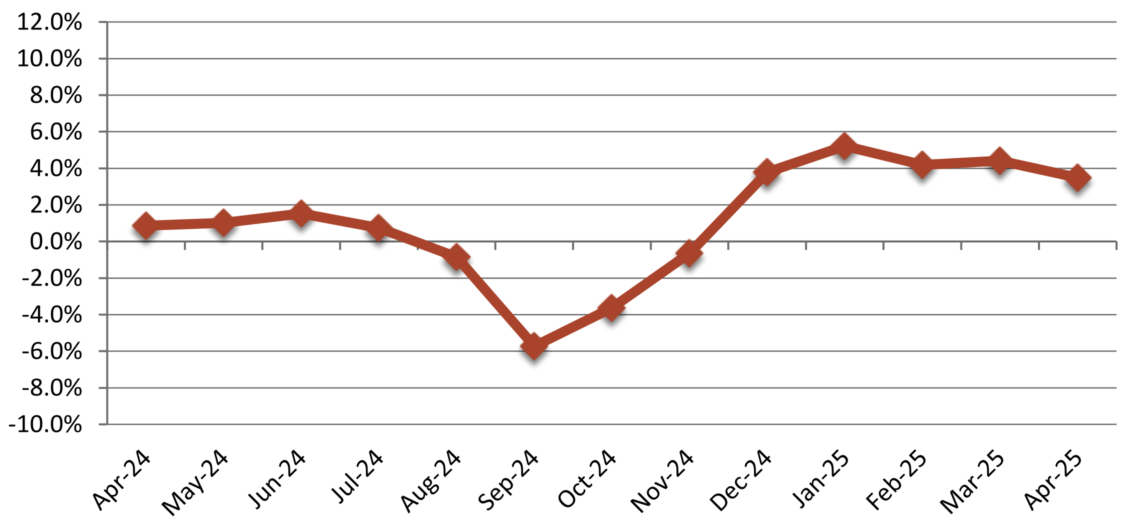
utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases.

Nonauto Sales and Use Tax

GRF receipts from the nonauto sales and use tax in April were $1.10 billion, $53.1 million (5.1%) above the OBM estimate and $72.6 million (7.1%) above revenue in April 2024. YTD revenues were $9.88 billion, $589.4 million (6.3%) above estimate and $139.5 million (1.4%) 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 April 2024. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. 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 associated lag in receipt of those 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 based on strong holiday season spending.

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



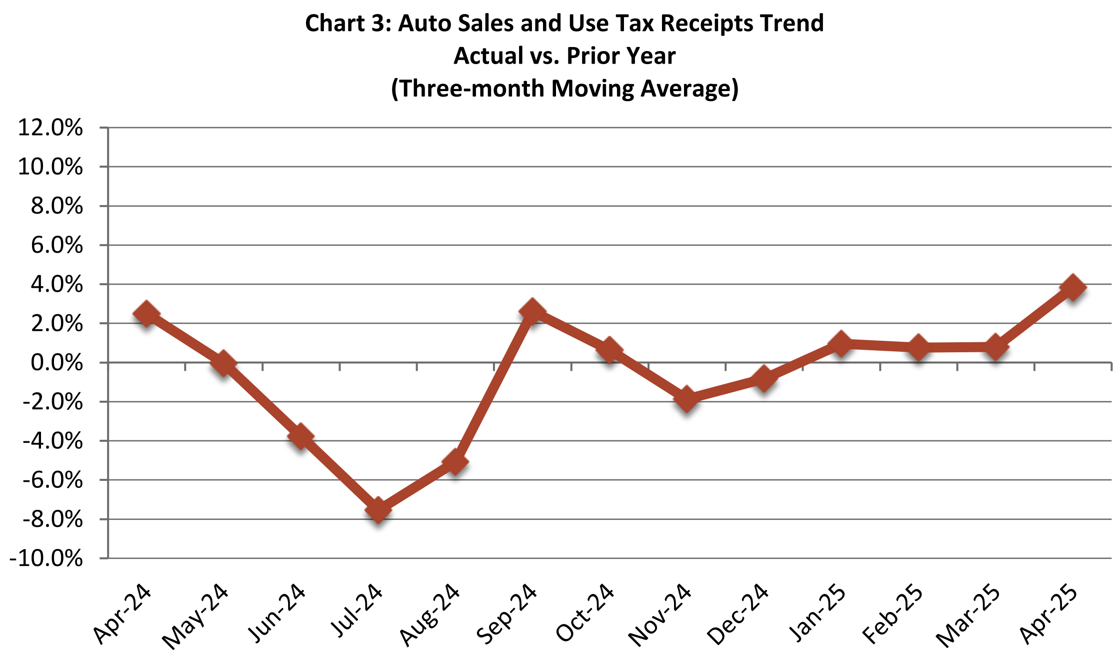
Auto Sales and Use Tax

Receipts from the auto component of the sales and use tax were $216.5 million in April, about $27.2 million (14.4%) above estimate and $23.6 million (12.2%) above receipts in April 2024. Tax receipts in the first ten months of FY 2025 totaling $1.63 billion, about $45.2 million

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

(2.9%) above estimate and were above year-earlier revenues by $36.1 million (2.3%). Most auto sales tax collections reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis. National statistics show that new light vehicle sales increased in April, which grew 10.8% as compared to the same month one year ago. Various media reported vehicles sales remained strong in early April, due to demand from tariff-concerned consumers who rushed to purchase vehicles before the expected price increase as a result of tariffs that were originally implemented in early April, but sales tapered off at the end of April.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since April 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 appear to have ended in 2024.



Personal Income Tax

April GRF revenue from the PIT of $1.10 billion was $102.4 million (8.5%) below estimate but $36.7 million (3.5%) higher than April 2024. GRF revenue received in the first ten months of this fiscal year totaled $8.30 billion, $253.4 million (3.2%) above estimate and $503.3 million (6.5%) higher than a year earlier. Gross PIT collections include withholding payments, PTE annual returns and estimated payments, IT-1040 estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted

[4] 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.

from these gross collections, and a portion of revenue is transferred to the LGF. What remains is GRF PIT revenue.

The table below provides details on revenue from PIT components in July through April compared to OBM estimates and year-earlier revenues. Gross collections were $60.3 million (0.5%) above anticipated revenue, but $105.3 million (0.9%) 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 $210.3 million (7.0%) lower than estimate and $615.2 million (18.1%) 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 $67.7 million (0.8%) higher than a year earlier. PTE Annual Returns and PTE Estimated Payments were down by $173.4 million and $125.9 million, respectively. IT-1040 Estimated Payments, however, were $57.0 million higher.

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	$210.3	2.4%	$67.7	0.8%
PTE Annual Returns	-$115.9	-25.5%	-$173.4	-33.9%
PTE Estimated Payments	-$164.5	-20.7%	-$125.9	-16.6%
IT-1040 Estimated Payments	$61.7	14.1%	$57.0	12.9%
Annual Return Payments	$74.0	9.6%	$60.5	7.7%
Trust Payments	-$1.2	-2.2%	-$0.7	-1.3%
Miscellaneous Payments	-$4.1	-5.2%	$9.5	14.5%
Gross Collections	$60.3	0.5%	-$105.3	-0.9%
Less Refunds	-$210.3	-7.0%	-$615.2	-18.1%
Less LGF Distribution	$17.2	4.2%	$6.6	1.6%
GRF PIT Revenue	$253.4	3.2%	$503.3	6.5%

Commercial Activity Tax

April GRF CAT receipts were $71.2 million, $36.6 million (105.9%) above estimate. GRF CAT revenue from the tax in the first ten months of FY 2025 was $1.91 billion, $102.1 million (5.7%) 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 $32.9 million (1.7%) 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 $1.92 billion in the first ten months of FY 2025, $33.2 million (1.7%) below net revenue in the corresponding months of FY 2024. The YTD decline due to an H.B. 33 provision that reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less in calendar year (CY) 2024 no longer owe the CAT. The policy tandem of repealing the minimum annual tax and the $3 million exclusion reduced the number of CAT taxpayers from nearly 165,000 to roughly 35,000. This CAT exclusion subsequently increased to $6 million per year in CY 2025 and thereafter; quarterly tax payments due in May 2025 will be the first to reflect this law change.

Cigarette and Other Tobacco Products Tax

April revenue from the cigarette and OTP tax of $54.9 million was above estimate by $1.8 million (3.4%). Revenue from the tax in the first ten months of FY 2025 was $557.7 million, $12.4 million (2.3%) above estimate. The fiscal YTD total included $460.0 million from cigarette sales and $97.7 million from OTP.

FY 2025 YTD revenue was $24.3 million (4.2%) lower than in the comparable months of FY 2024. Receipts from cigarette sales decreased $28.1 million (5.8%) while OTP sales increased by $3.8 million (4.1%).

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. More recently, tobacco manufacturers have commented on substitution in their quarterly financial statements. Specifically, they observed preferences of some consumers shifting away from cigarettes in favor of smokeless tobacco (e.g., vapor products).

Nontax Revenue

YTD GRF nontax revenue totaling $581.3 million was $98.2 million (20.3%) above estimate, but $27.5 million (4.5%) below such revenue in the first ten months of FY 2024. The FY 2025 surplus was due to higher earnings on investments, which exceeded its estimate by $88.9 million (39.5%). Earnings on investments are largely dependent on market interest rates.

GRF transfers in of $159.1 million during the first ten months of FY 2025 were $425.2 million lower than the estimate, but $145.6 million higher than in the first ten months of FY 2024. As discussed in the January' edition, almost all of the transfer in was made in December to reimburse the GRF for sales tax receipts estimated to be forgone by the expanded sales tax holiday.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of April 2025
($ in thousands)
(Actual based on OAKS reports run May 7, 2025)

Program Category	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$410,277	$390,265	$20,012	5.1%
Higher Education	$225,489	$208,972	$16,518	7.9%
Other Education	$4,482	$9,748	-$5,266	-54.0%
Total Education	**$640,249**	**$608,985**	**$31,263**	**5.1%**
Medicaid	$1,274,234	$877,426	$396,808	45.2%
Health and Human Services	$199,136	$172,001	$27,134	15.8%
Total Health and Human Services	**$1,473,370**	**$1,049,428**	**$423,943**	**40.4%**
Justice and Public Protection	$273,513	$296,231	-$22,718	-7.7%
General Government	$42,015	$72,442	-$30,427	-42.0%
Total Government Operations	**$315,528**	**$368,673**	**-$53,145**	**-14.4%**
Property Tax Reimbursements	$414,899	$468,639	-$53,741	-11.5%
Debt Service	$75,893	$79,128	-$3,235	-4.1%
Total Other Expenditures	**$490,792**	**$547,768**	**-$56,976**	**-10.4%**
Total Program Expenditures	**$2,919,938**	**$2,574,854**	**$345,085**	**13.4%**
Transfers Out	**$21,030**	**$0**	**$21,030**	**---**
Total GRF Uses	**$2,940,968**	**$2,574,854**	**$366,114**	**14.2%**

*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 April 30, 2025
($ in thousands)
(Actual based on OAKS reports run May 7, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$8,389,457	$8,322,297	$67,159	0.8%	$8,377,964	0.1%
Higher Education	$2,279,498	$2,269,664	$9,834	0.4%	$2,166,777	5.2%
Other Education	$95,819	$96,475	-$655	-0.7%	$93,390	2.6%
Total Education	**$10,764,774**	**$10,688,436**	**$76,338**	**0.7%**	**$10,638,131**	**1.2%**
Medicaid	$18,205,266	$18,268,824	-$63,558	-0.3%	$15,969,394	14.0%
Health and Human Services	$1,742,901	$1,924,263	-$181,362	-9.4%	$1,537,577	13.4%
Total Health and Human Services	**$19,948,167**	**$20,193,086**	**-$244,920**	**-1.2%**	**$17,506,971**	**13.9%**
Justice and Public Protection	$2,671,584	$2,759,459	-$87,875	-3.2%	$2,517,883	6.1%
General Government	$565,443	$640,698	-$75,255	-11.7%	$1,112,775	-49.2%
Total Government Operations	**$3,237,027**	**$3,400,157**	**-$163,131**	**-4.8%**	**$3,630,658**	**-10.8%**
Property Tax Reimbursements	$1,480,820	$1,501,309	-$20,489	-1.4%	$1,456,405	1.7%
Debt Service	$1,200,986	$1,161,092	$39,894	3.4%	$1,219,195	-1.5%
Total Other Expenditures	**$2,681,805**	**$2,662,401**	**$19,405**	**0.7%**	**$2,675,600**	**0.2%**
Total Program Expenditures	**$36,631,772**	**$36,944,080**	**-$312,308**	**-0.8%**	**$34,451,361**	**6.3%**
Transfers Out	**$754,744**	**$730,093**	**$24,651**	**3.4%**	**$6,794,830**	**-88.9%**
Total GRF Uses	**$37,386,516**	**$37,674,173**	**-$287,657**	**-0.8%**	**$41,246,191**	**-9.4%**

*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 May 7, 2025)

	Month of April 2025				Year to Date through April 2025			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,182,345	$783,179	$399,167	51.0%	$17,233,405	$17,303,639	-$70,234	-0.4%
Non-GRF	$1,939,479	$1,989,360	-$49,881	-2.5%	$13,117,953	$13,873,086	-$755,133	-5.4%
All Funds	$3,121,824	$2,772,539	$349,285	12.6%	$30,351,358	$31,176,725	-$825,367	-2.6%
Developmental Disabilities								
GRF	$83,186	$86,361	-$3,175	-3.7%	$863,164	$863,588	-$424	0.0%
Non-GRF	$308,317	$303,337	$4,980	1.6%	$3,415,689	$3,421,383	-$5,694	-0.2%
All Funds	$391,503	$389,698	$1,805	0.5%	$4,278,853	$4,284,971	-$6,118	-0.1%
Job and Family Services								
GRF	$7,861	$7,023	$838	11.9%	$100,049	$91,793	$8,256	9.0%
Non-GRF	$14,819	$12,758	$2,062	16.2%	$156,012	$151,874	$4,138	2.7%
All Funds	$22,680	$19,781	$2,900	14.7%	$256,061	$243,667	$12,394	5.1%
Other								
GRF	$843	$864	-$21	-2.4%	$8,648	$9,804	-$1,156	-11.8%
Non-GRF	$3,065	$4,352	-$1,288	-29.6%	$140,299	$147,286	-$6,987	-4.7%
All Funds	$3,907	$5,216	-$1,309	-25.1%	$148,947	$157,090	-$8,142	-5.2%
All Departments								
GRF	**$1,274,234**	**$877,426**	**$396,808**	**45.2%**	**$18,205,266**	**$18,268,824**	**-$63,558**	**-0.3%**
Non-GRF	**$2,265,681**	**$2,309,807**	**-$44,127**	**-1.9%**	**$16,829,953**	**$17,593,629**	**-$763,676**	**-4.3%**
All Funds	**$3,539,915**	**$3,187,234**	**$352,681**	**11.1%**	**$35,035,219**	**$35,862,453**	**-$827,233**	**-2.3%**

*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 May 7, 2025)

	Month of April 2025				Year to Date through April 2025			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,418,775**	**$2,076,359**	**$342,416**	**16.5%**	**$22,212,385**	**$22,988,689**	**-$776,304**	**-3.4%**
CFC†	$496,065	$547,801	-$51,736	-9.4%	$5,895,939	$6,660,841	-$764,902	-11.5%
Group VIII	$471,833	$470,658	$1,174	0.2%	$4,916,685	$5,068,852	-$152,166	-3.0%
ABD†	$168,248	$185,343	-$17,095	-9.2%	$1,828,392	$1,987,362	-$158,970	-8.0%
ABD Kids	$63,176	$64,015	-$839	-1.3%	$593,673	$658,504	-$64,830	-9.8%
My Care	$309,506	$297,421	$12,086	4.1%	$3,225,753	$3,011,147	$214,607	7.1%
OhioRise	$85,337	$56,065	$29,272	52.2%	$762,797	$629,286	$133,511	21.2%
SPBM	$440,778	$455,057	-$14,279	-3.1%	$4,605,312	$4,745,698	-$140,385	-3.0%
Pay for Performance	$383,833	$0	$383,833	-	$383,833	$227,000	$156,833	69.1%
Fee-For-Service	**$907,356**	**$884,285**	**$23,071**	**2.6%**	**$10,490,290**	**$10,437,868**	**$52,423**	**0.5%**
ODM Services	$520,843	$500,824	$20,020	4.0%	$5,492,627	$5,309,810	$182,817	3.4%
DDD Services	$386,513	$383,461	$3,051	0.8%	$4,180,757	$4,182,058	-$1,300	0.0%
Hospital – HCAP	$0	$0	$0	-	$816,907	$946,000	-$129,093	-13.6%
Premium Assistance	**$134,166**	**$143,854**	**-$9,688**	**-6.7%**	**$1,317,408**	**$1,375,901**	**-$58,494**	**-4.3%**
Medicare Buy-In	$78,139	$84,094	-$5,955	-7.1%	$782,104	$809,174	-$27,070	-3.3%
Medicare Part D	$56,027	$59,759	-$3,732	-6.2%	$535,303	$566,727	-$31,424	-5.5%
Administration	**$79,619**	**$82,736**	**-$3,117**	**-3.8%**	**$1,015,136**	**$1,059,995**	**-$44,858**	**-4.2%**
Total	**$3,539,915**	**$3,187,234**	**$352,681**	**11.1%**	**$35,035,219**	**$35,862,453**	**-$827,233**	**-2.3%**

*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[5]

– Kyuhan Choi, Economist

– Ivy Chen, Division Chief

– Brandon T. Minster, Senior Economist

Overview

GRF program expenditures totaled $36.63 billion in the first ten months of FY 2025. These expenditures were $312.3 million (0.8%) below OBM's estimate for the YTD. GRF uses also include transfers out, which totaled $754.7 million and were $24.7 million (3.4%) above estimate for the YTD. Total GRF uses for these ten months were $37.39 billion, which was $287.7 million (0.8%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of April and YTD, respectively.

For April program expenditures, positive monthly variances in GRF Medicaid ($396.8 million, 45.2%), Health and Human Services ($27.1 million, 15.8%), Primary and Secondary Education ($20.0 million, 5.1%), and Higher Education ($16.5 million, 7.9%) were partially offset by negative monthly variances in Property Tax Reimbursements ($53.7 million, 11.5%), General Government ($30.4 million, 42.0%), and Justice and Public Protection ($22.7 million, 7.7%). The remaining categories had negative monthly variances of $8.5 million. Total program expenditures were $345.1 million (13.4%) above estimate for the month of April.

For the YTD, most program categories were under their OBM estimate, most significantly Health and Human Services ($181.4 million, 9.4%), Justice and Public Protection ($87.9 million, 3.2%), General Government ($75.3 million, 11.7%), and GRF Medicaid ($63.6 million, 0.3%). A significant positive YTD variance for GRF uses occurred in Primary and Secondary Education ($67.2 million, 0.8%) and Debt Service ($39.9 million, 3.4%). 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 above their monthly estimate in April by $396.8 million (45.2%) yet below their yearly estimate by $63.6 million (0.3%). The positive monthly variance brought the YTD GRF spending much closer to the yearly forecast. Non-GRF Medicaid expenditures were below their monthly estimate by $44.1 million (1.9%) and below their yearly estimate by $763.7 million (4.3%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $352.7 million (11.1%) above estimate in April but $827.2 million (2.3%) 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

[5] 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.

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 April of $349.3 million (12.6%), but a FY 2025 all-funds negative variance of $825.4 million (2.6%). The positive monthly variance was the result of realized spending that had been foregone so far in the fiscal year. DODD had an April all-funds positive variance of $1.8 million (0.5%) but ended the month with yearly expenditures being $6.1 million (0.1%) below estimate. The other eight "sister" agencies – Job and Family Services (ODJFS), Ohio Department of 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 three of the four major payment categories. In terms of absolute dollars, the Managed Care variance of $776.3 million was the largest (3.4%). This included Pay-for-Performance spending which was previously scheduled for a different month, and a positive variance in the OhioRISE program of $29.3 million (52.2%). The next largest payment category variance in percentage terms was the Premium Assistance variance, which was $58.5 million (4.3%) below the yearly estimate. Continuing the recent trend of lower administrative spending, the Administration variance was $44.9 million (4.2%) below estimate. The Fee-for-Service (FFS) category had a positive YTD variance in April of $52.4 million (0.5%).

Medicaid caseloads increased more than 28% from March 2020 to April 2023 during the COVID-19 public health emergency (PHE). The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM's net caseload has declined every month. By April 2025 the decrease totaled more than 586,000 (16.3%). April caseload figures were down over 11,000, the largest monthly decline so far this fiscal year.

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. DCY accounted for a majority of the actual expenditures for this category in the first ten months of FY 2025 (36.6%), followed by OhioMHAS at 30.0%. Ten other agencies made up the remaining 33.4% of YTD spending.

The negative YTD variance for this category decreased by $27.1 million in April to reach $181.4 million (9.4%). The largest contributor towards this negative monthly and YTD variance was DCY. DCY was under estimate for the YTD by $79.4 million, which accounted for 43.8% of the program category's negative YTD variance. Two ALIs contributed significant variances to DCY's monthly expenditures: ALI 830506, Family and Children Services, with a positive variance of $32.3 million, and ALI 830500, Early Care and Education, with a negative variance of $11.8 million. ALI 830407, Early Childhood Education, accounted for the largest share of DCY's YTD variance at $72.1 million.

ALI 830506 is used to support family and children services, including: the state share for foster parent stipends, federal Chaffee education training vouchers, the state operating allocation, the state child protection allocation, and an allocation to implement the Feisal Case Review recommendations. ALI 830500 is used to support early care and education activities, including the state's subsidized childcare programs. ALI 830407 funds early childhood education programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers.

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 70.1% of actual expenditures for this category in the first ten months of FY 2025. Eleven other agencies made up the remaining 29.9% of spending.

The negative YTD variance in this category was $87.9 million (3.2%). This was primarily due to the DRC and the Attorney General's Office (AGO), which had negative YTD variances of $61.3 million and $17.5 million, respectively; DRC's monthly variance was $30.3 million in April, and AGO's was $4.9 million. The category as a whole was $22.7 million (7.7%) below estimate for the month.

AGO's monthly variance was due mainly to lower than anticipated spending in ALI 055509, Law Enforcement Training. ALI 055509 provides state funding to the Attorney General for the continuing professional training of peace officers and troopers. DRC's monthly variance was mainly due to negative variances of $20.8 million in ALI 501501, Community Residential Programs – Community Based Correctional Facilities, and $14.1 million in ALI 501405, Halfway House.

ALI 501501 provides subsidies for the operation of 17 community-based correctional facilities (CBCFs), which divert nonviolent felony offenders from state correctional institutions and offer services such as education, job training, and substance abuse treatment. ALI 501405 primarily funds community residential programs operated by halfway house organizations to provide supervision and treatment services for offenders released from state prisons, referred by courts of common pleas, or sanctioned because of a violation of conditions of supervision.

General Government

This program category includes all GRF spending for general government programs, excluding debt service. April expenditures were $30.4 million (42.0%) below OBM's monthly estimate, increasing the category's negative YTD variance to $75.3 million (11.7%). The Department of Development (DEV) accounts for $28.8 million of the YTD shortfall, followed by the Department of Transportation (DOT) at $28.6 million.

Aside from ALI 195456, Local Roads – which is $11.2 million below estimate but is a discontinued line item previously used to fund local road improvements for economic development – the largest negative variance for DEV in April was in ALI 195503, Local Development Projects. This line item was $2.0 million under estimate for the month and is earmarked for 28 specific community projects during the FY 2024-FY 2025 biennium.

The most significant DOT 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 $4.5 million and $26.4 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 DEW, except for property tax reimbursement and Medicaid spending. This category was above the YTD estimate by $67.2 million (0.8%) at the end of April, with a positive monthly variance of $20.0 million (5.1%). The positive monthly variance was primarily due to ALI 200550, Foundation Funding – All Students, which exceeded the monthly estimate by $24.1 million in April. These expenditures increased the positive YTD variance for the line item to $55.6 million.

ALI 200550 is the main source of state support for public schools in Ohio, including those operated by traditional school districts, joint vocational school districts, and community and STEM (i.e., science, technology, engineering, and mathematics) schools, as well as for the state's scholarship programs for students attending chartered nonpublic schools. For FY 2025, estimated spending in this ALI comprises 84.8% of total estimated spending in the category. Expenditures from this ALI are governed by a variety of formulas and data which can be difficult to predict on a monthly basis. There are, therefore, often timing-related variances in this ALI.

Issue Updates

Department of Development Commits to Covering Cost of 7,600 Tech-focused Credentials for Ohio Workers under TechCred

– Jared Cape, Budget Analyst

On March 25, 2025, DEV announced that 566 companies would receive reimbursements for helping over 7,600 employees obtain technology-related credentials under the TechCred Program. This was the 30th round of awards under the program since its inception in CY 2019. A credential must be industry-recognized, approved by the Department of Higher Education (ODHE), and completed in one year or less or involve fewer than 900 clock hours or 30 credit hours. Employers who submit successful applications are reimbursed up to $2,000 per credential after current or prospective employees complete qualifying credentials. Employers are eligible to receive up to $30,000 per funding round. Under the first 29 rounds of funding, DEV awarded approximately $138.5 million in reimbursements. This funding covered the costs for just over 126,000 qualifying technology-focused credentials earned by employees.

TechCred was created under H.B. 2 of the 133rd General Assembly and is administered by the Governor's Office of Workforce Transformation and DEV. Employer reimbursements are paid out of GRF ALI 195556, TechCred Program, which also provides funding for the Individual Microcredential Assistance Program (IMAP). Additional information about TechCred, including approved credentials, may be found on the program website: techcred.ohio.gov.

ODHE Awards 39 Institutions $8.4 Million in Super RAPIDS Grants

– Jason Glover, Senior Budget Analyst

In April 2025, ODHE awarded a total of $8.4 million to 39 institutions under the Super RAPIDS Program, which provides funding for equipment, facilities, and essential implementation-related expenses to strengthen education and training opportunities that maximize workforce development efforts. These funds build on capital funds currently provided under ODHE's Regionally Aligned Priorities in Delivering Skills (RAPIDS) Program. Super RAPIDS awards must be spent in one or more of the following areas: broadband/5G, cybersecurity, healthcare, transportation, advanced manufacturing, and trades. This round of funding supports regional collaborative projects among 14 Ohio Technical Centers (OTCs), ten public universities, and 15 community colleges across nine ODHE-defined Super RAPIDS regions.

The table below summarizes the number of grant recipients and total awards by region. As the table shows, awards ranged from $1.4 million for five institutions in the West region of the state to about $280,000 for three institutions in the eastern portion of the Northeast region. Amounts for each institution ranged from about $16,000 to more than $438,000. More information on the Super RAPIDS Program can be accessed by conducting a keyword "Super RAPIDS" search on ODHE's website: highered.ohio.gov.

Super RAPIDS Grants, April 2025		
Region	**Number of Institutions**	**Total Awards**
West	5	$1,401,816
Northeast-West	4	$1,254,651
Central	5	$1,179,000
Northwest	7	$999,027
Northern Appalachia	4	$987,450
Northeast-Central	3	$928,282
Southwest	4	$909,440
Southeast	4	$446,262
Northeast-East	3	$281,355
Total	**39**	**$8,387,283**

Source: Ohio Department of Higher Education

H.B. 33 funds Super RAPIDS with an appropriation of $94.5 million in the FY 2024-FY 2025 biennium from Fund 5AH1 ALI 235688, Super RAPIDS. Fund 5AH1 is supported by a transfer of cash from FY 2023 GRF surplus revenues. Through this round of funding, ODHE has awarded a total of approximately $76.7 million of the $94.5 million (81.2%) appropriated for Super RAPIDS projects, including an initial award of $40.0 million to 89 institutions in December 2023. According to an ODHE spokesperson, the Department has yet to decide when another round of funding will take place, but it expects the remaining $17.8 million will be fully obligated by the end of FY 2025.

Office of Criminal Justice Services Awards Nearly $4.6 Million in Ohio Body-Worn Camera Grants

– Jessica Murphy, Senior Budget Analyst

On March 26, 2025, the Office of Criminal Justice Services (OCJS), a division of the Ohio Department of Public Safety, announced grant awards totaling nearly $4.6 million under the Ohio Body-Worn Camera Grant Program. A total of 131 law enforcement agencies across 47 counties received awards during this fourth round of funding. Of the agencies that received funding, 21 will create new body-worn camera programs and 110 will dedicate funding toward expanding or upgrading their existing programs.

OCJS received 177 applications totaling $14.4 million in grant requests, of which approximately 75% were awarded. All qualifying agencies that do not currently have a program in place received priority funding ($563,675). The remaining funding ($4.0 million) went to agencies to upgrade aging cameras, add storage capacity, or hire record-retention personnel. Individual awards ranged from a low of $1,711 (Village of New Middletown Police Department in Mahoning County) to as high as $141,710 (Butler County Sheriff's Office). For more information on all the grant awards, see the list of award recipients (PDF) available under the heading "News" on OCJS's website: ocjs.ohio.gov.

In total, the program has issued funding to over 400 law enforcement agencies since its creation in 2021. The program received funding of $5.0 million in each fiscal year in the last two main operating budget acts under GRF ALI 768425, Justice Program Services.

Criminal Justice Services Awards $4.6 Million in Edward Byrne Memorial Justice Assistance Grants

– Maggie West, Senior Budget Analyst

On March 13, 2025, OCJS announced the competitive award of $4.6 million in federal grants from the Edward Byrne Memorial Justice Assistance Grant (JAG) Program to 147 projects in 65 counties. Under the JAG Program, units of local government, state agencies, state-supported universities, statewide and local nonprofit or faith-based organizations, and law enforcement agencies can apply for new or renewal funding (for up to four years) to support crime prevention and control activities which focus on state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice.

Individual project funding ranged from $4,555 for the Fayette Police Department (Fulton County) to $100,000, which was received by both the Ohio Department of Rehabilitation and Correction and the Ohio Victim Witness Association. The average award is $31,070. The following table lists the number of projects funded by program area, and the total amount of funding awarded. Projects categorized in the Law Enforcement Program area received the most funding at just over $2.5 million, or 54.9% of the total amount awarded. JAG Program awards provide for 12 months of funding, beginning January 1, 2025. A list of award recipients (PDF) is available under the heading "News" on OCJS's website: ocjs.ohio.gov.

2024 Federal Edward Byrne Memorial JAG Awards by Program Purpose Area		
Program Purpose Area	Number of Projects	Total Funding
Law Enforcement Programs	100	$2,506,221
Victim Services Programs	26	$1,223,342
Crime Prevention Programs	17	$588,420
Adult and Juvenile Corrections, Community Corrections, and Reentry Programs	1	$100,000
Courts, Specialty Dockets, Defense, and Prosecution Programs	2	$92,927

2024 Federal Edward Byrne Memorial JAG Awards by Program Purpose Area		
Program Purpose Area	Number of Projects	Total Funding
Cross-agency and Cross-system Collaboration, Training, and Research Programs	1	$56,316
Total	**147**	**$4,567,226**

Controlling Board Approves $3 Million in Solvency Assistance for Trimble Local School District

– Jorge Valdebenito, Economist

On April 21, 2025, the Controlling Board approved a request by DEW to provide a $3.0 million solvency advance payment to Trimble Local School District in Athens County for the remainder of FY 2025. The payment will cover the amount of the district's operating deficit, which represents 24% of its general fund revenues. The Controlling Board also approved increasing the FY 2025 appropriation for solvency assistance (Fund 5H30 ALI 200687, School District Solvency Assistance) by $994,000, from $2.0 million to $3.0 million, to support the payment. Following the payment to Trimble Local, the cash balance for Fund 5H30 stands at about $106,000.

The Auditor of State declared Trimble Local in a state of fiscal emergency on April 8, 2025, due to a state of insolvency. Current law requires an emergency declaration if (1) the Auditor certifies the district's operating deficit for the current fiscal year at greater than 15% of the district's general fund revenue for the previous fiscal year, and (2) voters have not approved a levy that would raise enough money to reduce the deficit below that threshold in the next fiscal year. Solvency advances are interest-free but generally must be repaid over two years. In some cases, DEW and OBM may approve alternate repayment schedules lasting up to ten years.

Each school district placed in fiscal emergency falls under the jurisdiction of a five-member financial planning and supervision commission. The commission's membership consists of three appointed members and the directors (or designees) of OBM and DEW. A commission must adopt a financial recovery plan for the school district within 120 days after its first meeting. A commission has broad powers to restore the fiscal solvency of the district, including assuming responsibility for the restructuring or refinancing of district debt and recommending a new tax levy. However, a commission's plan must be approved by the DEW Director.

Trimble Local is one of five school districts in some kind of fiscal distress, as determined by DEW and the Auditor of State's Office. Mt. Healthy City School District in Hamilton County is the only other district currently in fiscal emergency, having received that designation in April 2024 and $10.8 million in solvency assistance the same month. One school district, Springfield Local School District in Summit County, is in fiscal watch status (declared September 2021), and two districts are under fiscal caution (Mogadore Local School District in Summit County and Ravenna City School District in Portage County, declared June 2023 and June 2024, respectively).

Department of Development Awards Over $1.2 Million in Housing Support for Ohioans in Recovery

– Gavin Enseleit, LSC Fellow

On April 3, 2025, DEV announced $1.2 million in Community Development Block Grant (CDBG) awards for 11 alcohol, drug addiction, and mental health (ADAMH) boards to provide transitional housing assistance for about 1,000 people recovering from substance abuse disorders. The table below shows the county boards which were awarded grants, summarizes how they will use the funding, the number of people benefitting from the assistance, and the award amounts.

CDBG Awards for Transitional Housing Support (April 2025)		
Recipient	**Use of Funding**	**Amount**
Clermont	Rent subsidies at certified recovery homes (29 residents)	$37,154
Cuyahoga	Three-month extension of recovery home housing (90)	$168,547
Hancock	Rent and utility assistance for early recovery housing (12)	$25,036
Lake	Rent assistance and outpatient services (21)	$53,584
Logan and Champaign	Rent assistance and placement in supportive housing (22)	$33,572
Lucas	Peer support activities and structured routines (110)	$303,076
Mahoning	Provision of safe and sober housing options (121)	$109,678
Montgomery	Rent assistance for housing in certified recovery homes (308)	$139,881
Paint Valley ADAMH Region	Rent subsidies for housing in certified recovery homes – Fayette, Highland, Pickaway, Pike, and Ross counties (52)	$25,645
Trumbull	Rent stipends for first-year recovery housing (200)	$284,426
Union	Drug-free housing for those with co-occurring mental health illnesses (36)	$36,484
	Total	**$1,217,083**

The awards were made under the Flexible Grant Program under the CDBG program. The Flexible Grant Program supports community development, housing, emergency shelter, and other projects that do not fit within other CDBG programs.

OhioMHAS Awards $821,000 to Support Ohio's Behavioral Health Workforce

– Jacquelyn Schroeder, Senior Budget Analyst

On April 8, 2025, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) awarded nearly $821,000 in mini-grants to ten recipients to strengthen the behavioral health workforce in Ohio. Funded recipients will focus on two priorities: building new or expanding existing partnerships between community and regional entities to increase awareness of behavioral health workforce needs, and providing connections to competitive behavioral health career opportunities, such as hiring events or job fairs. A few examples of funded projects include (1) expanding partnerships with schools and community organizations to provide high school and post-secondary students with career pathways into relevant fields, (2) providing educational and training opportunities to increase new behavioral health certifications or maintain current certifications, (3) offering scholarships to behavioral health workers to improve skillsets, and (4) hosting workshops, training programs, or career fairs to promote entry into the behavioral health workforce.

Eligible entities included behavioral health employers, development boards, and alcohol, drug addiction, and mental health (ADAMH) boards. All approved projects are required to address at least one of the following elements: recruitment, retention, education, or activities that increase licensure or certification in related fields. The maximum award amount was $150,000. The table below provides the funded projects and grant amounts.

Behavioral Health Workforce Projects	
Awardee	**Amount**
5 Star Salon Academy (Montgomery County)	$150,000
MHRS Board of Allen, Auglaize, and Hardin Counties	$125,425
Hamilton County Mental Health and Recovery Services Board	$108,920
Mental Health and Addiction Advocacy Coalition (Cuyahoga County and SW Ohio)	$98,625
Project Lift (Cuyahoga County)	$79,950
Shawnee Mental Health Center (Scioto County)	$68,412
Paint Valley ADAMH Board (Fayette, Highland, Pickaway, Pike, and Ross counties)	$65,000

Behavioral Health Workforce Projects	
Awardee	**Amount**
Catalyst Life Services (Richland County)	$55,000
Hancock County Board of ADAMHS	$50,000
Mental Health and Recovery Services Board of Lucas County	$19,458
Total	**$820,790**

SPBM Program Review Finds Substantial Savings

– Nelson V. Lindgren, Senior Economist

On April 9, 2025, ODM announced that substantial savings were achieved during the Single Pharmacy Benefit Manager's (SPBM) first two years of operation. ODM requested that the actuarial firm Milliman conduct an analysis to review the performance and potential cost benefits of the SPBM program. As part of this analysis, Milliman examined SPBM pharmacy expenditures from October 2022 through September 2024. During this period, they estimated that the SPBM led to administrative savings of $333.0 million. This is primarily due to the elimination of duplicative administrative procedures. For example, prior to the SPBM, each Medicaid Managed Care Organization (MCO) had contracts with one or more pharmacy benefit managers (PBMs), which led to multiple policies and guidelines that providers had to follow. However, a SPBM has a single set of policies, claims processes, and a standard point of contact, which reduces the administrative burden for providers. The analysis also found that Ohio pharmacies that fill prescriptions for Medicaid recipients, have seen a ten-fold increase in dispensing fees over the last two years, from an average dispensing fee of $0.73 per prescription to an average dispensing fee of more than $9.00 per prescription. The analysis estimates a total net savings of $140.0 million in comparison to the capitation rates that ODM would have paid in the traditional MCO PBM system.

The SPBM has been in operation since October 2022. It is part of ODM's Next Generation of Managed Care program, which has been a multi-year effort to improve services and cost effectiveness of the state's Medicaid program. The SPBM, administered by Gainwell Technologies, provides prescription drug benefit management for all Ohio Medicaid recipients, regardless of what MCO or fee-for-service methodology covers a Medicaid recipient's other health care needs.

Tracking the Economy

– Craig Kerr, Senior Economist

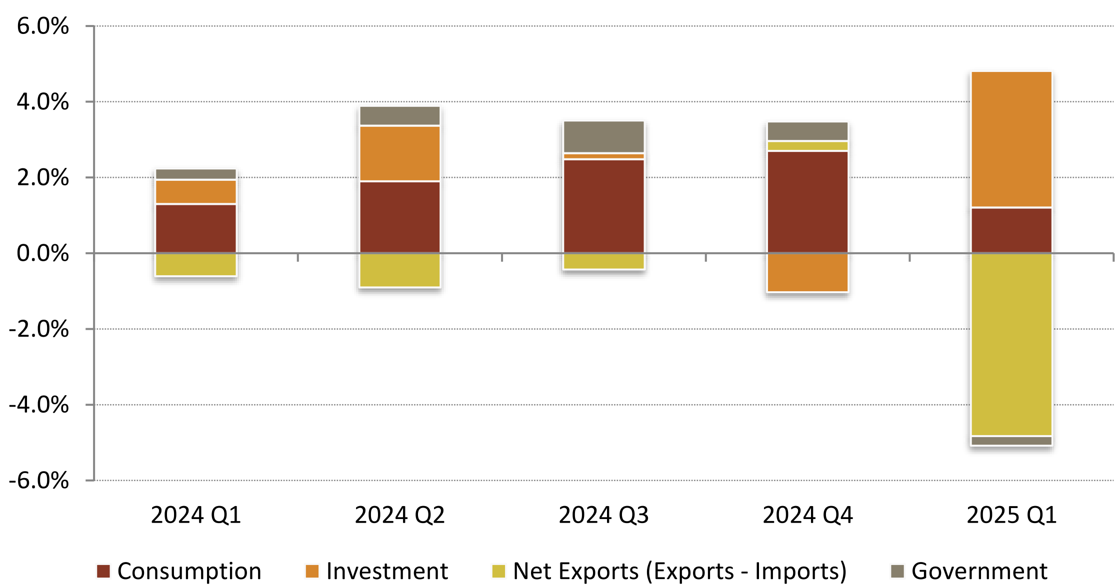
Overview

The U.S. economy contracted for the first time in three years with real GDP shrinking by 0.3% in the first quarter of 2025. The decline was mostly due to record imports, which is a subtraction from GDP, as businesses attempted to get ahead of upcoming tariffs. The tariffs levied on most Chinese imports were increased again (125%, on top of the previously imposed 20% rate) while the automobile industry received some relief via exemptions and rebates. The labor force continued to grow in Ohio faster than the market could absorb the additional workers. Business contacts of the Cleveland Federal Reserve reported some slowdown in demand for their goods and services and modest increases in prices due to uncertainty around tariffs and economic conditions.

The National Economy

The U.S. economy contracted for the first time in three years according to preliminary estimates released by the Bureau of Economic Analysis (BEA). Real GDP growth shrank at an annualized rate of 0.3% on a seasonally adjusted basis in the first quarter of 2025, largely reflecting a historic increase in imports (41%), which is a subtraction from GDP, and a decrease in government spending (1.4%). The decrease in government spending came from lower federal expenditures (5.1%), both defense (8.0%) and nondefense (1.0%). Chart 4 displays the quarterly real GDP growth since 2024 broken down by component.

Chart 4: Contributions to Real GDP Growth (Seasonally Adjusted)



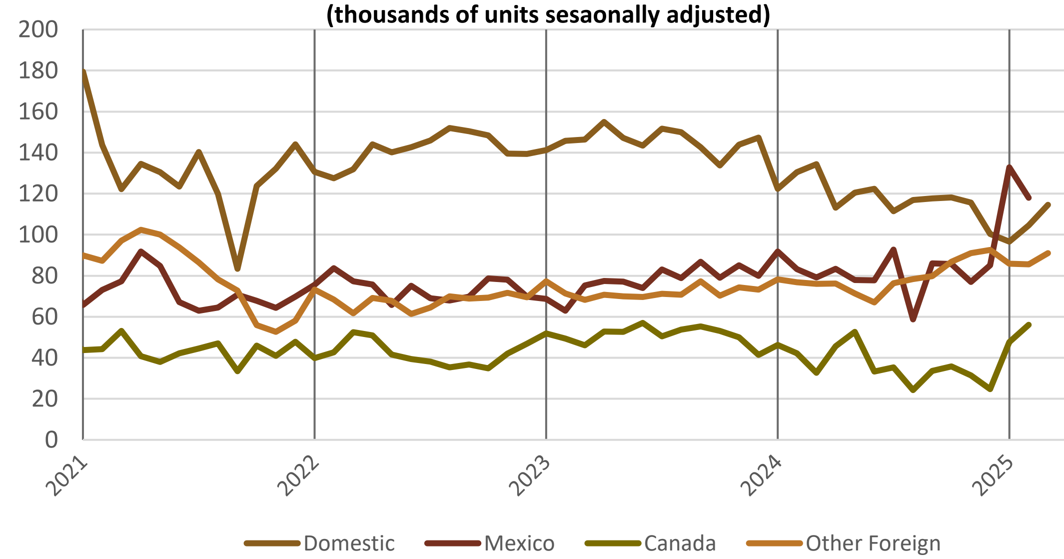
The decline in federal spending echoes data reported by the newly formed Department of Government Efficiency (DOGE).[6] According to the agency, the cancellation and renegotiation of contracts, leases, and grants, workforce reductions, cancellation of improper payments, and programmatic changes made through April 27, 2025 have saved the federal government an estimated $165 billion, as of May 8, 2025.

As domestic businesses imported massive amounts of imports prior to the scheduled increase in tariffs, the President signed an executive action giving more time to reach agreements with most trading partners. Previously announced country-specific "reciprocal" tariffs were paused for all countries until July 9, except for China whose tariffs were increased to 145% in total. Imports from the countries whose tariffs were paused will instead be taxed at the 10% baseline rate for all imports.

Automobile manufacturers also received some relief from newly imposed tariffs affecting their industry. An executive action declared that imports subject to tariffs targeting automobiles and automobile parts will not additionally be subject to those targeting Canada or Mexico, nor will they be subject to the tariffs on imported aluminum or steel. In a separate proclamation, the President announced that the tariffs on automobile parts will be phased in through rebates. Manufacturers may apply for a rebate on tariffs paid up to 3.5% of the manufacturer's suggested retail price (MSRP) until May 3, 2026. The reimbursement then falls to 2.5% of MSRP for a second and final year.

The structure provides incentives to gradually increase the percentage of manufacturing that occurs in the U.S., Mexico, or Canada as parts that are compliant with the US-Mexico-Canada (USMCA) trade agreement are imported duty-free. This means that manufacturers that produce automobiles with 85% domestic and USMCA-compliant materials will not pay tariffs after rebates. In the second year, 90% of each automobile would have to be produced in North America to avoid paying the tariff. Chart 5 displays the seasonally adjusted number of automobile units produced domestically alongside the number of imports from Canada, Mexico, and all other nations.

Chart 5: Domestic Production and Foreign Importation of Automobiles (thousands of units sesaonally adjusted)



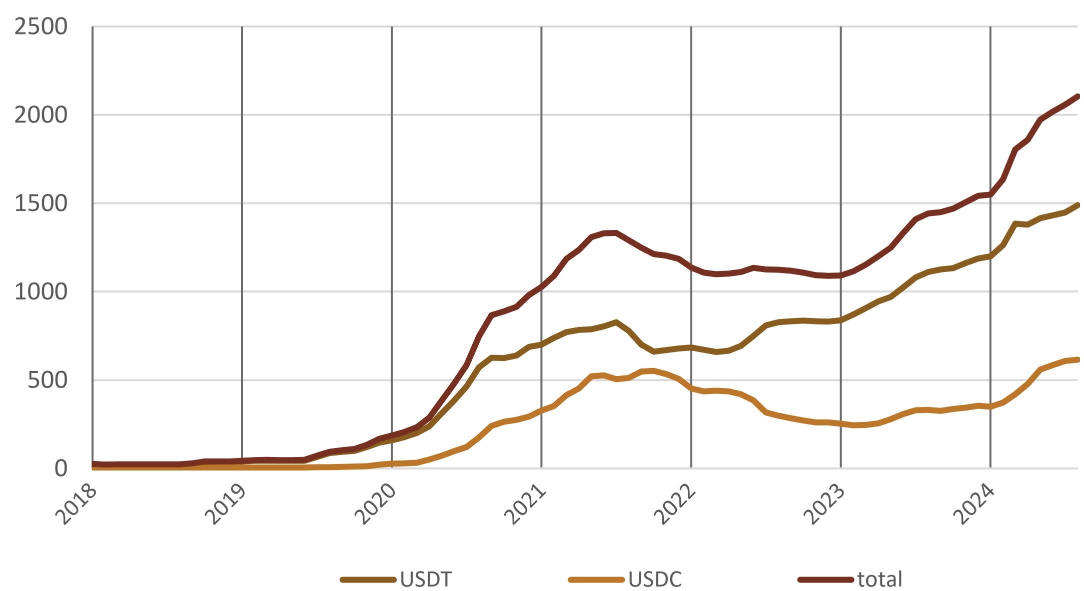
[6] The data is available at DOGE's website under the savings tab.

Although the Federal Reserve recently warned of short-term inflationary effects from the newly imposed and upcoming tariffs, such effects have yet to show up in the data. Year-over-year inflation continued to cool in March, with the consumer price index for all urban consumers (CPI-U) declining by 0.4 percentage points to 2.4%. Core inflation (excluding volatile food and energy prices) declined to its lowest level since March 2021, falling from 3.1% to 2.8%.

On a seasonally adjusted month-over-month basis, energy prices declined 2.4%, largely reflecting a reduction in the price of gasoline (6.3%). Other costs associated with travel were down on the month, including airline fares (5.3%), public transportation (4.2%), and car and truck rental (2.7%). The effect of the recent avian flu outbreak continued to be reflected in the price of eggs, which increased 5.9% in March following a 15.2% and 10.4% increase in January and February, respectively. Overall, the food index was up 0.4% for the month.

The Federal Reserve signaled that it would be taking a more relaxed position on regulating banks' dealings with cryptocurrencies by withdrawing multiple statements of guidance on the issue.[7] Banking organizations supervised by the board will no longer be required to notify regulators prior to engaging in activities that involve crypto currencies, such as Bitcoin, or to obtain permission prior to engaging with digital tokens denominated in U.S. dollars, such as Tether. The retractions are in line with the President's executive order "to promote United States leadership in digital assets and financial technology" signed in January, which, among other things, sets forth policies meant to promote the U.S. dollar through the development of dollar-backed stablecoins.[8] Chart 6 displays the exponential growth in the two most widely used dollar-backed stablecoins, Tether (USDT) and US Dollar Coin (USDC).

Chart 6: Market Capitalization of Stable Coins ($ millions)



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[7] The press release can be found on the Federal Reserve's website.

[8] Stablecoins are cryptocurrencies whose value is pegged, or tied, to that of another currency, commodity, or financial instrument. A dollar-backed stablecoin is tied to the value of the U.S. dollar. The executive order can be found on the White House's website.

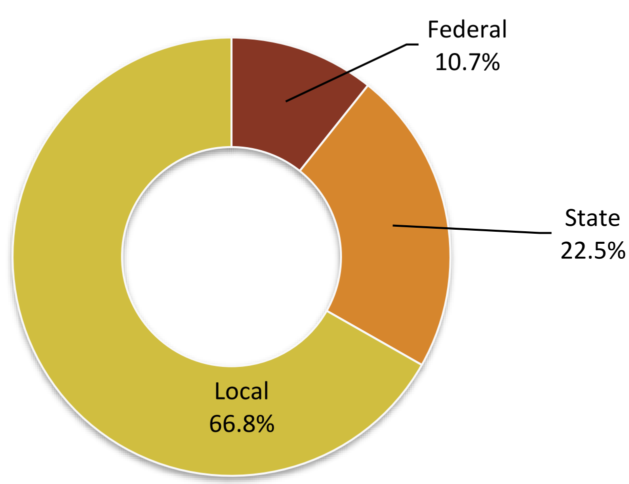
The nation's labor market continued its trend of stability in April. The unemployment rate remained unchanged at 4.2% while both the labor force participation rate (62.6%) and employment-population ratio (60.0%) increased by 0.1 percentage point according to preliminary estimates released by the Bureau of Labor Statistics (BLS). The seasonally adjusted monthly growth in nonfarm payroll (177,000) was once again led by gains in the healthcare industry (51,000) while the transport and warehousing industry (29,000) also posted higher than average monthly gains. Federal government jobs declined for the third month in a row (9,000), resulting in the first year-over-year decline (6,000) since December 2022. Note that these job loss numbers do not reflect federal workers on paid leave or receiving ongoing severance pay.

The Ohio Economy

Businesses contacted recently by the Federal Reserve Bank of Cleveland reported flat activity in the fourth district, which includes Ohio, Western Pennsylvania, Eastern Kentucky, and a small portion of West Virginia. Consumer spending was reportedly down save for auto dealers, who reported an increase in sales as customers sought to avoid tariffs. Uncertainty regarding tariffs and overall economic conditions was cited by many businesses for a reduction in consumer demand for manufactured goods, food, and hospitality. Many also cited uncertainty as the reason behind slowdowns in hiring, construction of commercial real estate projects, and moderate increases in prices. Nonprofit organizations assisting job-seekers reported an increase in the number of people relying on credit cards to purchase basic needs.

More people continued to enter the labor force, pushing the state's labor participation rate up to 62.6%, which is the highest level since February 2020. The number of employed workers jumped by over 11,000 in March, the largest gain since April 2023. However, the labor market is taking time to absorb the additional participants as the number of unemployed workers also rose (6,100). The official rate of unemployment was 4.8%, continuing the upward trend that began in July 2023 and reflecting the increasing number of people seeking employment and the disproportionate amount that have yet to find a job. Over the last 22 months, the labor force in the state has increased by approximately 137,000 workers with the majority of the additional workers being unemployed (62%).

Chart 7: Government Jobs in Ohio



The number of jobs in the state increased for the second month in a row in March. Preliminary estimates from the BLS indicate that 7,500 more Ohio workers held jobs on a seasonally adjusted basis, with large gains spread across many industries including leisure and hospitality (5,700), health care and social assistance (3,000), construction (2,400), transport and warehousing (1,000), and retail (1,000). These gains were partially offset by losses in business and professional services (5,000), education (1,800), and information (500). Similar to the nation, the number of federal government jobs held in Ohio declined (200). However, among all government jobs in the state, federal jobs are the least commonly held. Chart 7 displays the share of government jobs for each level in the state.

The Ohio and Kentucky Real Estate Commissions signed a memorandum of understanding in April, allowing licensed agents in one state to operate in the other. However, there may be fewer listed homes for agents to sell. For the second consecutive month, the number of residential homes sold in Ohio decreased (7.1%) relative to a year ago. The average price of homes continued to rise (6.1%) as did their associated mortgage payments. Assuming a 20% down payment on a 30-year mortgage with the average monthly rate, estimated principal and interest payments increased by $62, from $1,466 to $1,528. There is evidence that households may be expanding what they have rather than moving to new properties. According to construction contacts of the Cleveland Federal Reserve, the industry is seeing lower demand for new residential builds but higher demand for remodels and additions.