

Highlights

– Russ Keller, Chief Economist

GRF tax revenue in September was \$547.1 million above the Office of Budget and Management (OBM) estimate, due primarily to the nonauto sales and use tax. The newly expanded sales tax holiday spanning ten days and ending on August 8 did not have as large an impact on tax revenues as anticipated. Other tax revenue sources were largely on par for the month.

After holding its target interest rate steady for many months, the Federal Reserve cut the rate in September by an uncommonly large half a percentage point. This was despite its view that economic activity has continued to expand at a solid pace in September. National job gains in September were the largest since March, and inflation trended lower in August. Ohio employment levels were generally unchanged during the summer months, but recently published data show that state income growth turned higher in the first half of 2023.

Through September 2024, GRF sources totaled \$11.16 billion:

- ❖ Revenue from the sales and use tax was \$566.0 million above estimate;
- ❖ All other tax sources were within \$15 million of their FY 2025 estimate.

Through September 2024, GRF uses totaled \$13.73 billion:

- ❖ Program expenditures were \$395.7 million below estimate; Medicaid was \$300.7 million below its estimate, partly reflecting a shift in spending from GRF to non-GRF in September.

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Table 1: General Revenue Fund Sources**Actual vs. Estimate****Month of September 2024**

(\$ in thousands)

(Actual based on report run in OAKS Actuals Ledger on October 1, 2024)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	\$155,309	\$153,400	\$1,909	1.2%
Nonauto Sales and Use	\$814,997	\$249,300	\$565,697	226.9%
<i>Total Sales and Use</i>	<i>\$970,306</i>	<i>\$402,700</i>	<i>\$567,606</i>	<i>141.0%</i>
Personal Income	\$993,521	\$992,600	\$921	0.1%
Commercial Activity Tax	\$1,925	\$18,100	-\$16,175	-89.4%
Cigarette	\$63,184	\$62,800	\$384	0.6%
Kilowatt-Hour Excise	\$28,698	\$27,000	\$1,698	6.3%
Foreign Insurance	\$7,408	\$9,100	-\$1,692	-18.6%
Domestic Insurance	\$4,859	\$300	\$4,559	1519.5%
Financial Institution	-\$16,520	-\$3,300	-\$13,220	-400.6%
Public Utility	\$1,993	\$0	\$1,993	---
Natural Gas Consumption	\$43	\$0	\$43	---
Alcoholic Beverage	\$5,195	\$5,100	\$95	1.9%
Liquor Gallonage	\$4,721	\$4,800	-\$79	-1.6%
Petroleum Activity Tax	\$3,035	\$2,100	\$935	44.5%
Corporate Franchise	\$7	\$0	\$7	---
Business and Property	\$0	\$0	\$0	---
Estate	\$0	\$0	\$0	---
Total Tax Revenue	\$2,068,376	\$1,521,300	\$547,076	36.0%
Nontax Revenue				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$1,126	\$2,899	-\$1,773	-61.1%
Other Revenue	\$15,464	\$15,554	-\$91	-0.6%
Total Nontax Revenue	\$16,590	\$18,453	-\$1,863	-10.1%
Transfers In	\$500	\$0	\$500	---
Total State Sources	\$2,085,466	\$1,539,753	\$545,713	35.4%
Federal Grants	\$1,186,388	\$1,343,254	-\$156,866	-11.7%
Total GRF Sources	\$3,271,854	\$2,883,008	\$388,847	13.5%

*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 September 30, 2024
(\$ in thousands)

(Actual based on report run in OAKS Actuals Ledger on October 1, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	\$503,656	\$498,300	\$5,355	1.1%	\$490,859	2.6%
Nonauto Sales and Use	\$2,773,069	\$2,212,400	\$560,669	25.3%	\$2,941,660	-5.7%
<i>Total Sales and Use</i>	<i>\$3,276,725</i>	<i>\$2,710,700</i>	<i>\$566,025</i>	<i>20.9%</i>	<i>\$3,432,519</i>	<i>-4.5%</i>
Personal Income	\$2,563,149	\$2,552,600	\$10,549	0.4%	\$2,678,798	-4.3%
Commercial Activity Tax	\$542,578	\$549,900	-\$7,322	-1.3%	\$599,931	-9.6%
Cigarette	\$158,351	\$158,100	\$251	0.2%	\$159,774	-0.9%
Kilowatt-Hour Excise	\$86,779	\$84,900	\$1,880	2.2%	\$74,275	16.8%
Foreign Insurance	\$7,432	\$8,600	-\$1,169	-13.6%	\$9,976	-25.5%
Domestic Insurance	\$5,668	\$600	\$5,068	844.7%	\$1,145	395.2%
Financial Institution	-\$15,676	-\$1,800	-\$13,877	-771.1%	-\$8,496	---
Public Utility	\$46,357	\$44,200	\$2,157	4.9%	\$41,049	12.9%
Natural Gas Consumption	\$11,984	\$13,700	-\$1,716	-12.5%	\$13,497	-11.2%
Alcoholic Beverage	\$18,477	\$17,400	\$1,077	6.2%	\$15,537	18.9%
Liquor Gallonage	\$14,047	\$14,400	-\$354	-2.5%	\$14,534	-3.4%
Petroleum Activity Tax	\$3,035	\$2,100	\$935	44.5%	\$2,931	3.6%
Corporate Franchise	\$26	\$0	\$26	---	\$111	-76.7%
Business and Property	\$0	\$0	\$0	---	\$0	---
Estate	\$3	\$0	\$3	---	\$0	5370.5%
Total Tax Revenue	\$6,718,936	\$6,155,402	\$563,535	9.2%	\$7,035,580	-4.5%
Nontax Revenue						
Earnings on Investments	\$0	\$0	\$0	---	\$0	94.5%
Licenses and Fees	\$9,607	\$11,189	-\$1,582	-14.1%	\$9,445	1.7%
Other Revenue	\$120,022	\$120,935	-\$913	-0.8%	\$119,266	0.6%
Total Nontax Revenue	\$129,629	\$132,125	-\$2,496	-1.9%	\$128,711	0.7%
Transfers In	\$597	\$0	\$597	---	\$2,308	-74.1%
Total State Sources	\$6,849,162	\$6,287,526	\$561,636	8.9%	\$7,166,600	-4.4%
Federal Grants	\$4,308,833	\$4,561,560	-\$252,727	-5.5%	\$4,183,486	3.0%
Total GRF SOURCES	\$11,157,995	\$10,849,086	\$308,909	2.8%	\$11,350,085	-1.7%

*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.

Revenues¹

– Phil Cummins, Senior Economist

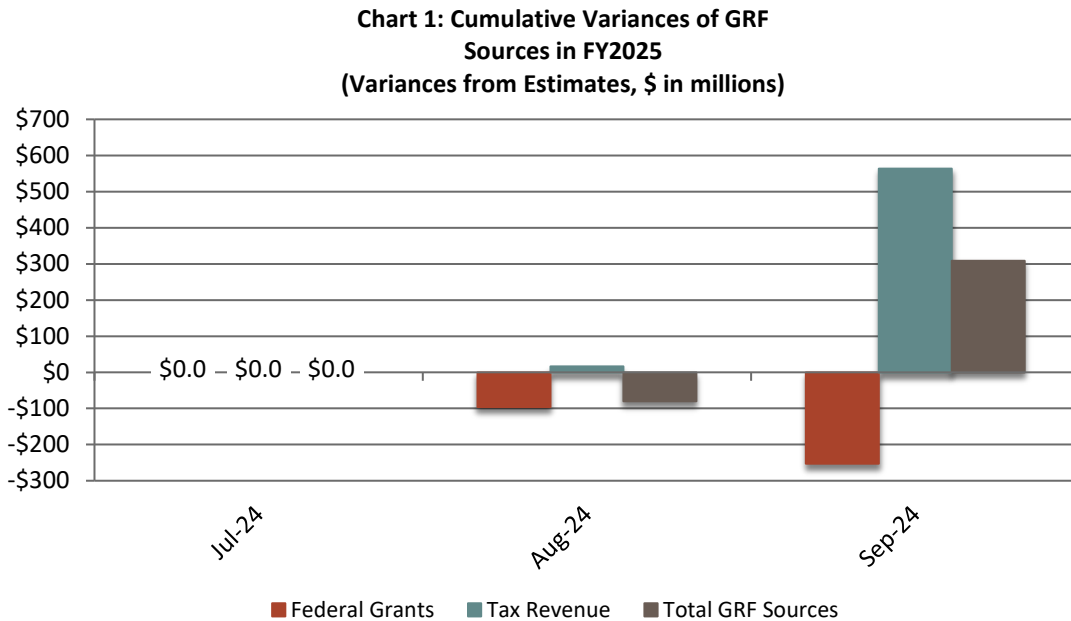
Overview

September GRF total tax revenue was above OBM’s estimate by \$547.1 million (36.0%). The month’s positive variance was almost entirely a result of the nonauto sales and use tax, which exceeded the estimate by \$565.7 million. Other variances, small by comparison, included a \$16.2 million negative variance for the commercial activity tax (CAT) and a \$13.2 million negative variance for the financial institution tax. Federal grants were below estimate by \$156.9 million. Total GRF sources for September exceeded estimate by \$388.8 million.

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 above shows GRF sources for the month of September compared to estimates, while Table 2 shows GRF sources for the fiscal year-to-date (YTD) compared to both estimates and FY 2024 revenue.

GRF tax receipts in the first three months of FY 2025 were \$6.72 billion, \$563.5 million (9.2%) above estimate. Federal grants were \$252.7 million below estimate. Total YTD GRF sources were \$308.9 million (2.8%) above estimate.

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



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 lower than in FY 2024 by \$316.6 million (4.5%). The decline resulted chiefly from lower nonauto sales and use tax receipts, down by \$168.6 million; also, from the personal income tax (PIT), lower by \$115.6 million; and the CAT, lower by \$57.4 million. On the other hand, auto sales tax receipts were higher by \$12.8 million and kilowatt-hour excise tax receipts were higher by \$12.5 million.

YTD nontax revenue to the GRF in FY 2025 was higher than a year earlier by \$0.9 million. GRF revenue from federal grants was higher than in the year-earlier period by \$125.3 million (3.0%). Total GRF sources were lower than a year earlier by \$192.1 million (1.7%).

Sales and Use Tax

September GRF receipts from the sales and use tax were \$970.3 million, \$567.6 million (141.0%) above the estimate. For the first three months of FY 2025, revenue from the tax was \$3.28 billion, \$566.0 million (20.9%) 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 base² 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 show growth in the dollar value of consumer spending through August, seasonally adjusted, with growth this year mostly in services to consumers. Inflation faced by consumers, measured by changes in the personal consumption expenditures price index, slowed substantially from a peak in 2022. As of August 2024, this inflation index was 2.2% higher than a year earlier, its smallest year-over-year rise since February 2021.

Nonauto Sales and Use Tax

September GRF receipts of \$815.0 million were \$565.7 million (226.9%) above the OBM estimate but \$130.4 million (13.8%) below revenue in September 2023. YTD revenues were \$2.77 billion, \$560.7 million (25.3%) above estimate but \$168.6 million (5.7%) lower than receipts a year earlier. September tax collections reflect retail sales occurring in August, when most of this year's sales tax holiday was held.

H.B. 33 of the 135th General Assembly created an expanded sales tax holiday starting in 2024. The act held harmless the state GRF as well as local governments, public libraries, and transit authorities from revenue losses in 2024 due to the holiday, up to \$750 million, mainly by transfers from the FY 2023 year-end GRF balance. This year's tax exemption for certain items extended from Tuesday, July 30, through Thursday, August 8, more than three times longer than the sales tax holiday in August 2023 that lasted three days. Many more items qualified for tax

² The term "tax base" here refers to whatever is subject to the tax.

exemption this year including most tangible personal property sold for \$500 or less.³ The 2023 sales tax holiday was limited to clothing sold for \$75 a piece or less, and school supplies and instructional materials for \$20 or less. After the sales tax holiday ends, the Tax Commissioner is to estimate foregone revenue.

The estimate for September nonauto sales and use tax receipts was set \$696.1 million (73.6%) lower than actual receipts in September 2023. Plausibly this estimate was set in anticipation of total revenue reductions approaching the \$750 million hold harmless amount set in H.B. 33.⁴ Instead actual September revenues from this tax, much stronger than this, were far above the estimate though lower than a year earlier, as indicated above. OBM expects the positive variance to be offset by a smaller future transfer in from the Expanded Sales Tax Holiday Fund (Fund 5AX1) to the GRF than had been previously estimated.

The reason for the sharp divergence between expected and actual revenue remains to be explained. Anecdotal evidence indicates that some transactions eligible for sales tax exemption were instead taxed, and that some merchants selling products that did not qualify for exemption in prior years' sales tax holidays may have been unaware that the holiday applied to them or may have viewed participation in this year's sales tax holiday as optional. (Vendors were required by law to exempt qualifying sales during the sales tax holiday). These departures of actual behavior from those anticipated may have been widespread. The Department has a form for use by consumers who are charged sales taxes in error to file for a refund, but how many will apply for the refund, particularly for small overcharges, or will even know about being overcharged or availability of a refund is uncertain.⁵

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2023. The data are shown using a three-month moving average⁶ to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. The decline in the latest period compared with a year earlier reflects the effect of the sales tax holiday.

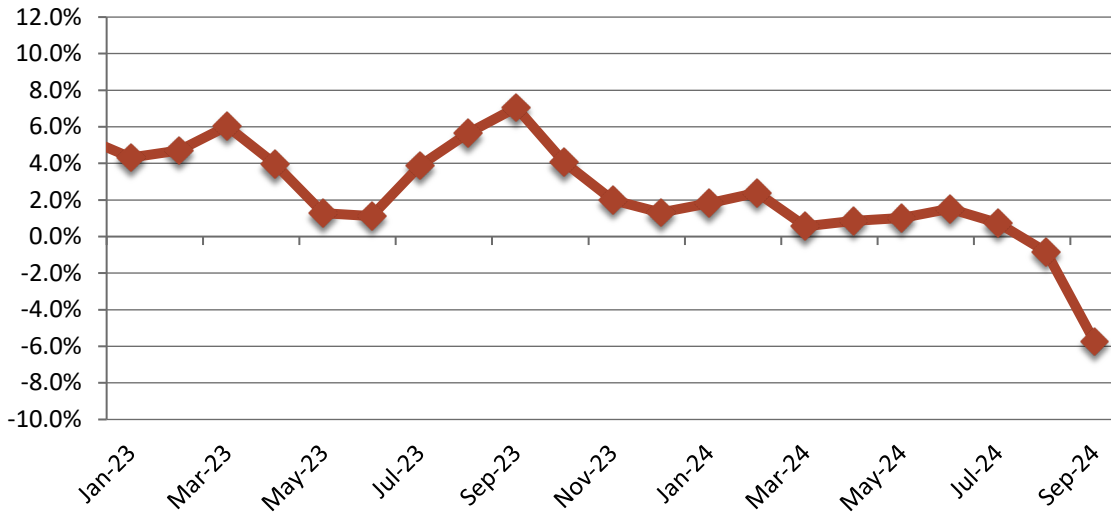
³ Tangible personal property is any property that can be seen, weighed, measured, felt, or touched. Alcoholic beverages, tobacco and vapor products, marijuana, motor vehicles, and watercraft or outboard motors are excluded from sales tax holidays.

⁴ The \$750 million set in H.B. 33 encompassed reimbursements not only for state GRF sales tax revenue losses but also reimbursements to the Local Government Fund (Fund 7069), the Public Library Fund (Fund 7065), and counties and transit authorities for permissive local sales and use tax revenue losses. The tax base for local sales and use taxes is identical to that for the state's sales and use tax.

⁵ The [sales and use tax refund form](#) can be found on the Department of Taxation's website: tax.ohio.gov.

⁶ A three-month moving average means, for example, that the most recent data point shown is the percentage change from revenue received during July 2023 through September 2023 to revenue received during July 2024 through September 2024.

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

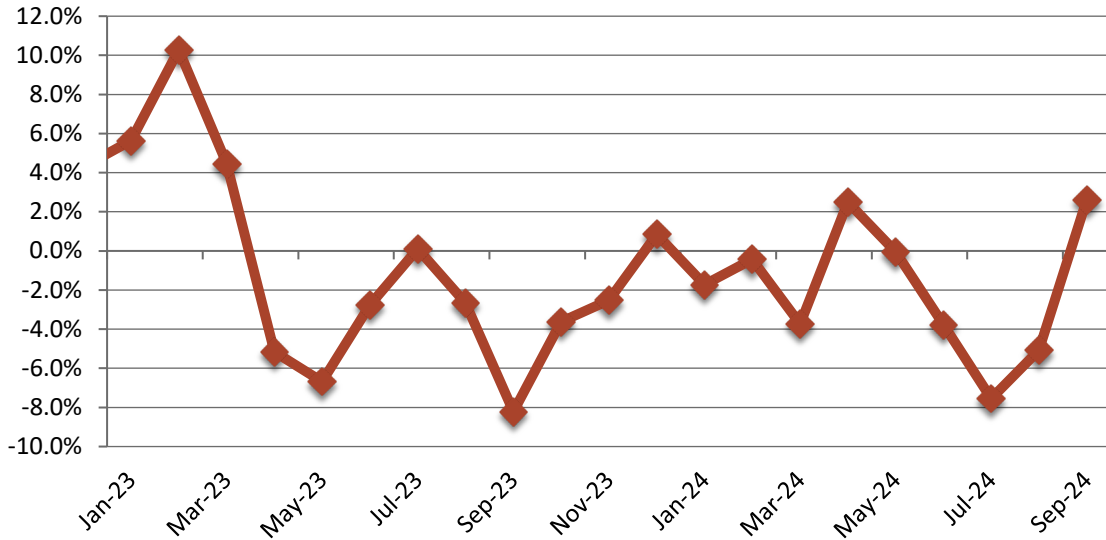


Auto Sales and Use Tax

September receipts from the auto component of the sales and use tax were \$155.3 million, \$1.9 million (1.2%) above estimate but \$1.0 million (0.7%) lower than receipts in September 2023. Tax receipts in the first three months of FY 2025 totaling \$503.7 million were above the estimate by \$5.4 million (1.1%) and above year-earlier revenues by \$12.8 million (2.6%). Auto sales tax collections generally reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis. National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year decrease in July through September 2024 of around 2%. Motor vehicles are excluded from sales tax holidays.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2023. Auto sales and use tax receipts are volatile from month to month. Receipts, up from a year earlier in September, have broadly trended lower for more than a year. The decline appears to be largely a result of declining vehicle prices. Used car and truck prices, measured by a consumer price index component, had fallen about 17% as of August from a peak in 2022. This contrasts with the pattern in new consumer vehicle prices, which on average peaked last year and were only about 1% lower in August.

**Chart 3: Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)**



Total spending on cars and light trucks in Ohio declined slightly in the first three months of FY 2025, compared with a year earlier, as shown by Ohio Bureau of Motor Vehicles figures. The decline was in spending on used vehicles, as indicated in the table below. Prices paid were lower for the used vehicles on average, continuing the pattern in FY 2024. Unit purchases in the first quarter of FY 2025 were higher than a year earlier for both new and used cars and light trucks.

July-September 2024 New and Used Cars and Light Trucks Titled			
Type	Number of Titles	Spending (\$ in millions)	Average Purchase Price
New Vehicles	91,243	\$4,421	\$48,449
Used Vehicles	387,226	\$5,280	\$13,634
Total	478,469	\$9,700	\$20,274
Change from July-September 2023			
New Vehicles	1.7%	1.9%	0.1%
Used Vehicles	2.0%	-2.2%	-4.2%
Total	2.0%	-0.4%	-2.3%

Personal Income Tax

September GRF revenue from the PIT of \$993.5 million was \$0.9 million (0.1%) above estimate. GRF revenue received in the first three months of this fiscal year totaled \$2.56 billion, \$10.5 million (0.4%) above estimate but \$115.6 million (4.3%) lower than a year earlier. The weakness compared with year-earlier revenue plausibly is due at least in part to the tax cuts in tax year (TY) 2023 and TY 2024 made by H.B. 33. That act reduced both tax rates and the number of tax brackets for both years. Following enactment of those tax reductions, withholding rates were reduced administratively by the Department of Taxation in November 2023 and again in July 2024, by percentages ranging up to 25%. On the other hand, tending to boost PIT revenue, Ohio income growth turned higher this year. Revised statistics show that statewide wages and salaries in the first half of calendar year (CY) 2024 were up 6.5% from a year earlier, stronger than a 5.0% increase in all of CY 2023.⁷

Gross PIT tax collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,⁸ 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 primary driver of PIT revenue is withholding payments, about 78% of gross PIT collections in FY 2024.

The table below provides details on revenue from PIT components in July through September relative to estimates for these months of the current fiscal year and to revenues received in the year-earlier period. Gross collections were \$44.5 million (1.5%) above anticipated revenue, but \$113.6 million (3.6%) below year-earlier revenues. Withholding, the largest category, was \$92.7 million (3.8%) above anticipated revenue, but \$40.5 million (1.6%) below a year earlier. Refunds were higher than both the estimate and year-earlier refunds.

⁷ Personal income data were revised from 2019 through first quarter 2024.

⁸ 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	\$92.7	3.8%	-\$40.5	-1.6%
PTE Annual Returns	-\$23.8	-30.1%	-\$59.1	-51.7%
PTE Estimated Payments	-\$45.6	-21.5%	-\$43.2	-20.6%
IT-1040 Estimated Payments	\$16.5	11.3%	\$17.5	12.1%
Annual Return Payments	\$6.3	20.3%	\$4.4	13.4%
Trust Payments	-\$0.3	-2.4%	\$1.6	16.2%
Miscellaneous Payments	-\$1.3	-5.8%	\$5.7	37.6%
Gross Collections	\$44.5	1.5%	-\$113.6	-3.6%
Less Refunds	\$33.6	12.2%	\$5.8	1.9%
Less LGF Distribution	\$0.3	0.3%	-\$3.7	-2.8%
GRF PIT Revenue	\$10.5	0.4%	-\$115.6	-4.3%

Commercial Activity Tax

September GRF CAT receipts were \$1.9 million, \$16.2 million (89.4%) below estimate. For July through September GRF revenues were \$542.6 million, \$7.3 million (1.3%) below estimate. Receipts from the CAT are expected to be small in September since payment due dates are in February, May, August, and November. The quarterly payments are based on gross receipts in the previous calendar quarter. All CAT taxpayers pay quarterly; a category of annual CAT taxpayers for smaller businesses was eliminated by H.B. 33.

YTD GRF revenue from the CAT was \$57.4 million (9.6%) 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 2280.⁹ This fund is used

⁹ Specifically, R.C. 5751.02 as amended by H.B. 33 directs CAT revenue after the credit to Fund 2280 to any required payments to the Commercial Activity Tax Motor Fuel Receipts Fund (Fund 7019) and any amounts needed to make required payments to the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). The remainder is to be credited to the GRF.

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 in the first three months of FY 2025, \$546.3 million, was \$57.8 million (9.6%) below comparable CAT revenue in FY 2024. The YTD decline in CAT revenue net of refunds on an all-funds basis likely is accounted for by another H.B. 33 provision, which reduces the CAT tax base. For tax periods beginning in TY 2024, businesses with taxable gross receipts of \$3 million or less per year no longer owe the CAT. This exclusion amount increases to \$6 million in TY 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

September revenue from the cigarette and other tobacco products (OTP) tax totaling \$63.2 million was above estimate by \$0.4 million (0.6%). Revenue in the first three months of FY 2025 from the tax was \$158.4 million, \$0.3 million (0.2%) above estimate. The fiscal YTD total included \$127.0 million from cigarette sales and \$31.4 million from OTP.

FY 2025 YTD revenue was \$1.4 million (0.9%) lower than in the first three months of FY 2024. OTP sales increased by \$2.2 million (7.6%) while receipts from cigarette sales decreased \$3.6 million (2.8%).

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.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of September 2024
(\$ in thousands)
(Actual based on OAKS reports run October 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	\$773,815	\$768,680	\$5,135	0.7%
Higher Education	\$231,856	\$240,537	-\$8,681	-3.6%
Other Education	\$8,676	\$12,783	-\$4,106	-32.1%
Total Education	\$1,014,348	\$1,022,000	-\$7,652	-0.7%
Medicaid	\$1,916,022	\$2,266,672	-\$350,650	-15.5%
Health and Human Services	\$167,055	\$199,758	-\$32,703	-16.4%
Total Health and Human Services	\$2,083,077	\$2,466,430	-\$383,353	-15.5%
Justice and Public Protection	\$263,521	\$243,713	\$19,808	8.1%
General Government	\$58,405	\$51,184	\$7,221	14.1%
Total Government Operations	\$321,926	\$294,897	\$27,029	9.2%
Property Tax Reimbursements	\$496,139	\$311,639	\$184,500	59.2%
Debt Service	\$135,725	\$275,637	-\$139,912	-50.8%
Total Other Expenditures	\$631,864	\$587,276	\$44,588	7.6%
Total Program Expenditures	\$4,051,214	\$4,370,603	-\$319,389	-7.3%
Transfers Out	\$2,735	\$0	\$2,735	---
Total GRF Uses	\$4,053,949	\$4,370,603	-\$316,654	-7.2%

*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 September 30, 2024
(\$ in thousands)
(Actual based on OAKS reports run October 7, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	\$2,622,949	\$2,617,143	\$5,806	0.2%	\$2,377,061	10.3%
Higher Education	\$677,614	\$685,846	-\$8,232	-1.2%	\$593,126	14.2%
Other Education	\$39,670	\$42,429	-\$2,760	-6.5%	\$38,475	3.1%
Total Education	\$3,340,232	\$3,345,419	-\$5,186	-0.2%	\$3,008,662	11.0%
Medicaid	\$6,819,903	\$7,120,608	-\$300,705	-4.2%	\$6,254,286	9.0%
Health and Human Services	\$504,712	\$641,151	-\$136,438	-21.3%	\$440,860	14.5%
Total Health and Human Services	\$7,324,615	\$7,761,759	-\$437,144	-5.6%	\$6,695,147	9.4%
Justice and Public Protection	\$864,229	\$905,513	-\$41,284	-4.6%	\$794,905	8.7%
General Government	\$193,888	\$192,195	\$1,693	0.9%	\$741,013	-73.8%
Total Government Operations	\$1,058,117	\$1,097,707	-\$39,590	-3.6%	\$1,535,918	-31.1%
Property Tax Reimbursements	\$620,015	\$534,122	\$85,894	16.1%	\$380,704	62.9%
Debt Service	\$660,653	\$660,303	\$350	0.1%	\$644,954	2.4%
Total Other Expenditures	\$1,280,668	\$1,194,425	\$86,244	7.2%	\$1,025,658	24.9%
Total Program Expenditures	\$13,003,632	\$13,399,309	-\$395,677	-3.0%	\$12,265,385	6.0%
Transfers Out	\$729,850	\$727,093	\$2,757	0.4%	\$6,259,218	-88.3%
Total GRF Uses	\$13,733,483	\$14,126,402	-\$392,920	-2.8%	\$18,524,604	-25.9%

*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 October 7, 2024)

Department	Month of September 2024				Year to Date through September 2024			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid								
GRF	\$1,817,011	\$2,168,250	-\$351,238	-16.2%	\$6,524,877	\$6,824,698	-\$299,821	-4.4%
Non-GRF	\$1,522,572	\$1,380,147	\$142,425	10.3%	\$2,712,299	\$2,718,859	-\$6,560	-0.2%
All Funds	\$3,339,584	\$3,548,397	-\$208,813	-5.9%	\$9,237,176	\$9,543,557	-\$306,381	-3.2%
Developmental Disabilities								
GRF	\$86,503	\$86,561	-\$59	-0.1%	\$257,260	\$259,566	-\$2,307	-0.9%
Non-GRF	\$387,503	\$366,299	\$21,203	5.8%	\$1,017,058	\$1,031,023	-\$13,964	-1.4%
All Funds	\$474,005	\$452,861	\$21,144	4.7%	\$1,274,318	\$1,290,589	-\$16,271	-1.3%
Job and Family Services								
GRF	\$11,619	\$10,780	\$838	7.8%	\$34,914	\$32,880	\$2,034	6.2%
Non-GRF	\$14,418	\$16,398	-\$1,980	-12.1%	\$45,868	\$46,784	-\$917	-2.0%
All Funds	\$26,037	\$27,178	-\$1,142	-4.2%	\$80,782	\$79,664	\$1,118	1.4%
Other								
GRF	\$889	\$1,081	-\$192	-17.7%	\$2,852	\$3,464	-\$612	-17.7%
Non-GRF	\$10,858	\$20,529	-\$9,672	-47.1%	\$24,174	\$45,539	-\$21,365	-46.9%
All Funds	\$11,747	\$21,610	-\$9,863	-45.6%	\$27,026	\$49,003	-\$21,977	-44.8%
All Departments:								
GRF	\$1,916,022	\$2,266,672	-\$350,650	-15.5%	\$6,819,903	\$7,120,608	-\$300,705	-4.2%
Non-GRF	\$1,935,351	\$1,783,374	\$151,977	8.5%	\$3,799,399	\$3,842,205	-\$42,805	-1.1%
All Funds	\$3,851,372	\$4,050,046	-\$198,674	-4.9%	\$10,619,302	\$10,962,813	-\$343,511	-3.1%

*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 October 7, 2024)

Payment Category	Month of September 2024				Year to Date through September 2024			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Managed Care	\$2,208,875	\$2,385,146	-\$176,271	-7.4%	\$6,355,215	\$6,540,153	-\$184,939	-2.8%
CFC†	\$563,978	\$783,467	-\$219,490	-28.0%	\$1,657,063	\$1,885,350	-\$228,288	-12.1%
Group VIII	\$457,088	\$442,958	\$14,129	3.2%	\$1,370,057	\$1,394,374	-\$24,318	-1.7%
ABD†	\$182,570	\$170,199	\$12,371	7.3%	\$530,453	\$529,328	\$1,125	0.2%
ABD Kids	\$64,002	\$60,550	\$3,452	5.7%	\$185,083	\$187,707	-\$2,624	-1.4%
My Care	\$332,584	\$334,289	-\$1,705	-0.5%	\$949,076	\$877,424	\$71,652	8.2%
OhioRISE	\$61,646	\$71,977	-\$10,331	-14.4%	\$163,626	\$175,335	-\$11,709	-6.7%
SPBM†	\$547,007	\$521,705	\$25,302	4.8%	\$1,499,857	\$1,490,635	\$9,222	0.6%
Fee-For-Service	\$1,454,151	\$1,401,333	\$52,819	3.8%	\$3,634,289	\$3,675,232	-\$40,942	-1.1%
ODM Services	\$513,513	\$529,711	-\$16,198	-3.1%	\$1,603,872	\$1,473,126	\$130,746	8.9%
DDD Services	\$456,119	\$445,622	\$10,497	2.4%	\$1,244,603	\$1,256,106	-\$11,503	-0.9%
Hospital - HCAP†	\$484,519	\$426,000	\$58,519	13.7%	\$785,815	\$946,000	-\$160,185	-16.9%
Premium Assistance	\$77,832	\$133,090	-\$55,259	-41.5%	\$336,079	\$398,838	-\$62,760	-15.7%
Medicare Buy-In	\$75,734	\$77,979	-\$2,244	-2.9%	\$228,200	\$233,892	-\$5,692	-2.4%
Medicare Part D	\$2,098	\$55,112	-\$53,014	-96.2%	\$107,879	\$164,947	-\$57,068	-34.6%
Administration	\$110,514	\$130,477	-\$19,963	-15.3%	\$293,719	\$348,589	-\$54,870	-15.7%
Total	\$3,851,372	\$4,050,046	-\$198,674	-4.9%	\$10,619,302	\$10,962,813	-\$343,511	-3.1%

*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.

Expenditures¹⁰

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

Overview

For the YTD through September, FY 2025 GRF program expenditures totaled \$13.00 billion. These expenditures were \$395.7 million (3.0%) below OBM’s estimates. GRF uses also include transfers out, which totaled \$729.9 million and were \$2.8 million (0.4%) above estimate for the YTD. Total GRF uses for these three months totaled \$13.73 billion, which was \$392.9 million (2.8%) below estimate.

The three largest negative YTD variances were in Medicaid (\$300.7 million, 4.2%), Health and Human Services (\$136.4 million, 21.3%), and Justice and Public Protection (\$41.3 million, 4.6%). A significant positive YTD variance for GRF uses occurred in Property Tax Reimbursements (\$85.9 million, 16.1%), which was the result of a large monthly variance in September. YTD spending in most program categories was below estimate. These variances, 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. GRF Medicaid expenditures were below their monthly estimate in September by \$350.7 million (15.5%) and below their yearly estimate by \$300.7 million (4.2%). Non-GRF Medicaid expenditures were above their monthly estimate by \$152.0 million (8.5%) but below their yearly estimate by \$42.8 million (1.1%). These variances reflect a shift in spending from GRF to non-GRF line items in September. Including both the GRF and non-GRF, all funds Medicaid expenditures were \$198.7 million (4.9%) below estimate in September and \$343.5 million (3.1%) 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 negative variance in September of \$208.8 million (5.9%), and a FY 2025 all-funds negative variance of \$306.4 million (3.2%). DODD had a September all-funds positive variance of \$21.1 million (4.7%) and ended the month with yearly expenditures being \$16.3 million (1.3%) below estimate. This reflects increased spending in September after lower-than-forecasted spending in the first two months of the fiscal year. The other eight “sister” agencies – Job and Family Services (ODJFS), Health (ODH), Aging (ODA), Mental Health & Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), Higher Education, and Children and Youth (DCY) – account for the remaining

¹⁰ 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.

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 \$54.9 million and the Premium Assistance variance of \$62.8 million were the largest (\$15.7%). The Premium Assistance variance is due to Medicaid Part D spending well below estimate for the month (96.2% below). This is likely due to the timing of payments, as Part D spending in the first two months of this fiscal year averaged \$52.9 million per month and was only 3.7% below forecast. In terms of absolute dollars, the largest variance was in Managed Care, which was \$184.9 million (2.8%) below the yearly estimate. Fee-for-Service (FFS) also had a negative variance of \$40.9 million (1.1%).

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 September 2024 by over 544,000 (15.2%).

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. OhioMHAS accounts for a majority of the actual expenditures for this category in the first three months of FY 2025 (30.9%).

The negative YTD variance for this category increased by \$32.7 million in September to reach \$136.4 million (21.3%). The largest contributor towards this negative YTD variance was the Ohio Department of Children and Youth (DCY), the category’s second largest component by actual expenditures. DCY was under estimate for the YTD by \$101.6 million, which accounted for 74.5% of the category’s negative YTD variance. Three ALIs accounted for \$72.6 million of DCY’s YTD variance: ALI 830407, Early Childhood Education (\$33.8 million); ALI 830500, Early Care and Education (\$26.7 million); and ALI 830506, Family and Children Services (\$12.1 million).

ALI 830407 funds early childhood education (ECE) programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers. ALI 830500 is used to support early care and education activities, such as the state’s subsidized childcare programs, and to meet Temporary Assistance for Needy Families (TANF) maintenance of effort requirements. ALI 830506 is used support the state share for foster parent stipends, the federal Chafee education training vouchers, the state operating allocation, the state child protection allocation, and an allocation to implement the Feisal Case Review recommendations.

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) accounts for 72.3% of actual expenditures for this category in the first three months of FY 2025. Eleven other agencies make up the remaining 27.7% of spending.

The negative YTD variance in this category was \$41.3 million (4.6%). This was primarily due to the Ohio Public Defender Commission (PUB), which had a negative YTD variance of \$29.5 million; PUB's variance grew by \$14.0 million in September. The category as a whole was \$19.8 million (8.1%) above estimate for the month of September, which included a large positive monthly variance for DRC of \$39.5 million.

PUB's monthly and YTD variances were due 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 positive variances of \$24.4 million in ALI 501501, Community Residential Programs – Community Based Correctional Facilities, \$16.7 million in ALI 501407, Community Nonresidential Programs, and \$14.6 million in ALI 505321, Institution Medical Services.

ALI 501501 provides subsidies for the operation of 17 community-based correctional facilities (CBCFs) that divert nonviolent felony offenders from state correctional institutions and offer services such as education, job training, and substance abuse treatment. ALI 501407 finances four grant programs used to divert offenders from prison. ALI 505321 pays for the provision of medical and behavioral services to offenders housed in the state's prison system.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In September, this category had a positive variance of \$184.5 million (59.2%) resulting in a positive YTD variance of \$85.9 million (16.1%).

Transfers Out

Transfers out of the GRF were over the monthly estimate for September by \$2.7 million, increasing the positive YTD variance in transfers out to \$2.8 million (0.4%). The variance for the month was entirely due to a transfer of \$2.7 million into the State Small Business Credit Initiative (SSBCI) Venture Capital Fund (Fund 31C0) to support ALI 1956H5, SSBCI Technical Assistance. This line item is used to administer the Ohio Technical Assistance Grant Program which provides legal, accounting, and financial advisory services to small businesses to assist in their applications for state and federal support.

The transfer into Fund 31C0 was pursuant to a U.S. Treasury allocation agreement, and Section 505.60 of H.B. 33 of the 135th General Assembly, to credit the SSBCI Venture Capital Fund with interest earnings in compliance with federal law. All interest on SSBCI funds is considered program income and only authorized for use by SSBCI approved programs.

Issue Updates

ODNR Awards \$7.6 Million in H2Ohio Grants for 12 New Wetland Projects

– Gavin Enseleit, LSC Fellow

On September 11, 2024, the Ohio Department of Natural Resources (ODNR) announced \$7.6 million in grants to support 12 new wetland projects in ten counties under the H2Ohio initiative. These grants fund up to 100% of the project costs. Project descriptions, locations, and awards under this round are listed in the table below.

Wetland Projects Awarded by ODNR (FY 2025 YTD)			
County	Project Name	Recipient	Award Amount
Athens	Sunday Creek Floodplain and Riparian Restoration Project	Rural Action	\$120,992
Butler	Trenton Woodsdale Restoration/ Recreation Area Project	City of Trenton	\$300,000
Clark	Rainbow Run III Wetland Restoration Project	Tecumseh Land Trust	\$117,749
Delaware	Big Walnut Creek Wetland and Floodplain Restoration Project	The Nature Conservancy	\$314,000
Franklin	Little Darby Acquisition	Columbus & Franklin County Metro Parks	\$528,000
Franklin	Prairie Oaks H2Ohio Wetland Project	Columbus & Franklin County Metro Parks	\$435,390
Greene	Anderson Fork Floodplain and Wetland Restoration Project	The Nature Conservancy	\$2,191,817
Holmes	Lower Killbuck Creek Riparian Wetland Restoration at Bowfin Bottom Project	Killbuck Watershed Land Trust	\$969,975
Lake	Grand River Casement Floodplain Restoration Project	West Creek Conservancy	\$748,585
Richland	Black Fork Oxbow Reconnection and Wetland Restoration Project	Western Reserve Land Conservancy	\$619,734

Wetland Projects Awarded by ODNR (FY 2025 YTD)			
County	Project Name	Recipient	Award Amount
Richland	Clear Fork Mohican River Wetland Restoration Project	Richland County Park District	\$351,500
Summit	Rosemont Preserve Tributary (Phase 3) Project	City of Fairlawn	\$913,807
TOTAL			\$7,611,549

The H2Ohio Fund (Fund 6H20) was created under H.B. 166 of the 133rd General Assembly to address water quality issues including algal bloom prevention and control, wetland preservation and restoration, lead remediation, and wastewater management. The initiative is overseen jointly between the Ohio Department of Agriculture, the Ohio Environmental Protection Agency, ODNR, and the Lake Erie Commission. H.B. 33 provided a cash transfer of \$270.0 million from the GRF to support projects under the initiative during the FY 2024-FY 2025 biennium. Of that amount, \$46.6 million in each fiscal year was appropriated for water quality improvement projects under ODNR's budget. ODNR awarded a total of \$16.7 million for 14 wetland projects in FY 2024.

ODH Receives \$10.9 Million in Federal Maternal, Infant, and Early Childhood Home Visiting Grant Funds

– *Jacquelyn Schroeder, Senior Budget Analyst*

On August 27, 2024, the U.S. Department of Health and Human Services (HHS) announced that ODH was awarded approximately \$10.9 million in Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program grant funding. The MIECHV Program provides voluntary, evidence-based, home visiting services to eligible families. Eligible families include expectant parents and parents with children up to the age of kindergarten entry who live in communities that are at-risk for poor maternal and child health outcomes. The Program's goals are to improve the overall health of mothers and children, to improve families' economic well-being, and to prevent child abuse, neglect, and domestic violence. Under the Program, nurses, social workers, and other health professionals provide families with early and ongoing engagement in prenatal and postpartum care. Specific services provided depend on each family's needs. However, the following are examples of services offered: education regarding healthy pregnancy habits, breastfeeding, infant safe sleep, and nutrition; promotion of early language development; healthcare and developmental screenings; school readiness activities; and connections to community resources (e.g., Medicaid, employment and educational resources, housing support, parenting classes, and tobacco cessation resources).

The federal MIECHV Program awarded a total of approximately \$444.0 million to 56 states, territories, and nonprofit organizations in federal fiscal year (FFY) 2024. In FFY 2023, Ohio received \$10.8 million in federal MIECHV grant funding. According to HHS, in that year, the Ohio

MIECHV Program conducted nearly 20,700 home visits in 22 Ohio counties. These visits were provided to over 3,800 parents and children in more than 2,000 households.

OhioMHAS Awards \$1.4 Million to ADAMHS Boards for Behavioral Health Crisis Preparedness Activities

– Ryan Sherrock, Economist

On July 21, 2024, OhioMHAS awarded approximately \$1.4 million to 35 alcohol, drug addiction, and mental health services (ADAMHS) boards as part of the federal Bipartisan Safer Communities Act (BSCA) grant initiative. BSCA funding helps states enhance the preparedness of their behavioral health and emergency response systems to address community tragedies such as natural disasters, mass shootings, and other large-scale violent events. Specifically, the funds awarded will be used by local ADAMHS boards to do the following: develop new or enhanced mental health emergency plans; strengthen collaboration between behavioral health, law enforcement, and justice systems to ensure that crisis services are integrated; develop mobile crisis response teams that can be immediately deployed in the event of an emergency; provide crisis response trainings to agencies and providers; provide culturally tailored messaging about available behavioral health supports; and establish collaborations with schools, child welfare organizations, juvenile justice systems, and behavioral health agencies to address crisis events. Grant amounts were \$25,000 for a single county ADAMHS board and up to \$40,000 for joint county boards.¹¹

The funds to support this initiative come from the BSCA, which was signed into law on June 25, 2022. The BSCA provided funds for several behavioral health efforts, including supplemental funding for the Community Mental Health Services Block Grant, funding for states and territories to help expand and enhance the 988 Suicide and Crisis Lifeline, and funding to expand the number of certified community behavioral health clinics nationwide.

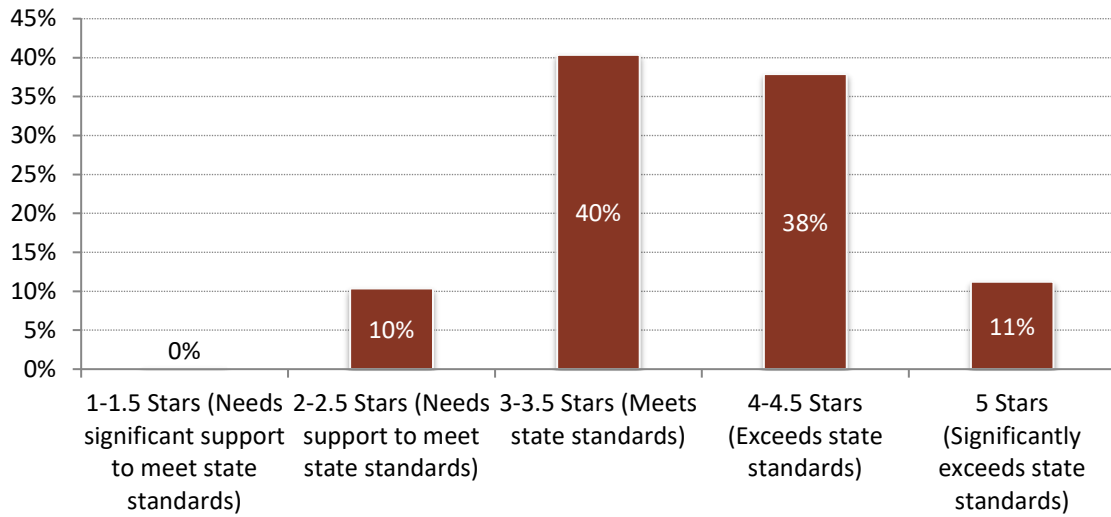
Eighty-nine Percent of School Districts Met or Exceeded State Standards on 2023-2024 School Year Report Cards

– Patrick Campbell, Budget Analyst

DEW released its annual report cards for the 2023-2024 school year on September 13. Beginning in the 2022-2023 school year, DEW has issued overall grades to 607 school districts across the state using a one-to-five-star rating system. Of these 607 districts, 543 (89.5%) met or exceeded state standards by receiving three or more stars for the 2023-2024 school year. Sixty-eight districts (11.2%) received five stars, the highest possible rating, while one district received one and a half stars. The chart below shows the distribution of report card ratings.

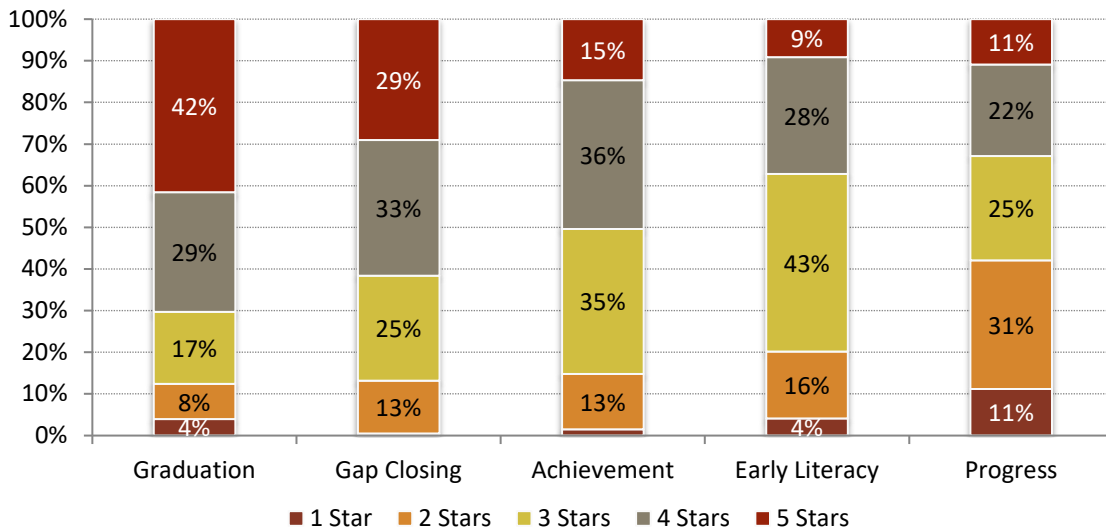
¹¹ Currently, there are 50 ADAMHS boards that represent all 88 counties. Of these, 31 are single county boards and 19 are joint county boards.

**Distribution of Overall Star Ratings for Traditional School Districts,
2023-2024 School Year**



The overall star rating is based on the results of five weighted components: achievement (28.6% of the overall rating), progress (28.6%), graduation rate (14.3%), gap closing (14.3%), and early literacy (14.3%). According to DEW, if a district does not receive a rating for one or more of these five components, the remaining components contribute proportionately to the overall rating. The chart below illustrates the share of school districts receiving each rating on each component. As the chart shows, school districts fared best on the graduation component, with 87.6% rated three stars or more and 70.3% rated four or more stars. Based on the share of districts rated three or more stars, districts also fared well on the gap closing (86.8%), achievement (85.2%), and early literacy (79.8%) components. The gap closing component uses various indicators to measure the closing of achievement gaps between different student subgroups. The achievement component measures performance on Ohio’s state tests in math, English language arts, science, and social studies. The early literacy component measures third grade reading proficiency, promotion to fourth grade, and improvement of struggling readers in grades K-3. Districts struggled most on the progress component, which measures academic growth of students from year to year, with 57.9% rated three or more stars and 42.1% rated one or two stars.

District Report Card Ratings by Component, 2023-2024 School Year



Controlling Board Approves \$6.4 Million to Audit Alignment of Teacher Preparation Programs with the Science of Reading

– Jason Glover, Senior Budget Analyst

On September 9, 2024, the Controlling Board approved an Ohio Department of Higher Education (ODHE) request to contract with the University of Texas at Austin (UT Austin) for a total of \$6.4 million over FY 2025 and FY 2026 to audit 49 of Ohio’s 50 teacher preparation programs to determine the extent to which each program contains coursework in evidence-based strategies for effective literacy instruction aligned to the science of reading, as required by H.B. 33. Under the contract, UT Austin will conduct the audits between January 1, 2025, and October 31, 2025, and will report its findings to ODHE by November 21, 2025. H.B. 33 provided a one-year grace period, prior to the audits, to allow higher education institutions to meet new standards and requirements. ODHE’s contract with UT Austin is supported by \$4.5 million in federal Governors Emergency Education Relief (GEER) funds from Fund 3HQ0 ALI 2356A1, Science of Reading,¹² and \$1.9 million from GRF ALI 235585, Educator Preparation Programs,¹³ both under ODHE’s budget.

This contract with UT Austin follows an initial one with MGT of America Consulting, LLC in late calendar year 2023. On October 2, 2023, the Controlling Board approved an ODHE request to contract with MGT for a total of more than \$147,000 over FY 2024 and FY 2025 to assist ODHE in evaluating and auditing teacher preparation programs. Under this contract, MGT had to (1) create, disseminate, collect, and analyze surveys of all of Ohio’s teacher preparation

¹² Also on September 9, 2024, the Controlling Board approved spending of \$4.5 million in FY 2025 from ALI 2356A1.

¹³ S.B. 94 of the 135th General Assembly increased ALI 235585 by \$2.2 million in FY 2025, with \$2.0 million earmarked for ODHE’s audits of teacher preparation programs.

programs, (2) submit an initial report of the programs’ alignment with the science of reading based on survey responses, and (3) develop and submit metrics to audit program alignment with the science of reading by December 31, 2023. MGT must also complete an audit of one teacher preparation program between January 1, 2025, and June 13, 2025, at which time it must also report the findings of the completed audit to ODHE.

Upon completion of the auditing and review process, ODHE must revoke approval for teacher preparation programs that are not in alignment and do not address the audit’s findings within one year. All programs must be reviewed every four years after the first audit to ensure continued alignment. ODHE must also annually create a summary of literacy instruction strategies and practices in place for all programs based on the audits, including institution-level summaries, until all programs reach the required alignment.

Controlling Board Approves \$28.2 Million for Five Programs Under the Housing Trust Fund

– Terry Steele, Senior Budget Analyst

On September 30, the Controlling Board released nearly \$28.2 million from the Housing Trust Fund (HTF) to be used by the Department of Development (DEV) to administer five different HTF programs. These programs are funded through the Low- and Moderate-Income Housing Trust Fund (Fund 6460), which receives a portion of HTF fees collected by county recorders. HTF funding allocations for these five programs can be found in the table below. The largest allocation (\$14.3 million) is to the Homeless Crisis Response Program, designed to prevent individuals and families from entering homelessness, provide for emergency shelter operations, and move persons from homelessness to permanent housing. The next largest allocation (\$10.8 million) is to the Supportive Housing Program, which provides grants to organizations operating transitional housing projects to move homeless persons to permanent housing. The third largest allocation (\$2.7 million) is to the Community Housing Impact and Preservation Program, which provides grant funding for housing related projects that do not fall into the other allocated HTF categories. The remaining allocations are to the Resident Services Coordinator Program (\$0.3 million) and the Shelter Repair Target Opportunity Program (\$0.1 million).

Housing Trust Fund (HTF) Allocations Approved by Controlling Board (FY 2025 YTD)	
HTF Programs	FY 2025 Allocation
Homeless Crisis Response Program	\$14,278,400
Supportive Housing Program	\$10,795,000
Community Housing Impact and Preservation Program (CHIP)	\$2,727,000
Resident Services Coordinator Program	\$262,500
Shelter Repair Target Opportunity Program	\$100,000
TOTAL	\$28,162,900

The amounts awarded to these five programs from the HTF are part of a total of \$55.0 million in program allocations recommended by DEV's Office of Housing Support for FY 2025. In addition to these programs which target homelessness, the Housing Trust Fund provides funding for a full range of housing programs, including rental assistance, housing counseling, homebuyer assistance, handicapped accessibility modifications, rehabilitation, home repair, and new construction. All HTF programs provide services to low-income Ohio residents.

Controlling Board Approves \$2.1 Million Transfer to Support OARRS Database Used by the State Board of Pharmacy

– Robert Meeker, Senior Budget Analyst

On August 19, 2024, Controlling Board approved a transfer of \$2,135,000 from the Medical Marijuana Control Program Fund (Fund 5SY0) used by the Department of Commerce to the Drug Database Fund (Fund 5SG0) used by the State Board of Pharmacy to pay for the Ohio Automated Rx Reporting System (OARRS). The transfer is authorized by H.B. 33 to cover the portion of operational expenses of OARRS related to the collection and reporting of medical marijuana dispensations. The transferred amount is appropriated for FY 2025 to Fund 5SG0 ALI 887612, Drug Database. The cash transfer is based on the number of dispensations reported to OARRS as a percent of total systems costs for FY 2025. In FY 2024, 6.8 million medical marijuana dispensations were reported to OARRS, representing more than 39% of the 17.3 million reports for that year. Fund 5SY0 derives its funding from fees collected from registered medical marijuana patients and caregivers, medical marijuana retail dispensaries, and medical marijuana cultivators, processors, and testing laboratories.

OARRS was established in 2006 and is maintained by the State Board of Pharmacy. OARRS collects information on controlled prescription drugs dispensed by pharmacies or furnished by prescribers to Ohio patients to help address prescription drug abuse, misuse, and diversion. H.B. 523 of the 131st General Assembly, required the Board and the Department of Commerce to establish and administer the Medical Marijuana Control Program (MMCP) and, prior to FY 2024, the Board licensed retail dispensaries and registered patients and caregivers. H.B. 33 transferred most of the Board's MMCP duties to the Department of Commerce beginning in FY 2024. Continuing law requires retail dispensaries to report to OARRS when dispensing medical marijuana and the cash transfer assists with the maintenance of OARRS for this purpose.

Controlling Board Approves Active-Duty Costs for Ohio National Guard Cyber Reserve

– Isabel Travis, LSC Fellow

On August 19, 2024, the Controlling Board approved an Adjutant General request to transfer appropriations from Fund 5KM0, ALI 911614, Controlling Board Emergency Purposes/Contingencies, to GRF ALI 745505, State Active Duty, to pay the expenses associated with recent activations of the Ohio National Guard Cyber Reserve (OhCR). In late May through early June of 2024, Governor DeWine ordered OhCR into active-duty status twice for a combined cost of \$37,115.

The first activation occurred from May 31 through June 14 for the Cyber Shield cybersecurity training and exercise event at the Virginia National Guard State Military Reservation in Virginia Beach, Virginia. Cyber Shield is an annual conference for cybersecurity professionals from National Guard units, Army Reserve, Airmen, and civilian professionals from across the nation as well as international allies with the goal of increased training and collaboration. The total cost of five OhCR members to attend this conference for 15 days was \$21,111, including lodging and expenses.

The second activation occurred from June 9 through June 14 to assist with a ransomware attack against the city of Cleveland. OhCR worked to identify and eradicate the threat, contain the impact, and provide guidance to the city of Cleveland for recovering their networks. This deployment cost \$16,004 and covered payroll, lodging, and meals for the team.

OhCR is a volunteer force of civilians trained to respond to cybersecurity threats. It was created in 2019 under S.B. 52 of the 133rd General Assembly. Members of OhCR are tasked with protecting Ohio's digital landscape and promoting cybersecurity. Ohio's municipalities can request assistance from OhCR in the form of training, security audits, and support against ongoing cybersecurity threats. Cyber Reservists also work to educate Ohio's students as potential future cybersecurity professionals.

Tracking the Economy

– Craig Kerr, Senior Economist

Overview

The Federal Reserve cut its target interest rate range by a half percentage point for the first time since March 2020. Inflation continued to fall to 2.5% in August from 2.9% in July while unemployment ticked down slightly to 4.1%. The nation added an estimated 254,000 jobs in the month of September. Annual revisions to the statistics reported by the Bureau of Economic Analysis revealed significantly higher rates of personal saving over the past year compared to previous estimates. The preliminary estimate for personal savings in August was reported to be 4.8% of disposable (i.e., after-tax) income.

Ohio's economy expanded in the second quarter of 2024 at a seasonally adjusted annual rate of 3.4%, led by production in the manufacturing industry. In August, the state's labor market was stable with little change in the number of jobs, unemployment rate, labor force participation rate, and employment-to-population ratio.

The National Economy

Inflation-adjusted gross domestic product (U.S. real GDP) growth for the first quarter of 2024 was revised up to 1.6% from a previously estimated 1.4% by the Bureau of Economic Analysis (BEA). The updated estimate for the second quarter remained at 3.0%.

Disposable personal income rose 0.2% in August on a seasonally adjusted basis according to preliminary estimates, following a 0.3% increase in July. The rise in income was driven by increases in wages, salaries, and employer-paid benefits and partially offset by a decrease in income from interest and dividends. Relative to August 2023, disposable personal income was up 5.4% while personal consumption expenditures were up 5.2%. Personal savings as a rate of disposable income was reported to be 4.8% in August and the estimates for the prior 12 months underwent a substantial upward revision. The updated figures indicate that the rate was not only higher than previously estimated but was also falling at a slower pace since a recent peak in January 2024. Chart 4 displays the current and previous estimates of the personal savings rate for the past two years.

Year-over-year inflation as measured by the consumer price index for all urban consumers (CPI-U) fell from 2.9% in July to 2.5% in August, reaching its lowest level since February 2021. This means that prices for the goods and services purchased by the typical urban consumer were 2.5% more expensive than they were a year ago in August 2023. An alternative interpretation is that all dollars held over the year lost 2.5% of their value. As measured by the core CPI (excluding volatile food and energy prices), inflation remained unchanged at 3.2% in August after a relatively steady 22-month decline.

Shelter continued to be the biggest driver of inflation and was 5.2% more expensive in August 2024 relative to August 2023. The cost of motor vehicle insurance experienced the largest percent increase among services, rising 16.5%. Commodity prices outside of food and energy were down 1.9% overall with the largest drop observed in used automobile prices (10.4%). Tobacco and smoking products experienced the largest increase in price among commodities (8.4%) over the last 12 months. Energy costs were down 4.0% overall with gasoline leading the

drop in price (10.3%) and electricity increasing in price by 3.9%. Chart 5 displays the year-over-year measures of inflation calculated from the CPI and core CPI.

Nonfarm payroll employment increased nationwide by 254,000 jobs on a seasonally adjusted basis in September according to preliminary estimates from the Bureau of Labor Statistics (BLS). Jobs in leisure and hospitality spiked by 78,000, driven mostly by gains in food services and drinking places (69,000). Since June 2024, the industry has added 169,000 jobs in total. The steady growth in government (31,000), social assistance (27,000), and construction (25,000) jobs continued while the manufacturing (7,000) and transportation and warehousing industries (8,600) lost a relatively small number of jobs. Previously released estimates for July and August were revised upwards by 31% across the two months, from a preliminary total of 231,000 jobs to a revised 303,000 jobs.

The official national unemployment rate (U-3) decreased by 0.1% percentage points for the second consecutive month according to the BLS. The rate fell from 4.2% in July to 4.1% in September on a seasonally adjusted basis but was 0.3 percentage points higher than in September 2023. The labor force increased by 150,000 workers in September, while the number employed increased by 430,000 and the number unemployed decreased by 281,000. The broadest measure of joblessness (U-6) additionally includes workers who desire employment but have not actively searched recently and those employed part time for economic reasons. By this measure, 7.7% of the labor force was underutilized in September on a seasonally adjusted basis, a decrease of 0.2 percentage points from August but 0.7 percentage points higher than in September 2023.

Preliminary estimates indicate that the number of nationwide job openings ticked up in August on a seasonally adjusted basis to 8.0 million from an upwardly revised 7.7 million in July. Hires (99,000) and quits (159,000) both decreased slightly in August, continuing their downward trends established in 2022. There were 105,000 fewer layoffs and discharges in August relative to July but the monthly level has declined modestly over the last 12 months (56,000). The BLS downwardly revised its July figures for hires (105,000 to 5.4 million), quits (34,000 to 3.2 million), and layoffs and discharges (49,000 to 1.7 million).

Citing the slowing labor market and decelerating inflation, the Federal Reserve lowered their targeted interest rate range for overnight bank-to-bank loans (federal funds rate) by half a percentage point to 4.75% - 5.0% on September 19th. While the targeted rate primarily impacts financial institutions, adjustments to it have ripple effects on various interest rates, including those tied to mortgages, credit cards, and other consumer loan products. The average 30-year mortgage rate has been trending downward since early May when it was 7.22% and was reported to be 6.12% on October 3rd by the Federal Home Loan Mortgage Corporation (Freddie Mac).

It is uncommon for the Federal Reserve to cut their benchmark interest rate by half a percentage point (also referred to as “50 basis points”). It has done so on 19 prior occasions since 1990, 13 of which occurred during an economic contraction, as defined by the National Bureau of Economic Research (NBER). Of the six Federal Reserve actions taken outside of recession periods, three occurred just prior to the beginning of a recession. The table below lists all instances where the targeted interest rate or interest rate range was lowered by at least 50 basis points.

The Ohio Economy

Ohio's real GDP increased at a seasonally adjusted annual rate of 3.4% in the second quarter of 2024 according to preliminary estimates. Growth in the first quarter was revised up to 0.0% from a previously estimated 0.3% decline. Manufacturing contributed the majority of growth for the state followed by finance, construction, and healthcare. The industries that contracted slightly included accommodation and food services, management, and state and local government.

Ohio's personal income grew at the same rate as the nation in the second quarter of 2024. BEA reported a seasonally adjusted annual rate of 5.3% for the state, a decrease from the upwardly revised 8.0% growth in the first quarter. The vast majority of gains were due to increases in wages, salaries, and employer paid benefits and were concentrated in the manufacturing, health care, and professional, scientific, and technical services industries.

Personal consumption expenditures increased 5.4% in 2023 following an 8.3% increase in 2022 according to the BEA. The largest increases were observed in food services and accommodation (11.1%), financial services and insurance (10.4%), and healthcare (7.5%). Expenditures on gasoline and other energy goods decreased by 9.1%.

Ohio's official unemployment rate was unchanged at 4.5% in August on a seasonally adjusted basis according to preliminary estimates. The labor force participation rate (62.3%) and employment-population ratio (59.5%) also remained unchanged from their July levels. Total nonfarm payroll employment in the state decreased slightly by a seasonally adjusted 4,400 jobs. The previously reported 2,200 jobs added in July were downwardly revised to 900.

The health and social services industry added 1,700 jobs to reach a high of 861,000. The industry provides the most jobs in the state and accounted for 15% of all jobs in August. The largest gain in jobs was observed in the transportation, warehousing, and utilities industry (2,000) while the construction industry added 1,800 jobs. These monthly gains were offset by losses in the manufacturing (2,100), retail trade (1,200), and finance (900) industries. Over the past 12 months, the finance industry has lost the most jobs (14,600) for the state with August being the 11th consecutive month of losses.

Existing home unit sales contracted by 3.4% in August compared to August 2023, but were priced 5.8% higher on average, thus generating 2.2% more revenue for the market according to Ohio Realtors. The average sales price for the state was \$302,384, up from \$285,746 in August 2023. Through the first eight months of 2024, the number of existing homes sold was up 0.8% from the same period in 2023, and the average sale price was \$290,586, or 7.0% greater.

Federal Reserve Actions to Lower the Target Interest Rate by at Least 0.5 Percentage Points, 1990 - Present			
Date	Recession Period per NBER?	Rate Cut (basis points)	Resulting Target Interest Rate
February 1, 1991	Yes	50	6.25%
December 20, 1991	No	50	4.0%
July 2, 1992	No	50	3.25%
January 31, 2001	No	50	5.5%
March 20, 2001	No	50	5.0%
April 18, 2001	Yes	50	4.5%
May 15, 2001	Yes	50	4.0%
September 17, 2001	Yes	50	3.0%
October 2, 2001	Yes	50	2.5%
November 6, 2001	Yes	50	2.0%
November 6, 2002	No	50	1.25%
September 18, 2007	No	50	4.75%
January 22, 2008	Yes	75	3.5%
January 30, 2008	Yes	50	3.0%
March 18, 2008	Yes	75	2.25%
October 8, 2008	Yes	50	1.5%
October 29, 2008	Yes	50	1.0%
March 4, 2020	Yes	50	1.0% to 1.25%
March 16, 2020	Yes	100	0% to 0.25%
September 19, 2024	N/A	50	4.75% to 5.0%

Note: A basis point is one-hundredth of a percentage point. For instance, fifty basis points equals 0.5%, or 0.005.

Chart 4: Personal Savings Rate

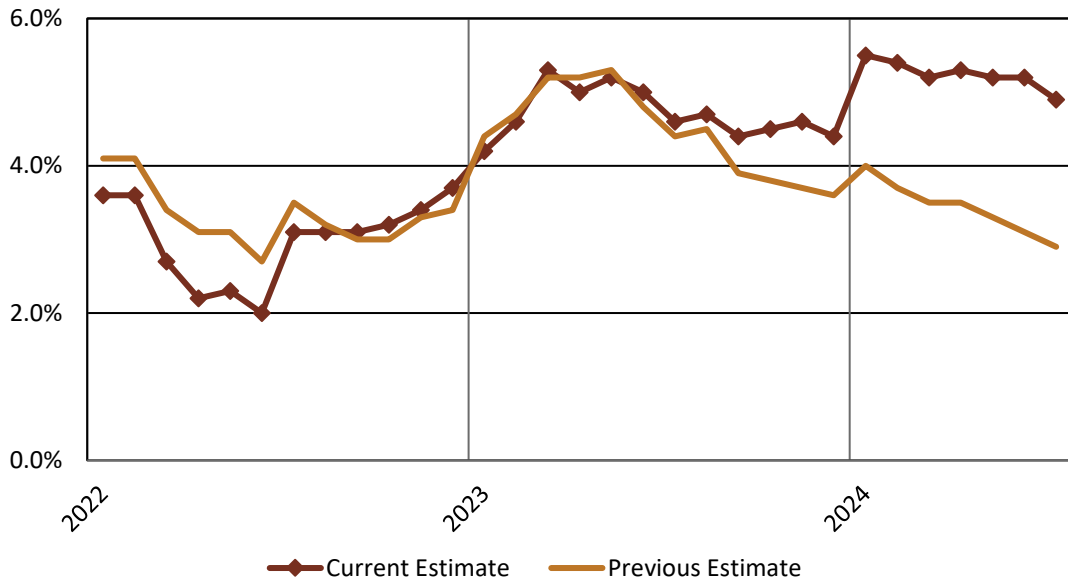


Chart 5: Consumer Prices

