LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2025 Issue: December 2024

Highlights

– *Russ Keller, Chief Economist*

GRF tax revenue in November was $76.9 million below the Office of Budget and Management (OBM) estimate, but the shortfall was entirely attributable to lingering effects of the sales tax holiday. There is a two-month delay after local sales tax revenue is collected by the state before it is distributed to local governments, so September collections were distributed in November. Since sales tax revenues were higher in September than estimates, the distributions to local governments in November were also higher than estimates, which lowered state sales tax receipts to the GRF.

The six-month trend of consumer disinflation reversed course in October, as the year-over-year measure ticked up to 2.6%. Ohio's unemployment rate fell to 4.3% in October, which is the first monthly decline since May 2023.

Through November 2024, GRF sources totaled $18.85 billion:

- Revenue from the sales and use tax was $485.5 million above estimate;
- The personal income tax (PIT) was $28.8 million below estimate;
- The commercial activity was $19.8 million above estimate.

Through November 2024, GRF uses totaled $21.64 billion:

- Program expenditures were $387.3 million below estimate;
- Medicaid was $161.0 million below estimate, partly reflecting a decline in total caseload.

In this issue...

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of November 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$143,746	$143,300	$446	0.3%
Nonauto Sales and Use	$1,052,092	$1,146,700	-$94,608	-8.3%
Total Sales and Use	*$1,195,838*	*$1,290,000*	*-$94,162*	*-7.3%*
Personal Income	$776,832	$745,700	$31,132	4.2%
Commercial Activity Tax	$496,899	$534,300	-$37,401	-7.0%
Cigarette	$55,489	$58,400	-$2,911	-5.0%
Kilowatt-Hour Excise	$22,296	$21,000	$1,296	6.2%
Foreign Insurance	$723	$12,100	-$11,377	-94.0%
Domestic Insurance	$4,633	-$15,000	$19,633	130.9%
Financial Institution	$511	-$4,800	$5,311	110.6%
Public Utility	$46,461	$32,900	$13,561	41.2%
Natural Gas Consumption	$3,644	$4,800	-$1,156	-24.1%
Alcoholic Beverage	$4,795	$5,500	-$705	-12.8%
Liquor Gallonage	$4,683	$4,800	-$117	-2.4%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$35	$0	$35	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,612,841**	**$2,689,700**	**-$76,859**	**-2.9%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$2,863	$1,878	$985	52.5%
Other Revenue	$773	$2,344	-$1,571	-67.0%
Total Nontax Revenue	**$3,636**	**$4,222**	**-$585**	**-13.9%**
Transfers In	**$650**	**$0**	**$650**	**---**
Total State Sources	**$2,617,127**	**$2,693,922**	**-$76,795**	**-2.9%**
Federal Grants	**$1,295,662**	**$1,302,176**	**-$6,513**	**-0.5%**
Total GRF Sources	**$3,912,790**	**$3,996,098**	**-$83,308**	**-2.1%**

*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 November 30, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 2, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$821,130	$819,700	$1,429	0.2%	$816,348	0.6%
Nonauto Sales and Use	$4,833,250	$4,349,200	$484,050	11.1%	$4,890,090	-1.2%
Total Sales and Use	*$5,654,380*	*$5,168,900*	*$485,480*	*9.4%*	*$5,706,438*	*-0.9%*
Personal Income	$4,077,930	$4,106,700	-$28,770	-0.7%	$4,323,941	-5.7%
Commercial Activity Tax	$1,152,093	$1,132,300	$19,793	1.7%	$1,219,476	-5.5%
Cigarette	$276,933	$274,900	$2,033	0.7%	$287,403	-3.6%
Kilowatt-Hour Excise	$139,585	$138,400	$1,185	0.9%	$119,861	16.5%
Foreign Insurance	$156,202	$216,700	-$60,498	-27.9%	$209,728	-25.5%
Domestic Insurance	$76,611	$300	$76,311	25436.5%	$845	8968.4%
Financial Institution	-$31,886	-$16,000	-$15,886	-99.3%	-$35,213	---
Public Utility	$97,995	$81,400	$16,595	20.4%	$80,141	22.3%
Natural Gas Consumption	$15,954	$19,000	-$3,047	-16.0%	$19,331	-17.5%
Alcoholic Beverage	$28,467	$28,100	$367	1.3%	$27,950	1.8%
Liquor Gallonage	$23,046	$24,000	-$955	-4.0%	$23,877	-3.5%
Petroleum Activity Tax	$3,035	$2,100	$935	44.5%	$2,931	3.6%
Corporate Franchise	$74	$0	$74	---	$129	-42.6%
Business and Property	$0	$0	$0	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$11,670,422**	**$11,176,802**	**$493,620**	**4.4%**	**$11,986,839**	**-2.6%**
Nontax Revenue						
Earnings on Investments	$128,181	$100,000	$28,181	28.2%	$119,938	6.9%
Licenses and Fees	$13,108	$15,214	-$2,107	-13.8%	$12,896	1.6%
Other Revenue	$121,735	$124,477	-$2,743	-2.2%	$126,436	-3.7%
Total Nontax Revenue	**$263,023**	**$239,692**	**$23,331**	**9.7%**	**$259,270**	**1.4%**
Transfers In	**$1,484**	**$0**	**$1,484**	**---**	**$2,478**	**-40.1%**
Total State Sources	**$11,934,929**	**$11,416,493**	**$518,436**	**4.5%**	**$12,248,587**	**-2.6%**
Federal Grants	**$6,913,583**	**$7,202,042**	**-$288,458**	**-4.0%**	**$6,546,332**	**5.6%**
Total GRF SOURCES	**$18,848,512**	**$18,618,535**	**$229,977**	**1.2%**	**$18,794,919**	**0.3%**

*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]

– Phil Cummins, Senior Economist

Overview

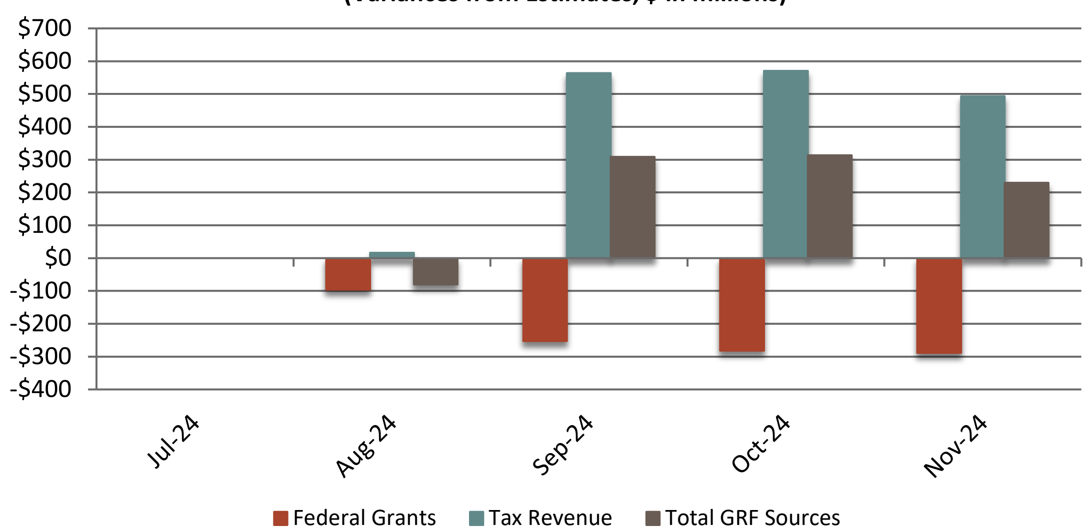
November GRF total tax revenue was below OBM's estimate by $76.9 million (2.9%). Negative variances for the nonauto sales and use tax, $94.6 million (8.3%), the commercial activity tax (CAT), $37.4 million (7.0%), and the foreign insurance tax, $11.4 million (94.0%), were partly offset by positive variances for PIT, $31.1 million (4.2%), the domestic insurance tax, $19.6 million (130.9%), and the public utility tax, $13.6 million (41.2%). Federal grants were $6.5 million (0.5%) below estimate. Total GRF sources for November were below estimate by $83.3 million (2.1%).

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 November 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 five months of FY 2025 were $11.67 billion, $493.6 million (4.4%) above estimate. This positive variance was almost entirely due to sales and use tax receipts. Federal grants during July through November were $6.91 billion, $288.5 million (4.0%) below estimate. Total YTD GRF sources were $18.85 billion, $230.0 million (1.2%) above estimate.

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

Chart 1: Cumulative Variances of GRF Sources in FY 2025 (Variances from Estimates, $ in millions)



[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 the year-earlier period by $316.4 million (2.6%). The decline resulted from lower PIT collections, by $246.0 million (5.7%), lower receipts from the CAT, by $67.4 million (5.5%), lower nonauto sales and use tax receipts, by $56.8 million (1.2%), lower foreign insurance tax receipts, by $53.5 million (25.5%), and lower cigarette and other tobacco products (OTP) tax receipts, by $10.5 million (3.6%).[2]

Partially offsetting these declines, YTD revenues from the domestic insurance tax were $75.8 million higher than a year earlier. As noted in this space last month, anomalously strong revenue gains from the domestic insurance tax appear to be due to payment misclassification. A Treasurer of State (TOS) correcting entry is expected later this fiscal year to reclassify as foreign insurance tax collections those receipts found to be erroneously entered as domestic insurance tax revenues.

Total GRF sources were higher in July-November than a year earlier by $53.6 million (0.3%). YTD GRF revenue from federal grants was $367.3 million (5.6%) higher than in the year-earlier period, the kilowatt-hour excise tax was higher by $19.7 million (16.5%), and the public utility excise tax was higher by $17.9 million (22.3%).

Sales and Use Tax

November GRF receipts from the sales and use tax were $1.20 billion, $94.2 million (7.3%) below the estimate. For the first five months of FY 2025, revenue from the tax was $5.65 billion, $485.5 million (9.4%) 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[3] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product data through October show growth in the dollar value of consumer spending this year, seasonally adjusted, mainly in consumer services. Inflation faced by consumers, measured by changes in the personal consumption expenditures price index, slowed substantially from a peak in 2022. As of October 2024, this inflation index was 2.3% higher than a year earlier.

Nonauto Sales and Use Tax

November GRF receipts from the nonauto sales and use tax of $1.05 billion were $94.6 million (8.3%) below the OBM estimate but $62.2 million (6.3%) above revenue in November 2023. YTD revenues were $4.83 billion, $484.1 million (11.1%) above estimate but $56.8 million (1.2%) lower than receipts a year earlier. Both November and YTD revenues were affected by this year's sales tax holiday in July and August, newly expanded from previous years

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

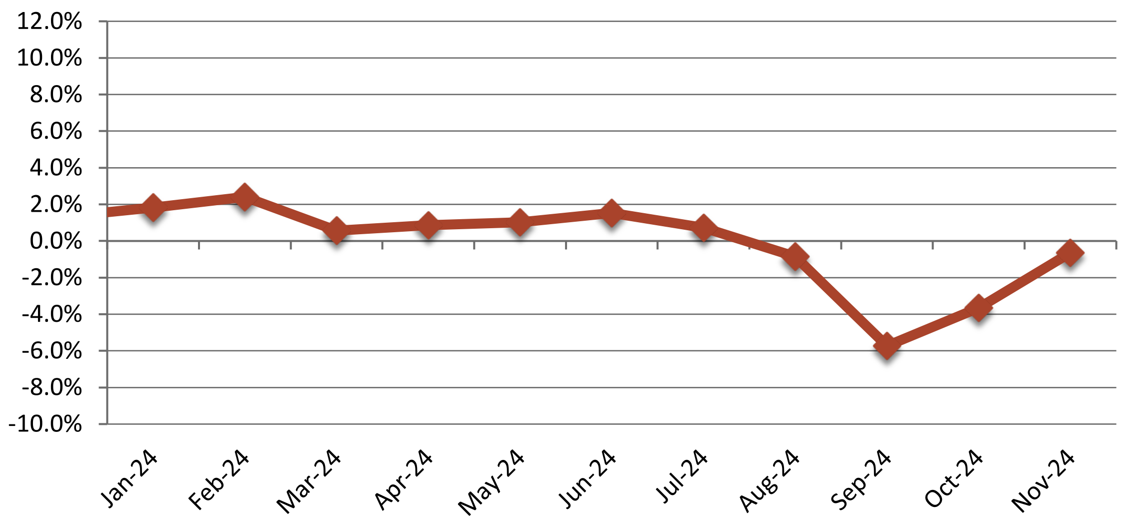
[3] The term "tax base" here refers to whatever is subject to the tax.

when holidays were generally limited to clothing and school supplies purchased prior to schools beginning their classes. The negative impact of the sales tax holiday on tax collections was considerably smaller than anticipated.

The shortfall in nonauto sales tax collections for November compared with the estimate has roots in the sales tax holiday. OBM originally anticipated that the Tax Commissioner would distribute less local sales tax receipts in November, as the amount was expected to be suppressed by the sales tax holiday. Instead, the holiday's reduction in sales tax receipts was more modest than expected, so the November transfer was larger than originally anticipated. In its October 10 revenue report, OBM said the following: "There is a two-month lag between the state's collection of local sales tax receipts and their distribution to counties and transit authorities. The larger than expected September GRF intake likely means a higher than anticipated November revenue transfer from the GRF to the Permissive Tax Distribution Fund. This will reduce November GRF tax revenues relative to expectations . . . ."

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2024. The data are shown using a three-month moving average[4] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. The recent dip compared with a year earlier reflects the effects of the July-August sales tax holiday, the lag in receipt of tax collections from vendors, and three-month averaging.

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



Auto Sales and Use Tax

November receipts from the auto component of the sales and use tax were $143.7 million, $0.4 million (0.3%) above estimate but $8.4 million (5.5%) below receipts in

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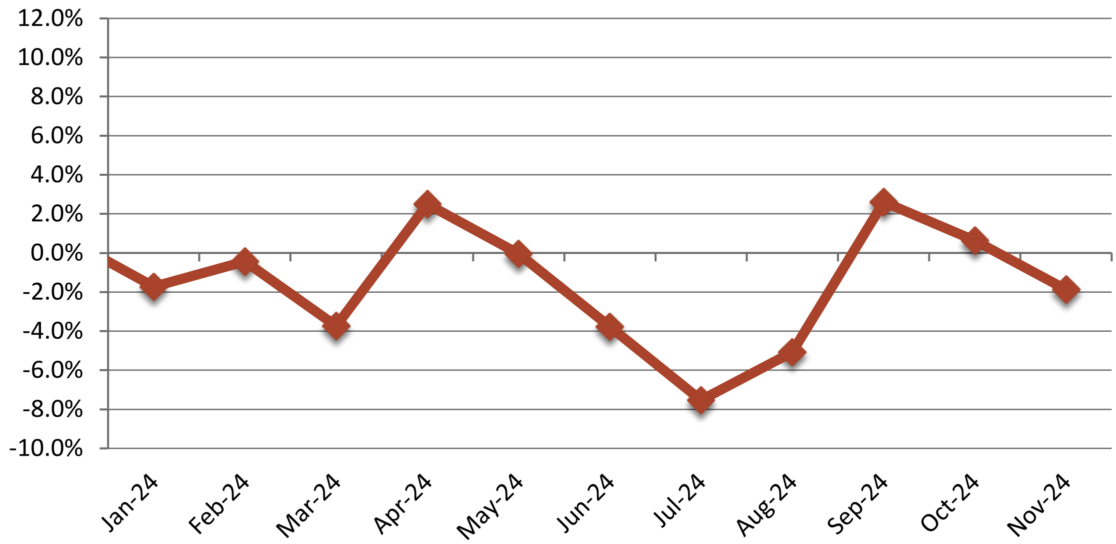
[4] A three-month moving average means, for example, that the most recent data point shown is the percentage change from revenue received during September 2023 through November 2023 to revenue received during September 2024 through November 2024.

November 2023. Tax receipts in the first five months of FY 2025 totaling $821.1 million were above the estimate by $1.4 million (0.2%) and above year-earlier revenues by $4.8 million (0.6%). Most auto sales tax collections reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis. Nationwide, unit sales of new light vehicles were higher in July through November 2024 than a year earlier by around 3%, with strength in light truck sales more than offsetting weakness in sales of automobiles. Motor vehicles were excluded from the sales tax holiday.

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

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



Personal Income Tax

November GRF revenue from the PIT of $776.8 million was $31.1 million (4.2%) above estimate. GRF revenue received in the first five months of this fiscal year totaled $4.08 billion, $28.8 million (0.7%) below estimate and $246.0 million (5.7%) lower than a year earlier. The weakness compared with year-earlier revenue appears to be due mainly to the income tax cuts in H.B. 33, which reduced tax rates and the number of tax brackets, and led to withholding rate reductions in November 2023 and July 2024.

Gross PIT collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue. The 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 November compared to OBM estimates and year-earlier revenues. Gross collections were $45.2 million (0.9%) above anticipated revenue, but $191.1 million (3.7%) below year-earlier revenues. Withholding, the largest category, was $76.4 million (1.7%) lower than a year earlier but $125.2 million (3.0%) above estimate. Payments with PTE annual returns and PTE estimated payments were lower than OBM's estimates, by $9.8 million and $85.7 million, respectively, but IT-1040 estimated payments were above estimate by $20.2 million. Refunds exceeded the estimate by $64.2 million.

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	$125.2	3.0%	-$76.4	-1.7%
PTE Annual Returns	-$9.8	-10.9%	-$67.2	-45.5%
PTE Estimated Payments	-$85.7	-25.7%	-$74.1	-23.0%
IT-1040 Estimated Payments	$20.2	11.8%	$20.5	12.0%
Annual Return Payments	-$3.9	-3.3%	-$3.4	-2.8%
Trust Payments	$1.2	7.5%	$3.1	20.9%
Miscellaneous Payments	-$1.9	-5.3%	$6.4	23.5%
Gross Collections	**$45.2**	**0.9%**	**-$191.1**	**-3.7%**
Less Refunds	$64.2	9.9%	$64.1	9.9%
Less LGF Distribution	$9.8	4.9%	-$9.2	-4.1%
GRF PIT Revenue	**-$28.8**	**-0.7%**	**-$246.0**	**-5.7%**

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

Commercial Activity Tax

November GRF CAT receipts were $496.9 million, $37.4 million (7.0%) below estimate. For July through November GRF revenues were $1.15 billion, $19.8 million (1.7%) 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 $67.4 million (5.5%) 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 $1.16 billion in the first five months of FY 2025, $67.9 million (5.5%) below net revenue in July-November of FY 2024. The YTD decline likely is accounted for by an H.B. 33 provision that reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less in calendar year 2024 no longer owe the CAT. This exclusion increases to $6 million per year in 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

November revenue from the cigarette and OTP tax of $55.5 million was below estimate by $2.9 million (5.0%). Revenue from the tax in the first five months of FY 2025 was $276.9 million, $2.0 million (0.7%) above estimate. The fiscal YTD total included $227.2 million from cigarette sales and $49.7 million from OTP.

FY 2025 YTD revenue was $10.5 million (3.6%) lower than in the first five months of FY 2024. OTP sales increased by $1.9 million (4.0%) while receipts from cigarette sales decreased $12.4 million (5.2%).

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 October 2024
($ in thousands)
(Actual based on OAKS reports run November 4, 2024)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$838,359	$790,607	$47,752	6.0%
Higher Education	$224,235	$228,474	-$4,240	-1.9%
Other Education	$14,917	$14,539	$378	2.6%
Total Education	**$1,077,510**	**$1,033,620**	**$43,890**	**4.2%**
Medicaid	$1,844,603	$1,880,245	-$35,642	-1.9%
Health and Human Services	$168,844	$233,513	-$64,669	-27.7%
Total Health and Human Services	**$2,013,447**	**$2,113,758**	**-$100,311**	**-4.7%**
Justice and Public Protection	$248,038	$313,246	-$65,208	-20.8%
General Government	$74,186	$80,794	-$6,608	-8.2%
Total Government Operations	**$322,224**	**$394,041**	**-$71,816**	**-18.2%**
Property Tax Reimbursements	$340,922	$345,255	-$4,333	-1.3%
Debt Service	$42,824	$42,965	-$141	-0.3%
Total Other Expenditures	**$383,746**	**$388,219**	**-$4,473**	**-1.2%**
Total Program Expenditures	**$3,796,928**	**$3,929,638**	**-$132,710**	**-3.4%**
Transfers Out	**$351**	**$0**	**$351**	**---**
Total GRF Uses	**$3,797,279**	**$3,929,638**	**-$132,359**	**-3.4%**

*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 October 31, 2024
($ in thousands)
(Actual based on OAKS reports run November 4, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$3,461,308	$3,407,750	$53,558	1.6%	$3,285,081	5.4%
Higher Education	$901,849	$914,321	-$12,472	-1.4%	$809,258	11.4%
Other Education	$54,587	$56,968	-$2,382	-4.2%	$52,795	3.4%
Total Education	**$4,417,743**	**$4,379,039**	**$38,704**	**0.9%**	**$4,147,134**	**6.5%**
Medicaid	$8,664,505	$9,000,853	-$336,348	-3.7%	$8,076,929	7.3%
Health and Human Services	$673,556	$874,663	-$201,107	-23.0%	$627,286	7.4%
Total Health and Human Services	**$9,338,062**	**$9,875,516**	**-$537,454**	**-5.4%**	**$8,704,215**	**7.3%**
Justice and Public Protection	$1,112,267	$1,218,759	-$106,492	-8.7%	$1,084,194	2.6%
General Government	$268,074	$272,989	-$4,915	-1.8%	$804,250	-66.7%
Total Government Operations	**$1,380,341**	**$1,491,748**	**-$111,406**	**-7.5%**	**$1,888,443**	**-26.9%**
Property Tax Reimbursements	$960,937	$879,377	$81,561	9.3%	$915,577	5.0%
Debt Service	$703,477	$703,267	$209	0.0%	$699,937	0.5%
Total Other Expenditures	**$1,664,414**	**$1,582,644**	**$81,770**	**5.2%**	**$1,615,513**	**3.0%**
Total Program Expenditures	**$16,800,560**	**$17,328,947**	**-$528,387**	**-3.0%**	**$16,355,305**	**2.7%**
Transfers Out	**$730,201**	**$727,093**	**$3,108**	**0.4%**	**$6,260,074**	**-88.3%**
Total GRF Uses	**$17,530,761**	**$18,056,040**	**-$525,278**	**-2.9%**	**$22,615,379**	**-22.5%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on December 5, 2024)

	Month of November 2024				Year to Date through November 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,076,044	$1,902,113	$173,931	9.1%	$10,350,597	$10,508,402	-$157,805	-1.5%
Non-GRF	$1,264,507	$1,401,524	-$137,017	-9.8%	$4,874,857	$5,080,599	-$205,741	-4.0%
All Funds	$3,340,552	$3,303,638	$36,914	1.1%	$15,225,454	$15,589,000	-$363,546	-2.3%
Developmental Disabilities								
GRF	$88,733	$86,361	$2,372	2.7%	$430,124	$431,527	-$1,402	-0.3%
Non-GRF	$308,295	$316,000	-$7,705	-2.4%	$1,628,041	$1,701,225	-$73,184	-4.3%
All Funds	$397,028	$402,361	-$5,333	-1.3%	$2,058,165	$2,132,752	-$74,587	-3.5%
Job and Family Services								
GRF	$10,823	$11,893	-$1,070	-9.0%	$55,722	$56,848	-$1,126	-2.0%
Non-GRF	$25,184	$21,811	$3,373	15.5%	$83,138	$84,807	-$1,669	-2.0%
All Funds	$36,007	$33,704	$2,303	6.8%	$138,860	$141,654	-$2,794	-2.0%
Other								
GRF	$964	$810	$154	19.1%	$4,627	$5,254	-$626	-11.9%
Non-GRF	$13,519	$13,012	$507	3.9%	$45,415	$90,256	-$44,841	-49.7%
All Funds	$14,484	$13,822	$661	4.8%	$50,042	$95,510	-$45,467	-47.6%
All Departments								
GRF	**$2,176,565**	**$2,001,177**	**$175,388**	**8.8%**	**$10,841,071**	**$11,002,030**	**-$160,960**	**-1.5%**
Non-GRF	**$1,611,505**	**$1,752,347**	**-$140,842**	**-8.0%**	**$6,631,452**	**$6,956,886**	**-$325,435**	**-4.7%**
All Funds	**$3,788,070**	**$3,753,525**	**$34,546**	**0.9%**	**$17,472,522**	**$17,958,917**	**-$486,394**	**-2.7%**

*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 December 5, 2024)

	Month of November 2024				Year to Date through November 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,547,812**	**$2,518,219**	**$29,593**	**1.2%**	**$10,792,626**	**$11,115,646**	**-$323,019**	**-2.9%**
CFC†	$812,653	$788,785	$23,869	3.0%	$2,998,347	$3,278,189	-$279,841	-8.5%
Group VIII	$619,402	$594,050	$25,352	4.3%	$2,456,575	$2,441,551	$15,024	0.6%
ABD†	$228,794	$236,414	-$7,620	-3.2%	$931,630	$936,294	-$4,665	-0.5%
ABD Kids	$68,760	$71,704	-$2,944	-4.1%	$297,593	$320,009	-$22,416	-7.0%
My Care	$316,206	$292,293	$23,913	8.2%	$1,548,394	$1,464,573	$83,821	5.7%
OhioRISE	$70,628	$104,896	-$34,268	-32.7%	$289,771	$332,425	-$42,655	-12.8%
SPBM†	$431,369	$430,079	$1,290	0.3%	$2,270,317	$2,342,604	-$72,287	-3.1%
Fee-For-Service	**$970,604**	**$990,097**	**-$19,493**	**-2.0%**	**$5,541,640**	**$5,581,298**	**-$39,658**	**-0.7%**
ODM Services	$576,549	$604,973	-$28,424	-4.7%	$2,741,279	$2,561,505	$179,775	7.0%
DDD Services	$391,767	$385,124	$6,643	1.7%	$2,013,722	$2,073,793	-$60,071	-2.9%
Hospital - HCAP†	$2,289	$0	$2,289	-	$786,639	$946,000	-$159,361	-16.8%
Premium Assistance	**$175,571**	**$132,879**	**$42,692**	**32.1%**	**$644,837**	**$664,932**	**-$20,095**	**-3.0%**
Medicare Buy-In	$77,034	$78,385	-$1,350	-1.7%	$381,231	$390,823	-$9,592	-2.5%
Medicare Part D	$98,537	$54,495	$44,042	80.8%	$263,605	$274,108	-$10,503	-3.8%
Administration	**$94,083**	**$112,329**	**-$18,246**	**-16.2%**	**$493,419**	**$597,041**	**-$103,622**	**-17.4%**
Total	**$3,788,070**	**$3,753,525**	**$34,546**	**0.9%**	**$17,472,522**	**$17,958,917**	**-$486,394**	**-2.7%**

*August 2024 estimates from the Department of Medicaid.

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

Detail may not sum to total due to rounding.

Expenditures[6]

– Michael Kerr, Budget Analyst

– Ivy Chen, Division Chief

- Brandon T. Minster, Senior Economist

Overview

For the YTD through November, FY 2025 GRF program expenditures totaled $20.91 billion. These expenditures were $387.3 million (1.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $731.7 million and were $1.6 million (0.2%) over estimate for the YTD. Total GRF uses for these five months were $21.64 billion, which was $385.6 million (1.8%) below estimate.

For program expenditures, positive monthly variances in GRF Medicaid ($175.4 million, 8.8%), Primary and Secondary Education ($20.4 million, 1.7%), and Higher Education ($14.4 million, 5.9%) were partially offset by negative monthly variances in Property Tax Reimbursements ($45.4 million, 96.6%) and Health and Human Services ($25.0 million, 14.3%). The remaining categories had monthly variances of less than $2.0 million. Total program expenditures were $141.1 million above estimate for the month of November.

For the YTD, most program categories were under their OBM estimate, most significantly Health and Human Services ($226.1 million, 21.6%), GRF Medicaid ($161.0 million, 1.5%) and Justice and Public Protection ($104.6 million, 7.3%). A significant positive YTD variance for GRF uses occurred in Primary and Secondary Education ($74.0 million, 1.6%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below, followed by an update on prior-year GRF encumbrances that were still outstanding at the end of November.

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 above their monthly estimate in November by $175.4 million (8.8%) but below their yearly estimate by $161.0 million (1.5%). Non-GRF Medicaid expenditures were below their monthly estimate by $140.8 million (8.0%) and below their yearly estimate by $325.4 million (4.7%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $34.5 million (0.9%) above estimate in November but $486.4 million (2.7%) below their FY 2025 estimate.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and eight other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all-funds positive variance in November of $36.9 million (1.1%), but a FY 2025 all-funds negative variance of $363.5 million (2.3%). DODD

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

had a November all-funds negative variance of $5.3 million (1.3%) and ended the month with yearly expenditures being $74.6 million (3.5%) below estimate. The other eight "sister" agencies – Job and Family Services (ODJFS), Health (ODH), Aging (ODA), Mental Health and Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), Higher Education (ODHE), and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the eight "sister" agencies incur only administrative spending.

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for all four major payment categories. In percentage terms, the Administration variance of $103.8 million was the largest (17.4%). The Administration variance continues the trend from the previous fiscal year of underspending on administration. In terms of absolute dollars, the largest variance was in Managed Care, which was $323.0 million (2.9%) below the yearly estimate. The Managed Care variance for the past few months primarily comes from the delayed processing of retroactive capitation payments, and should lessen as those delays are resolved. Fee-for-Service (FFS) and Premium Assistance also had negative variances. The FFS variance was $39.7 million (0.7%), and the Premium Assistance variance was $20.1 million (3.0%).

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 November 2024 by over 540,000 (15.1%). The rate of decline has slowed significantly since June, and even reversed slightly in October, the first month of caseload growth since April 2023. Recent caseload data signal stabilization.

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 five months of FY 2025 (32.1%).

The negative YTD variance for this category increased by $25.0 million in November to reach $226.1 million (21.6%). The largest contributor towards this negative YTD variance was DCY , the category's third largest component by actual expenditures. DCY was under estimate for the YTD by $180.1 million, which accounted for 79.6% of the category's negative YTD variance. Three appropriation line items (ALIs) accounted for $138.1 million of DCY's YTD variance: ALI 830407, Early Childhood Education ($54.6 million); ALI 830400, Child Care State/ Maintenance of Effort ($54.5 million); and ALI 830500, Early Care and Education ($29.0 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 830400 is used to meet the matching and maintenance of effort (MOE) grant requirements of the federal Child Care and Development Fund (CCDF), which supports publicly funded child care. A portion may also be used as MOE for the Temporary Assistance for Needy Families (TANF) Block Grant. ALI 830500 is used to support early care and education activities, such as the state's subsidized childcare programs, and to meet TANF maintenance of effort requirements.

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 71.3% of actual expenditures for this category in the first five months of FY 2025. Eleven other agencies make up the remaining 28.7% of spending.

The negative YTD variance in this category was $104.6 million (7.3%). This was primarily due to the DRC and the Ohio Public Defender Commission (PUB), which had negative YTD variances of $55.7 million and $30.7 million, respectively; DRC's variance fell by $2.9 million in November and PUB's grew by $0.2 million. The category as a whole was $1.9 million (0.9%) above estimate for the month.

PUB's monthly and YTD variances were due mainly to lower than anticipated spending in ALI 019501, County Reimbursement. ALI 019501 is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. DRC's monthly variance was mainly due to positive variances of $3.8 million in ALI 501321, Institutional Operations, $1.6 million in ALI 506321, Institution Education Services, and $1.4 million in ALI 503321, Parole and Community Operations.

ALI 501321 funds the operation of DRC's correctional institutions, including payroll and other costs associated with security, unit management, facility administration, maintenance, and support services. ALI 506321 funds the operation of a school system within DRC; it also provides inmates with reentry services designed to facilitate employment, including career development and enhancement, job application instruction, and resume workshops. ALI 503321 pays for the operating expenses of DRC's Division of Parole and Community Services, which supports offender release and community supervision services, community sanctions assistance, and victim services.

Primary and Secondary Education

This program category contains all GRF spending by DEW, except for property tax reimbursement and Medicaid spending. This category was over the YTD estimate by $74.0 million (1.6%) at the end of November, with a positive monthly variance of $20.4 million (1.7%). The positive monthly variance was primarily due to ALI 200502, Pupil Transportation, which was over estimate by $23.5 million (24.7%) in November. This variance resulted in a $19.9 million positive YTD variance for the line item.

ALI 200502 supports public school operating costs for transporting public and nonpublic school students to and from school. DEW uses the bulk of the line item to distribute funds through the transportation formula, which is a component of state foundation aid that supports regular transportation services provided in yellow buses either owned by the district or operated through contract. For FY 2025, estimated spending in this ALI comprises 7.7% of total estimated spending in the category.

Transfers Out

Transfers out of the GRF were under the monthly estimate for November by $1.5 million, decreasing the positive YTD variance in transfers out to $1.6 million (0.2%). The variance for the month was entirely due to a transfer of $1.5 million from the GRF to the High School Literacy Fund (Fund 5BX1) to reimburse schools for the cost of meeting the financial literacy validation requirements for educators established in R.C. 3319.238.

Prior-year Encumbrances

As reported in the July 2024 issue of *Budget Footnotes*, state agencies carried into FY 2025 $1.05 billion in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2025. An agency generally has five months to spend prior-year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

As shown in the table below, as of December 1, 2024, $478.5 million of the $1.05 billion (45.5%) was still outstanding. The remainder of the encumbrances from July were either expended or allowed to lapse. The Ohio Department of Transportation (ODOT) had the largest share (19.9%) of the total outstanding encumbrances as of December 1, followed by the Department of Development (DEV) at 19.4%, ODM at 15.5%, ODHE at 12.5%, and ODJFS at 9.7%. Together, these five agencies had $368.6 million (77.0%) of the $478.5 million in total outstanding prior-year encumbrances. DEW also had $25.5 million in encumbrances. The nature of the significant outstanding encumbrances is discussed below.

Prior-year GRF Encumbrances by Agency ($ in thousands)				
Agency	Prior-year Encumbrances as of July 1, 2024	Percentage of Total	Outstanding Encumbrances as of December 1, 2024	Percentage of Total
Development	$151,445	14.4%	$92,832	19.4%
Education and Workforce	$144,549	13.8%	$25,477	5.3%
Job and Family Services	$138,332	13.2%	$46,496	9.7%
Transportation	$132,000	12.6%	$95,057	19.9%
Medicaid	$124,596	11.9%	$74,190	15.5%
Rehabilitation and Correction	$82,409	7.8%	$4,877	1.0%
Higher Education	$76,671	7.3%	$59,976	12.5%
Other	$200,464	19.1%	$79,570	16.6%
Total	**$1,050,466**	**100.0%**	**$478,476**	**100.0%**

Ohio Department of Transportation

ODOT had $95.1 million in outstanding prior-year encumbrances. Most of this encumbrance ($53.9 million, 56.7%) was in ALI 775471, State Road Improvements, to provide supplemental funding for road improvement project construction and engineering. An additional $25.1 million (26.4%) was outstanding for ALI 775470, Public Transportation – State, which is used primarily for competitive grants to public transit systems across the state.

Department of Development

DEV had $92.8 million in outstanding prior-year encumbrances. Of that amount, $33.6 million (36.1%) was in ALI 195456, Local Roads. A total appropriation of $95.0 million for this ALI was made in H.B. 687 of the 134th General Assembly. This amount was awarded to the city of New Albany in Licking County to support local road projects necessary for Intel's construction of factories in the area. The next largest encumbrance was in ALI 195556, TechCred Program, with an encumbrance of $23.5 million (25.3%). This encumbrance funds a program which offers financial assistance for students and workers to enroll in short-term training courses, or programs in specific industries, to pursue in-demand jobs. Finally, ALI 195503, Local Development Projects, had outstanding encumbrances of $17.7 million (19.1%). ALI 195503 is earmarked for various development programs.

Ohio Department of Medicaid

ODM had $74.2 million in outstanding prior-year encumbrances. Most of this encumbrance ($67.6 million, 91.2%) was in ALI 651526, Medicare Part D, to provide clawback payments to the federal Centers for Medicare & Medicaid Services to reflect the reduced state expenditures on prescription drugs for individuals enrolled in both Medicare and Medicaid. An additional $6.0 million (8.0%) was outstanding for ALI 651425, Medicaid Program Support-State, which is used to fund ODM's operating expenses.

Ohio Department of Higher Education

ODHE had $60.0 million in outstanding prior-year encumbrances. The majority of the total was in ALIs 235438, Choose Ohio First Scholarship, at $55.7 million (92.8%) and 235599, National Guard Scholarship Program, at $3.3 million (5.5%). These encumbrances will be used to pay the state's obligations to scholarship recipients. Another $0.7 million (1.2%) was outstanding in ALI 235595, Commercial Truck Driver Student Aid Program; these funds will be used to provide a combination of grants and loans to eligible students training for a commercial driver license.

Ohio Department of Job and Family Services

ODJFS had $46.5 million in outstanding prior-year encumbrances. Encumbrances in three ALIs account for $37.9 million (81.5%) of the total. These ALIs are 600523, Family and Children Services, at $17.0 million (36.5%); 600450, Program Operations, at $12.6 million (27.0%); and 600521, Family Assistance- Local, at $8.4 million (18.1%).

Funds encumbered in ALI 600523 will mainly be used for assistance to county public children services agencies. ALI 600450 pays for the administrative functions, operating expenses, and various information technology projects for ODJFS. ALI 600521 is used to fund the state share of county administration expenditures for food assistance and disability assistance programs.

Ohio Department of Education and Workforce

DEW had $25.5 million in outstanding prior-year encumbrances. Three ALIs with significant outstanding encumbrances are: (1) 200408, Early Childhood Education, at $12.8 million (50.1%), (2) 200502, Pupil Transportation, at $4.5 million (17.9%), and (3) 200572, Adult Education Programs, at $1.8 million (7.2%). These three ALIs account for $19.2 million (75.2%) of DEW's total outstanding encumbrances.

Funds encumbered in ALI 200408 will be used to pay providers for early childhood education services for children from lower income families. Funds encumbered in ALI 200502 will be used mainly to support public school operating costs for transporting public and nonpublic school students to and from school. And funds encumbered in ALI 200572 will support various programs assisting individuals who left high school without graduating obtain a diploma or equivalence certificate.

Issue Updates

Department of Development Awards $25.9 Million to Support Housing Growth.

– Gavin Enseleit, LSC Fellow

In an October 2024 announcement, DEV awarded approximately $25.9 million for the third round of funding under the Welcome Home Ohio Program initiated under H.B. 33. The program offers grants and tax credits to buy, construct, or rehabilitate residential properties. Overall, 13 projects in ten counties received grants or tax credits under this round. Home purchase grants accounted for $21.7 million across eight projects (88 homes). Combined purchase and rehabilitation grants accounted for $4.0 million across three projects (40 homes). Construction grants covering two projects totaled $120,000. Among these categories, individual grant awards ranged from $615,000 to $5.0 million. A total of nearly $200,000 in planned tax credits were awarded to two additional projects. For more information, see the list of award recipients and projects (PDF) available on the Governor's website: governor.ohio.gov.

The Welcome Home Ohio program has three offerings:

- Purchasing grants for land banks to buy residential property for subsequent sale to income-eligible owner occupants ($25.0 million per fiscal year).
- Rehabilitation and construction grants of up to $30,000 per property for land banks to rehabilitate or construct residential property for income-restricted owner occupancy ($25.0 million per fiscal year).
- Tax credits for the rehabilitation or construction of income-restricted and owner-occupied residential property. The tax credits are nonrefundable tax credits against the income tax and financial institutions tax. Credits equal the lesser of one-third of the cost of construction or rehabilitation or $90,000 per qualified residential property ($25.0 million).

The aim of these three programs is to construct and rehabilitate 2,150 affordable, owner-occupied homes. The Welcome Home Ohio Fund (Fund 5AP1) was capitalized by a $100 million transfer from the GRF authorized under H.B. 33.

ODOT Announces $17.5 Million in Workforce Mobility Transportation Grants

– Terry Steele, Senior Budget Analyst

On November 8, ODOT announced grant awards of over $17.5 million to support workforce transportation in both rural and urban areas under the Ohio Workforce Mobility Partnership Program (WMPP). The program aims to link workers to the state's major employment centers and areas where employers are located. The program provides qualifying transit systems with funding for infrastructure, equipment, technology, vehicles, and planning projects. This round of awards (PDF) will support 33 different transit projects in 16 counties. The WMPP was established in H.B. 23, the transportation budget act for the FY 2024-FY 2025 biennium, with funding of $15 million in each fiscal year. The funding comes from a small portion of Federal Highway Administration funds that the state is permitted to use for public transit services. The table below summarizes the total amount awarded by county.

FY 2025 Ohio Workforce Mobility Partnership Program Grants Total: $17,586,495			
County	Total Awarded	County	Total Awarded
Butler	$2,500,000	Marion	$140,000
Clinton	$412,781	Morgan	$117,004
Cuyahoga	$800,000	Ottawa	$272,364
Delaware	$1,074,374	Perry	$335,930
Fairfield	$75,000	Portage	$638,800
Franklin	$1,241,142	Sandusky	$174,052
Hamilton	$4,964,384	Shelby	$97,508
Lake	$800,000	Stark	$3,943,156

Note: Eight counties had two or more awards, including Cuyahoga (2), Delaware (2), Franklin (2), Hamilton (4), Marion (3), Portage (4), Sandusky (3), and Stark (5).

ODHE Awards 30 Institutions $2.5 Million in Commercial Truck Driver Student Aid

– Jason Glover, Senior Budget Analyst

In November 2024, ODHE awarded a total of $2.5 million to 30 institutions under the Commercial Truck Driver Student Aid Program. Under the program, ODHE makes awards to eligible schools that, in turn, distribute the funds in the form of a forgivable loan and a grant of equal amounts to each eligible student who commits to reside in and be employed in the state for a minimum of one year after completing a qualifying commercial driver license (CDL) training program. The total amount of the grant and loan awarded to each student cannot exceed the lesser of $20,000 or the cost of tuition and related expenses of a CDL training program. A student who accepts aid under the program must sign a promissory note to pay back the loan funds if the student does not satisfy the residency, employment, or training program requirements. ODHE will forgive an individual's loan after one year of documented employment and residency in Ohio. H.B. 33 funds the program with an appropriation of $2.6 million in FY 2025 from GRF ALI 235595, Commercial Truck Driver Student Aid Program.

The institutions applying to participate in the program were eligible to request up to $140,000, while institutions with multiple eligible locations could request up to $210,000. ODHE awarded each institution amounts ranging from approximately $47,000 for Hocking Technical

College to approximately $149,000 for Owens Community College at its Findlay and Perrysburg locations. The table below summarizes the grant recipients and total award amounts by sector. As the table shows, ODHE awarded $1.02 million, or 40% of the funds, to 12 private, for-profit schools. Ten community colleges received $874,000 (34%), followed by eight Ohio Technical Centers that received approximately $650,000 (26%). Each institution will have up to one year to distribute its funding to eligible students enrolled in a qualifying CDL training program.

Commercial Truck Driver Student Aid Awards, FY 2025		
Sector	**Institutions**	**Awards**
Private, For-Profit Schools	160 Driving Academy*, Capital Transportation Academy, CMV Pros LLC, Direct Venture CDL Training, ETI Technical College of Niles, Great Lakes Truck Driving School, Northeast Ohio Truck Driver Training, Ohio Business College, Roadmaster Drivers School, Trainco Truck Driving Schools, TruckTrailerPro CDL School*, Valley College	$1,021,827
CommunityColleges	Belmont, Central Ohio Technical, Clark State, Cuyahoga, Hocking, Northwest State, Owens*, Southern State, Stark State, Terra State	$874,001
Ohio Technical Centers	Apollo Career Center, Brown and Clermont Adult Career Campuses, Buckeye Career Center, Buckeye Hills Career Center, Butler Tech, Mid-East Career and Technology Centers, Vantage Career Center, Washington County Career Center	$649,171
Total		**$2,545,000**

*160 Driving Academy has four locations that each received awards, while TruckTrailerPro CDL School and Owens Community College each have two.

Ohio Organization Receives $200,000 Federal Rural Emergency Medical Services Training Grant

– Jacob Graffius, Budget Analyst

On September 30, 2024, the federal Substance Abuse and Mental Health Services Administration (SAMHSA) awarded a $200,000 Rural Emergency Medical Services (EMS) Training Grant to the Mercy Health St. Vincent Medical Center in Toledo. The goal of the grant is to assist rural EMS agencies in training and recruiting personnel with a focus on addressing substance use and co-occurring mental health disorders. Grant recipients must train personnel on the following topics: the use of opioid reversal medications such as Naloxone; providing trauma-informed and recovery-based care to individuals with a substance use or mental health disorder in emergency situations; interview techniques to engage individuals with these specified disorders; the importance of providing referrals to treatment and harm reduction services; the development of procedures to report all overdoses to appropriate state and local entities; and how to maintain professional licenses and certifications. Eligible applicants were rural EMS agencies operated by a local government or nonprofit agency. The maximum grant amount awarded was $200,000. Mercy Health will use funds to provide training in portions of rural Fulton, Henry, and Seneca counties.

In total, $11.5 million in Rural EMS Training Grants were awarded in federal fiscal year (FFY) 2024 to 62 organizations in 34 states. The first Rural EMS Training Grant, totaling $6.6 million, was awarded in FFY 2023. In the first grant cycle, Mercy Health also received a grant of $200,000 and used those funds to provide training to portions of rural Seneca, Tiffin, and Wood counties. SAMHSA anticipates that grants will also be issued in FFY 2025.

$10.2 Million in TANF Grant Funds Released to Faith-Based and Community Organizations

– Jacob Graffius, Budget Analyst

On October 11, 2024, the Governor's Office announced that 30 faith and community-based organizations would receive approximately $10.2 million in federal TANF grant funds earmarked for the Governor's Office of Faith-Based and Community Initiatives (GOFBCI).[7] These funds aim to reduce poverty by helping to form public-private partnerships between GOFBCI and faith and community-based organizations. Grant funds must be used to meet one of the four purposes of TANF: (1) assisting needy families so children can be cared for in their own homes; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families. Additionally, funds must be used to provide benefits or services that are short-term and nonrecurrent[8] to low-income families whose household incomes are 200% of the federal poverty level or less. Individual grant allocations ranged from $72,000 to $1,000,000. Specific examples of services provided include suicide prevention resources and strategies to TANF-eligible families, support services to youths in boys and girls clubs across the state, workforce development training, and case management, support services, and temporary housing for those at risk of homelessness.

Established in 2013 within the Governor's Office, GOFBCI encourages organizations to seek public funding for charitable services. GOFBCI also acts as an advisor to the Governor and General Assembly on ways to remove barriers between these organizations and government entities. GOFBCI has been receiving federal TANF funds to support its grant efforts since FY 2014.

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[7] Funds were released by the Governor's Office through Executive Order 2024-07D.

[8] These are considered nonassistance benefits or services since they are not designed to meet a family's ongoing basic needs.

Typically, TANF funds, which are administered by the Ohio Department of Job and Family Services, are earmarked in operating budgets for GOFBCI in each fiscal year. However, H.B. 33 earmarked funds for GOFBCI in FY 2024 only. H.B. 2 of the 135th General Assembly, which was enacted on June 28, 2024, authorized the FY 2025 earmark for GOFBCI.

Controlling Board Approves $1.2 Million to Modernize Law Enforcement Training

– Jessica Murphy, Senior Budget Analyst

On September 30, 2024, the Controlling Board approved $1.2 million in additional funding for the Ohio Peace Officer Training Academy (OPOTA) to enhance training and technology platforms for law enforcement. The additional funding, appropriated to line item 055655, Peace Officer Training – Casino, is supported by the Ohio Law Enforcement Training Fund (Fund 5LR0), which receives virtually all its revenue from quarterly cash transfers from the Ohio Law Enforcement Training Fund (Fund 5JNO) that are derived from 2% of casino gross tax revenues.

OPOTA will use the $1.2 million to integrate virtual reality technology into law enforcement training scenarios, train staff, and develop online tools that officers can use to efficiently manage, enroll in, and attend training courses. These modernization efforts stem from the Attorney General's Blue Ribbon Task Force on the Future of Police Training in Ohio.[9] The Task Force was formed in September 2023 in response to evolving demands on policing, recruitment and retention challenges, and changing public expectations on how police services should be performed. The 11-member task force conducted a comprehensive review of the state's law enforcement training practices and issued the following seven recommendations:

- Modernize the Peace Officer Basic Training curriculum to reflect contemporary police services, emphasizing de-escalation, communication, and community policing strategies.
- Establish a tiered certification system that differentiates officers based on training, experience, and education.
- Create a Tactical Patrol Officer Program to equip officers with advanced tactical skills like those utilized by specialized teams such as Special Weapons and Tactics (SWAT).
- Incorporate new technologies, particularly virtual reality, to enhance training effectiveness and realism.
- Develop integrated lesson plans that connect different aspects of policing and emphasize holistic understanding to replace standalone lesson plans that focus on a single topic.
- Refine Continuing Professional Training (CPT) requirements to ensure relevance and effectiveness in advancing police services. Integrate contemporary issues like implicit bias, cultural competency, and crisis intervention.
- Broaden annual firearms qualifications to include a written exam covering legal use of force and agency policies.

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[9] The full report, The Future of Police Training in Ohio (PDF), can be found on the Attorney General's website at: ohioattorneygeneral.gov by navigating to "Law Enforcement" under the "Publications" tab.

Attorney General Releases 2023 Human Trafficking Report

– Jessica Murphy, Senior Budget Analyst

In October 2024, the Ohio Attorney General released the 2023 Human Trafficking Report. The report details efforts of the Human Trafficking Commission, the law enforcement community, and various public and private coalitions and groups to end the demand for compelled sexual activity and forced labor and to provide protection and services to victims. Activities covered by the report include law enforcement training and information sharing, development of legislation addressing violators and protections for victims, public education and outreach, human trafficking statistical research and analysis, reduction in the demand for trafficking, and strengthening of the existing victim services network.

H.B. 262 of the 129th General Assembly required the Attorney General to annually publish statistical data on trafficking in persons violations. It also required each state agency and each agency of a political subdivision that investigates trafficking in persons or acts of human trafficking to collect and submit those statistics to the Bureau of Criminal Identification and Investigation (BCI). The Attorney General has published these statistics since 2013. However, several years ago, the Human Trafficking Initiative, a component of the Commission, implemented a new data collection tool for the law enforcement community to correct prior ambiguities in the original reporting form. The new form was introduced in March 2021. As a result, agencies across the state are now able to share additional information about the types of charges that are part of their human trafficking cases. These charges include engaging in a pattern of corrupt activity, compelling prostitution, promoting prostitution, drug trafficking, child pornography, money laundering, domestic violence, felonious assault, rape, weapons under disability, theft, tampering with records, and others.

According to the report, 13 Ohio counties reported cases to BCI in 2023: Clermont, Cuyahoga, Franklin, Greene, Hamilton, Hancock, Lake, Lorain, Mahoning, Montgomery, Richland, Stark, and Summit. Law enforcement reported identifying 45 human trafficking suspects, leading to 17 arrests and three successful criminal convictions (many of the reported investigations remain open, either with law enforcement or the courts). Additionally, 696 suspected buyers were identified by law enforcement agencies as consumers of sex trafficking connected to a human trafficking investigation.

Females were the most commonly identified human trafficking victims reported by law enforcement in 2023, with 52 of 58 victims. Of the 52 female potential victims identified, 45 were associated with sex trafficking, six with labor trafficking, and one was a potential victim of both sex and labor trafficking.

The full report (PDF) can be found on the Attorney General's website at ohioattorneygeneral.gov under the Publications tab.

State Reimbursed Schools $4.3 Million to Make Reduced-Price Meals Free During 2023-2024 School Year

– Ryan Brown, Budget Analyst

In November 2024, DEW paid public and nonpublic schools the final amounts necessary to fully reimburse them for costs to make school meals free for students eligible under federal law for reduced-price meals during the 2023-2024 school year. In total, DEW reimbursed schools $4.3 million for 11.8 million reduced-price meals served during the school year. H.B. 33 requires public and chartered nonpublic schools that participate in the federal school lunch and school breakfast programs to provide meals at no cost to each student eligible for reduced-price meals and requires DEW to provide state reimbursement in support of the policy.[10] DEW reimbursed 40¢ per lunch and 30¢ per breakfast, the difference between the federal reimbursement rates paid to schools for free meals and reduced-price meals. The table below breaks out the number of meals and amount of reimbursement by meal type. School lunches accounted for about 69% of the reduced-price meals served and, due to the larger reimbursement rate, about 75% of reimbursements.

State Reimbursement to Make Reduced-Price Meals Free, FY 2024			
Meal Type	**Reduced-Price Meals Served (in millions)**	**Meal Reimbursement Rate**	**Reimbursement Paid (in millions)**
Lunches	8.1	40¢	$3.3
Breakfasts	3.6	30¢	$1.1
Total	**11.8**	**--**	**$4.3**

In October 2023, DEW sent an upfront payment to schools based on 60% of the total reduced-price breakfasts and lunches served during the 2022-2023 school year. This payment amounted to $2.4 million statewide. After schools submitted all meal reimbursement claims for the 2023-2024 school year, DEW reconciled the state reimbursement required for reduced-price meals with the upfront payment and paid schools the difference ($1.9 million) in November 2024. Beginning with the 2024-2025 school year, DEW is paying the state reimbursements automatically as schools submit routine monthly claims for federal reimbursement. DEW pays the state reimbursements from GRF ALI 200505, School Meal Programs.

[10] These federal programs support free and reduced-price meals for students meeting income eligibility guidelines through reimbursements on a per-meal basis that DEW passes through to schools. Under federal law, students with a household income of up to 130% of the federal poverty level (FPL) are eligible for free meals and students with a household income between 130% and 185% of FPL are eligible for reduced-price meals. Also, under the federal Community Eligibility Provision (CEP), all students are eligible for free meals at schools where at least 25% of students meet certain criteria for other types of federal benefits or are in certain defined eligibility groups. A school participating in CEP does not receive state reimbursement since all students in the school receive free meals regardless of household income.

Tracking the Economy

– Craig Kerr, Senior Economist

Overview

Consumer price inflation reversed course to increase slightly in October to a year-over-year rate of 2.6% and the job market showed little change overall. Tens of thousands of manufacturing workers previously on strike returned to work and weather-related job absences stemming from two hurricanes appeared to have been resolved. Chief financial officers (CFOs) reported optimism for the future business climate but began voicing concerns about tariffs as international trade with the nation slowed. Ohio's labor market continued to add jobs, particularly in the health care and social assistance industry and the leisure and hospitality industry. The state's unemployment rate, labor force participation rate, and employment-to-population ratio all improved.

The National Economy

Year-over-year inflation as measured by the consumer price index for all urban consumers (CPI-U) ticked up by 0.2 percentage points to 2.6% in October after declining in six consecutive months. Core inflation (excluding volatile food and energy prices) remained steady at 3.3% in October, the third consecutive month that the index did not decline. Much of the monthly increase in the CPI-U was attributed to the rise in shelter costs, which increased by 0.4% on a seasonally adjusted basis. Other notable price increases in October were observed in used cars and trucks (2.7%) and airline fares (3.2%). Although rising significantly over the month, the price of used cars and trucks are 3.4% lower than a year ago.

Following a month of steadily increasing, the average 30-year mortgage stabilized in November, settling in a range of 6.78% to 6.84%. The rate on a ten-year U.S. Treasury Note, which is used as a benchmark interest rate for corporate bonds and mortgages, continued increasing in the first half of November, reaching a rate of 4.4% before trending down to 4.2% in early December. Both rates began their ascensions in September after the Federal Reserve announced it would begin a series of rate cuts for overnight bank-to-bank loans (federal funds rate). The immediate increase in long-term rates that followed the announcement is consistent with market expectations of higher inflation rates and economic growth. The Federal Reserve Open Market Committee is next scheduled to meet December 17-18 and will decide its future interest rate policy at that time.

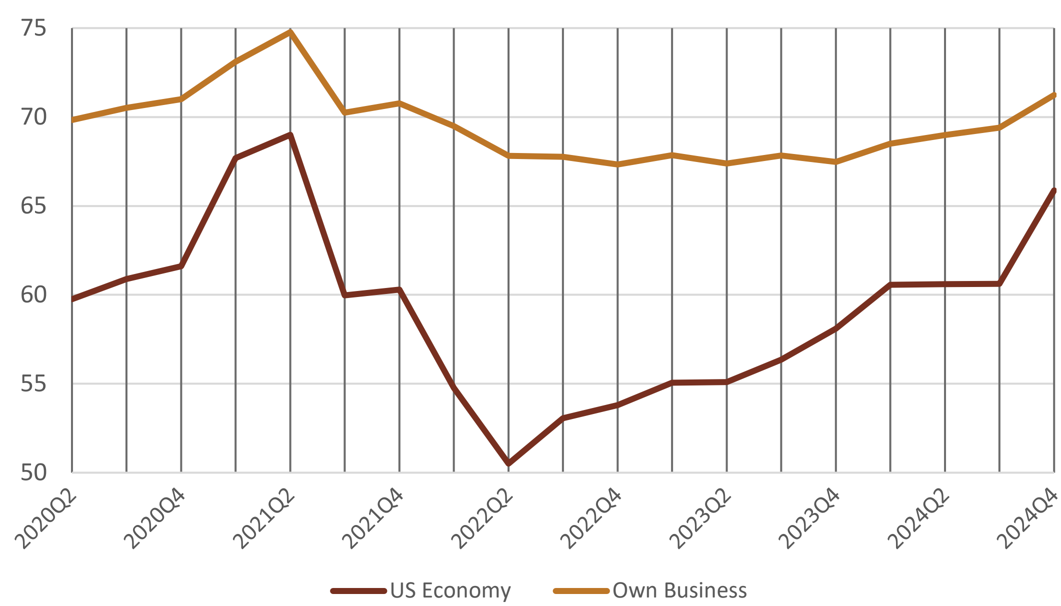
Nonfarm payroll employment increased nationwide by 227,000 jobs on a seasonally adjusted basis in November according to preliminary estimates from the Bureau of Labor Statistics (BLS). Union employees previously on strike at Boeing and Textron Aviation returned to work after agreeing to new contracts, which was reflected in the job gains observed in transport manufacturing (32,000). Most other measures of labor market health changed little in November. The official unemployment rate for the nation (U-3) increased by 0.1 percentage points to 4.2% while the labor force participation rate (62.5%) and employment to population ratio (59.8%) declined by 0.1 and 0.2 percentage points respectively. Employment seems to have recovered from the effects of Hurricanes Helene (late September) and Milton (early October) as the number of workers temporarily not working (62,000) or working part-time (332,000) due to bad weather was well within its typical range in November.

Disposable personal income increased 0.7% on a seasonally adjusted basis in October according to preliminary estimates released by the Bureau of Economic Analysis. When adjusted for inflation and population, real disposable income per capita, the amount of goods and services the average person could purchase with their after-tax dollars, increased 0.4%, its strongest monthly gain since January. Personal savings as a rate of disposable income increased for the first time since January 2024 from 4.1% to 4.4%.[11]

The flows of goods and services across the nation's borders slowed in October on a seasonally adjusted basis according to the BEA. Exports decreased by $266 billion while imports decreased by $340 billion, narrowing the trade deficit to $74 billion or about 12% less than it was in September. Both import and export figures reflected the declining automobile market, with U.S. exports of automotive vehicles, parts, and engines declining by $2.7 billion and imports declining by $1.6 billion. Adjusted for inflation, automotive exports were the lowest since June 2020. It is possible that this sharp decline could be partially attributed to measurement methodology. The Canadian Border Services Agency introduced a new accounting system on October 21 that led to a delay in Canadian importers filing shipments that affected the October goods exports data reported by the Census Bureau. Automotive vehicles and parts account for a large share of U.S.-Canadian trade, so there is some potential for undercounting, although that will not be known for certain until the bureau's annual revisions are posted in June.

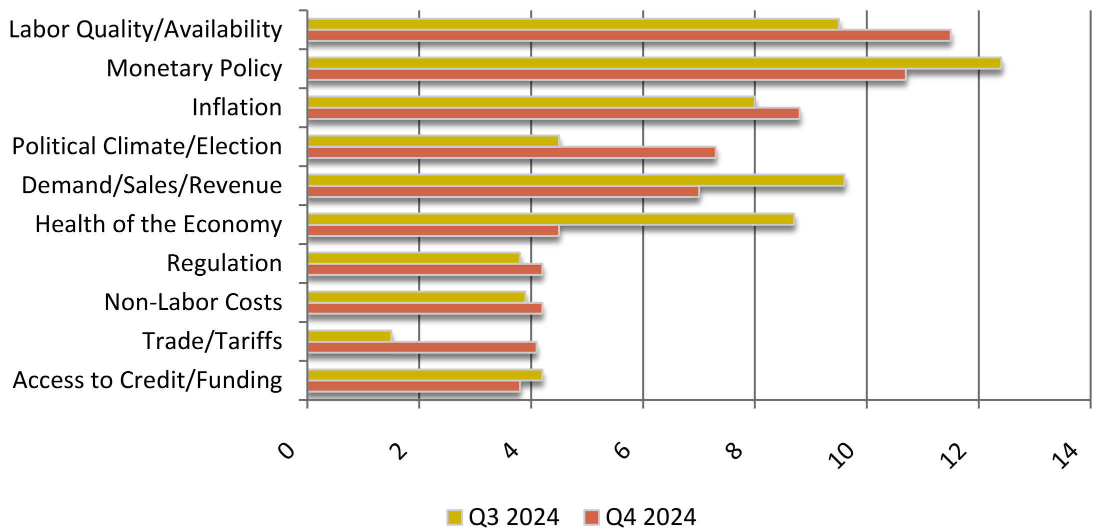
In current dollars (not adjusted for inflation or seasonality), the U.S. trade deficit with Mexico ($16.4 billion), India ($5 billion), and Thailand ($4.8 billion) reached an all-time high with each trade partner. U.S. exports to the United Kingdom ($7.7 billion) also reached an all-time high in October.

Chart 4: CFO Optimism Indexes



[11] Personal savings in September was revised down from a preliminary reading of 4.6%.

Chart 5: Percent of CFOs Mentioning as a Top Concern



Looking forward, CFOs reported increased levels of optimism for their own businesses and the U.S. Economy in the fourth quarter of 2024. According to the Federal Reserve Bank of Richmond, roughly half of the respondents in their CFO survey were polled prior to the Presidential Election with the other half answering after the election.[12] The bank stated that much of the optimism was reported post-election. Among the top concerns of CFOs were labor availability, monetary policy, and inflation. Tariffs also appeared as a top concern for the first time, although only among CFOs polled after the election. Chart 4 displays both optimism indexes from the CFO survey and Chart 5 displays the ten most common top concerns listed by CFOs in the third and fourth quarters of 2024.

The Ohio Economy

The labor market in Ohio added 6,400 jobs in October on a seasonally adjusted basis according to preliminary estimates released by BLS. The largest gains were observed in the leisure and hospitality (2,400) and health care and social assistance (2,100) industries while the largest losses occurred in the transportation, warehousing, and utilities industry (2,300). The health care and social assistance industry once again hit a new high with over 862,000 jobs.

Ohio's official unemployment rate fell in October for the first time since May 2023. According to preliminary estimates released by the BLS, the rate dropped from 4.5% to 4.3% on a seasonally adjusted basis. Employed workers increased by just under 19,000 while approximately 7,000 fewer workers were unemployed compared to September. As a result, the labor force participation rate (62.5%) and employment-population ratio (59.8%) both ticked up slightly.

Existing home unit sales increased by 4.8% in October compared to a year prior and were priced 6.1% higher on average, thus generating 11.2% more revenue for the market according to

[12] The CFO survey is jointly conducted by the Federal Reserve Banks of Richmond and Atlanta and Duke University.

Ohio Realtors. Although prices on average were significantly higher than they were in October 2023, with lower mortgage rates, the monthly cost of owning the average-priced home decreased slightly year-over-year. Assuming a 20% down payment on a 30-year mortgage with the average monthly rate, estimated principal and interest payments decreased by $92, from $1,548 to $1,457. On the supply side, approximately 2,400 private housing unit building permits were authorized in October on a seasonally adjusted basis, which is almost 600 more than October 2023.

The Federal Reserve Bank of Cleveland reported a moderate increase in business activity in its district upon surveying business contacts.[13] Nonresidential construction and real estate activity grew, and businesses reported an expectation for such activity to continue with the end of election-uncertainty and the gradual lowering of interest rates. Retailers and consumer-facing goods manufacturers reported flat prices or the offering of promotions due to increased price sensitivity among their customers. Auto dealers continued reporting weak sales for their high-priced vehicles but higher demand for parts and repairs as customers are holding on to their vehicles longer.

While manufacturing employers reported extending hours, cross-training workers, and employing automation rather than new workers, employers of entry-level workers increased wage offerings and childcare providers struggled to find and retain quality employees. One childcare provider stated that it would be increasing fees due to declining enrollment while another explained that lack of childcare services is contributing to less women in the labor force.

[13] The Federal Reserve Bank of Cleveland is the headquarters for the fourth district, which includes all of Ohio, Western Pennsylvania, Eastern Kentucky, and the northern panhandle of West Virginia.