LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

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Highlights

– *Russ Keller, Chief Economist*

GRF tax revenue in December was $319.7 million above the Office of Budget and Management (OBM) estimate, as the personal income tax (PIT) exceeded its monthly estimate by $360.5 million. PIT refunds in this fiscal year were below both the year-to-date (YTD) estimate and the comparable six-month period from one year ago. GRF Medicaid expenditures continued to trend below OBM estimate due to a decline in caseloads.

The Federal Reserve lowered its target interest rate by one quarter percentage point in December; it now ranges between 4.25% and 4.5%. Participants on the Federal Open Market Committee (FOMC) indicated it would be appropriate to slow the pace of future interest rate cuts. Inflation remains above their 2.0% target, as core inflation did not come down as much as they expected in 2024. FOMC participants noted the disinflation process could take longer than previously anticipated, due to potential changes in trade and immigration policy.

Through December 2024, GRF sources totaled $22.12 billion:

- ❖ Revenue from the sales and use tax was $468.1 million above estimate;
- ❖ GRF transfers in were $459.1 million below estimate;
- ❖ The PIT was $331.8 million above estimate.

Through December 2024, GRF uses totaled $24.05 billion:

- ❖ Program expenditures were $646.1 million below estimate;
- ❖ Health and Human Services spending was $218.9 million below estimate, largely due to timing issues affecting the Department of Children and Youth.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of December 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 7, 2025)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$146,975	$148,200	-$1,225	-0.8%
Nonauto Sales and Use	$1,097,764	$1,113,900	-$16,136	-1.4%
Total Sales and Use	*$1,244,739*	*$1,262,100*	*-$17,361*	*-1.4%*
Personal Income	$1,041,424	$680,900	$360,524	52.9%
Commercial Activity Tax	$16,011	$8,900	$7,111	79.9%
Cigarette	$62,648	$58,300	$4,348	7.5%
Kilowatt-Hour Excise	$16,351	$17,300	-$949	-5.5%
Foreign Insurance	$73,826	$0	$73,826	---
Domestic Insurance	-$75,738	$0	-$75,738	---
Financial Institution	-$11,127	-$2,600	-$8,527	-327.9%
Public Utility	-$20,864	$2,200	-$23,064	-1048.4%
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$4,160	$4,100	$60	1.5%
Liquor Gallonage	$4,772	$4,800	-$28	-0.6%
Petroleum Activity Tax	$2,170	$2,700	-$530	-19.6%
Corporate Franchise	$17	$0	$17	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,358,389**	**$2,038,700**	**$319,689**	**15.7%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$1,124	$909	$215	23.7%
Other Revenue	$1,889	$2,208	-$319	-14.5%
Total Nontax Revenue	**$3,012**	**$3,117**	**-$104**	**-3.4%**
Transfers In	**$123,752**	**$584,300**	**-$460,548**	**-78.8%**
Total State Sources	**$2,485,153**	**$2,626,117**	**-$140,964**	**-5.4%**
Federal Grants	**$784,959**	**$835,209**	**-$50,250**	**-6.0%**
Total GRF Sources	**$3,270,112**	**$3,461,325**	**-$191,214**	**-5.5%**

*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 December 31, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 7, 2025)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$968,105	$967,900	$204	0.0%	$959,192	0.9%
Nonauto Sales and Use	$5,931,015	$5,463,100	$467,915	8.6%	$5,984,417	-0.9%
Total Sales and Use	*$6,899,119*	*$6,431,000*	*$468,119*	*7.3%*	*$6,943,608*	*-0.6%*
Personal Income	$5,119,354	$4,787,600	$331,755	6.9%	$4,997,098	2.4%
Commercial Activity Tax	$1,168,105	$1,141,200	$26,904	2.4%	$1,241,244	-5.9%
Cigarette	$339,580	$333,200	$6,380	1.9%	$350,459	-3.1%
Kilowatt-Hour Excise	$155,936	$155,700	$236	0.2%	$135,743	14.9%
Foreign Insurance	$230,027	$216,700	$13,327	6.2%	$209,744	9.7%
Domestic Insurance	$873	$300	$573	191.1%	$845	3.3%
Financial Institution	-$43,012	-$18,600	-$24,413	-131.3%	-$36,586	---
Public Utility	$77,131	$83,600	-$6,469	-7.7%	$80,149	-3.8%
Natural Gas Consumption	$15,954	$19,000	-$3,047	-16.0%	$19,331	-17.5%
Alcoholic Beverage	$32,627	$32,200	$427	1.3%	$30,647	6.5%
Liquor Gallonage	$27,818	$28,800	-$983	-3.4%	$28,627	-2.8%
Petroleum Activity Tax	$5,205	$4,800	$405	8.4%	$6,398	-18.6%
Corporate Franchise	$91	$0	$91	---	$130	-30.5%
Business and Property	$0	$0	$0	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$14,028,811**	**$13,215,502**	**$813,309**	**6.2%**	**$14,007,439**	**0.2%**
Nontax Revenue						
Earnings on Investments	$128,181	$100,000	$28,181	28.2%	$119,938	6.9%
Licenses and Fees	$14,231	$16,123	-$1,892	-11.7%	$13,535	5.1%
Other Revenue	$123,623	$126,685	-$3,062	-2.4%	$131,170	-5.8%
Total Nontax Revenue	**$266,035**	**$242,808**	**$23,227**	**9.6%**	**$264,643**	**0.5%**
Transfers In	**$125,236**	**$584,300**	**-$459,064**	**-78.6%**	**$5,479**	**2185.6%**
Total State Sources	**$14,420,082**	**$14,042,610**	**$377,472**	**2.7%**	**$14,277,562**	**1.0%**
Federal Grants	**$7,698,542**	**$8,037,250**	**-$338,708**	**-4.2%**	**$7,004,936**	**9.9%**
Total GRF SOURCES	**$22,118,624**	**$22,079,860**	**$38,764**	**0.2%**	**$21,282,497**	**3.9%**

*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

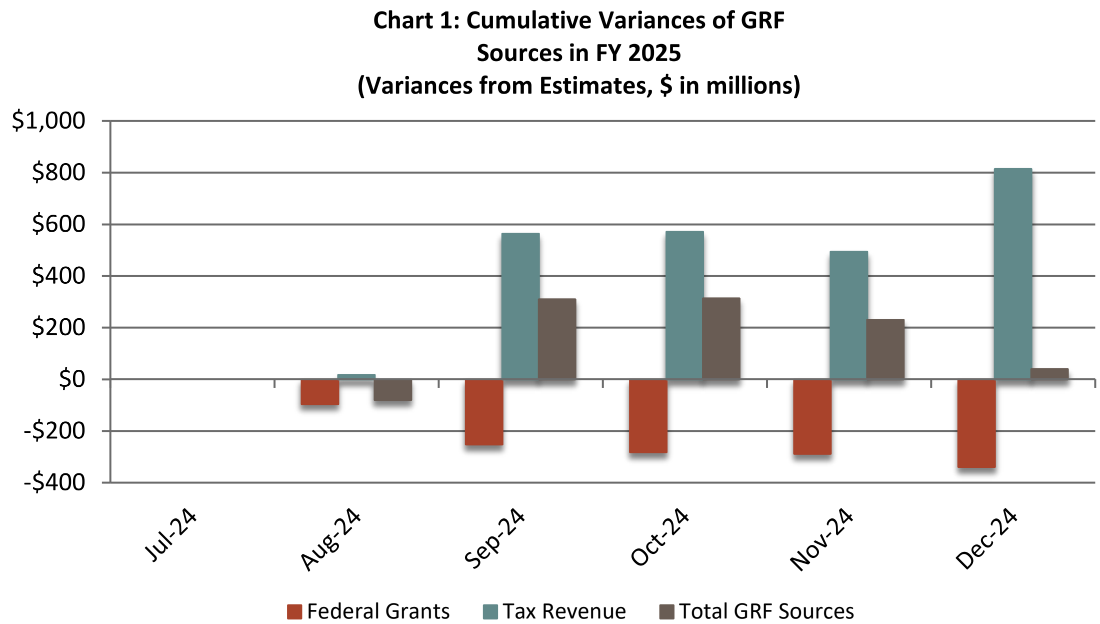
December GRF total tax revenue was above OBM's estimate by $319.7 million (15.7%). By far the largest source of this positive variance was the PIT, with revenues $360.5 million (52.9%) above the estimate. A positive variance for the month was also shown by the foreign insurance tax, of $73.8 million, about offset by a negative variance for the domestic insurance tax, of $75.7 million; these insurance tax variances are discussed below. Negative variances for the month were also shown for the public utility tax, $23.1 million; the sales and use tax, $17.4 million; and the financial institution tax, $8.5 million. Transfers in were $460.5 million less than the estimate. Federal grants were $50.3 million below estimate. Total GRF sources for December were below estimate by $191.2 million (5.5%).

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 December compared to estimates, while Table 2 shows GRF sources for the fiscal YTD compared to both estimates and FY 2024 revenue.

GRF tax receipts in the first six months of FY 2025 were $14.03 billion, $813.3 million (6.2%) above estimate. This positive variance was due to above-estimate receipts from the sales and use tax, $468.1 million (7.3%); the PIT, $331.8 million (6.9%); the commercial activity tax (CAT), $26.9 million (2.4%); and the foreign insurance tax, $13.3 million (6.2%). Earnings on investments were $28.2 million (28.2%) above estimate. However, transfers in were $459.1 million (78.6%) lower than estimate, and federal grants were $338.7 million (4.2%) below estimate. The negative variance for transfers in is related to this summer's sales tax holiday and is discussed below in the section on the nonauto sales and use tax. The net result spurred GRF sources to be relatively on par with estimate, as total YTD GRF sources of $22.12 billion were above estimate by $38.8 million (0.2%).

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

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



FY 2025 YTD GRF tax revenue was higher than in the year-earlier period by $21.4 million (0.2%). The increase resulted from higher PIT collections, by $122.3 million (2.4%), higher foreign insurance tax receipts, by $20.3 million (9.7%), and higher kilowatt-hour excise tax receipts, by $20.2 million (14.9%). These increases were largely offset by declines in CAT receipts, by $73.1 million (5.9%), in sales and use tax receipts, by $44.5 million (0.6%), and in cigarette and other tobacco products (OTP), by $10.9 million (3.1%).[2]

Total GRF sources were higher in July-December than a year earlier by $836.1 million (3.9%). YTD GRF revenue from federal grants was $693.6 million (9.9%) higher than in the year-earlier period. Transfers in YTD were $125.2 million, up from $5.5 million in the year-earlier period.

Sales and Use Tax

December GRF receipts from the sales and use tax were $1.24 billion, $17.4 million (1.4%) below the estimate. For the first half of FY 2025, revenue from the tax was $6.90 billion, $468.1 million (7.3%) above estimate. The sales and use tax is the state's largest tax revenue source.

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

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

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[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.

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 November show growth in the dollar value of consumer spending in the past year, mainly in consumer services. Inflation faced by consumers, measured by changes in the personal consumption expenditures price index, slowed substantially from a peak in 2022, but inflation is no longer slowing. As of November 2024, this inflation index was 2.4% higher than a year earlier, still above the central bank's 2% target.

Nonauto Sales and Use Tax

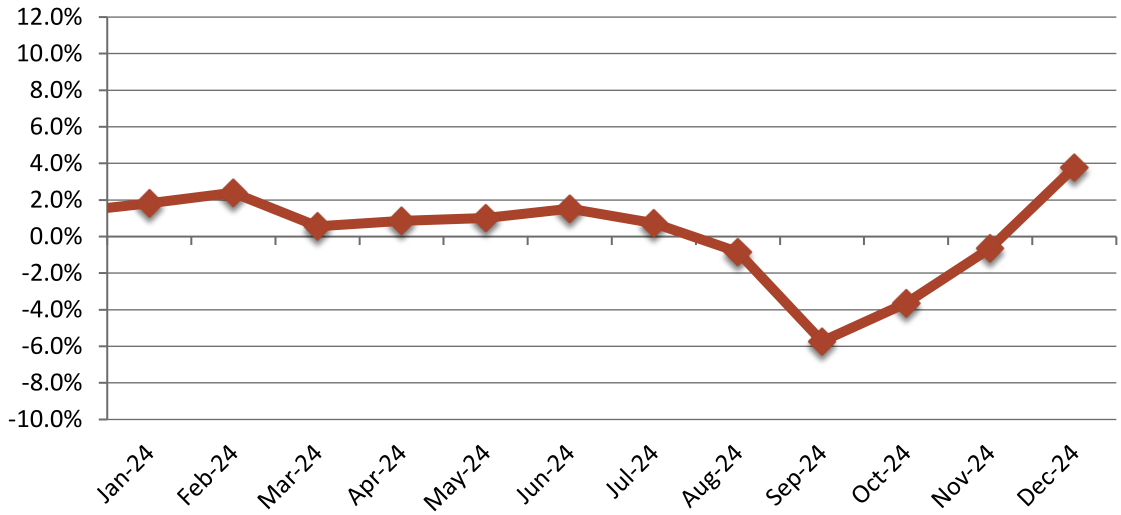
December GRF receipts from the nonauto sales and use tax of $1.10 billion were $16.1 million (1.4%) below the OBM estimate but $3.4 million (0.3%) above revenue in December 2023. YTD revenues were $5.93 billion, $467.9 million (8.6%) above estimate but $53.4 million (0.9%) lower than receipts a year earlier. YTD revenues were affected by this year's sales tax holiday in July and August, newly expanded from previous years 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.

A transfer from the Expanded Sales Tax Holiday Fund (Fund 5AX1) was made in December to reimburse the GRF, the Local Government Fund (LGF), the Public Library Fund, and the Permissive Sales Tax Distribution Fund for revenue losses due to the sales tax holiday. The latter fund is used by the Department of Taxation to distribute local sales tax receipts to counties and transit authorities. The reimbursement complies with a requirement of H.B. 33, that the Tax Commissioner estimate forgone sales tax receipts of these funds as a result of the sales tax holiday and certify these amounts to the OBM Director for payment. Most of the funding for this reimbursement was deposited in Fund 5AX1 from the FY 2023 ending GRF cash balance. H.B. 33 authorized reimbursement up to $750 million, but the amount certified for reimbursement was much smaller, $162.8 million, leaving a balance in Fund 5AX1 of $587.3 million. The portion of this reimbursement deposited into the GRF was $123.8 million, instead of an estimated $584.3 million, causing the $460.5 million negative variance in December transfers in. As stated above, the revenue foregone from the sales tax holiday was much smaller than OBM anticipated when setting the monthly revenue estimates.

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

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

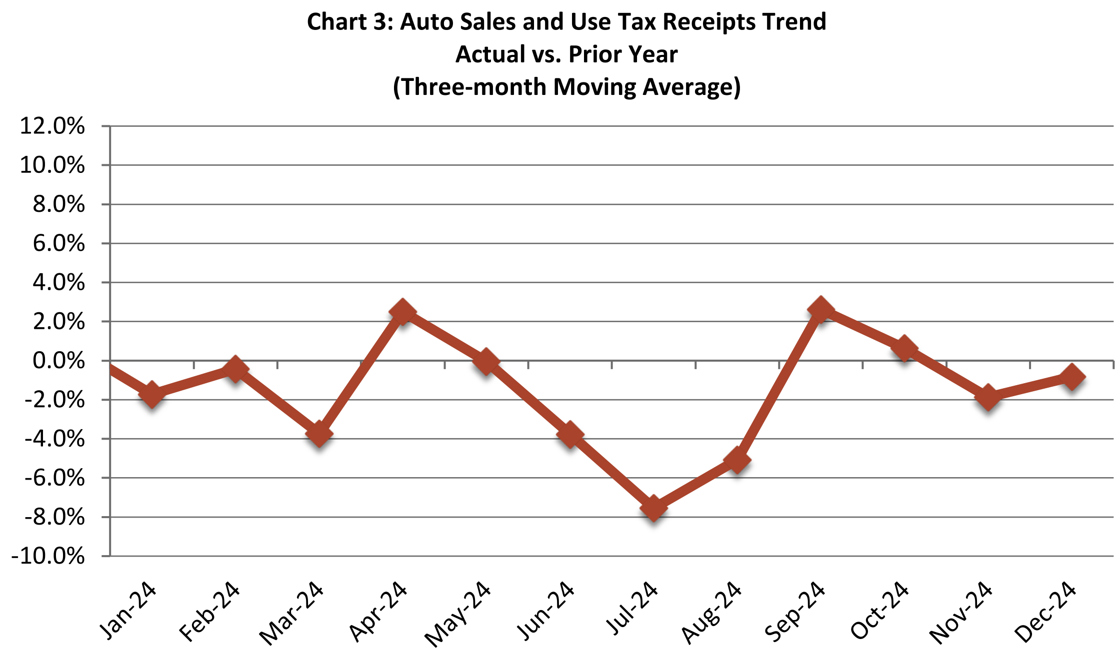
Chart 2: GRF Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

December receipts from the auto component of the sales and use tax were \$147.0 million, \$1.2 million (0.8%) below estimate but \$4.1 million (2.9%) above receipts in December 2023. Tax receipts in the first six months of FY 2025 totaling \$968.1 million about matched the estimate (\$0.2 million above) and were above year-earlier revenues by \$8.9 million (0.9%). 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 December 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 price declines appear to have ended in 2024.



Total spending on cars and light trucks in Ohio rose slightly in the first six months of FY 2025, compared with a year earlier, as shown by Ohio Bureau of Motor Vehicles figures. Spending on new vehicles rose while outlays on used vehicles declined, 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 half of FY 2025 were higher than a year earlier for both new and used cars and light trucks.

July-December 2024 New and Used Cars and Light Trucks Titled			
Type	Number of Titles	Spending ($ in millions)	Average Purchase Price
New Vehicles	179,602	$8,791	$48,949
Used Vehicles	731,232	$9,920	$13,566
Total	910,834	$18,711	$20,543
Change from July-December 2023			
New Vehicles	4.1%	4.8%	0.7%
Used Vehicles	1.1%	-3.4%	-4.5%
Total	1.7%	0.3%	-1.4%

Personal Income Tax

December GRF revenue from the PIT of $1.04 billion was $360.5 million (52.9%) above estimate. GRF revenue received in the first half of this fiscal year totaled $5.12 billion, $331.8 million (6.9%) above estimate and $122.3 million (2.4%) higher than a year earlier. Gross PIT collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the LGF. What remains is GRF PIT revenue.

The table below provides details on revenue from PIT components in July through December compared to OBM estimates and year-earlier revenues. Gross collections were $52.5 million (0.9%) above anticipated revenue, but $144.3 million (2.3%) below year-earlier revenues. The strength of GRF revenues compared with both the estimate and year-earlier revenues mostly reflects smaller refunds than both those expected and those issued last year. YTD refunds were $287.8 million (27.8%) lower than estimated and $258.7 million (25.7%) lower than in the year-earlier period. The income tax cuts in H.B. 33 and subsequent withholding rate reductions continue nevertheless to curtail revenues. Withholding, the largest category, was $24.1 million (0.5%) lower than a year earlier. PTE Annual Returns and PTE Estimated Payments were down by $67.7 million and $92.5 million, respectively. IT-1040 Estimated Payments, however, were $29.1 million higher.

FY 2025 Personal Income Tax Revenue Variance and Annual Change by Component

Category	YTD Variance from Estimate		YTD Change from FY 2024	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$144.2	2.8%	-$24.1	-0.5%
PTE Annual Returns	-$7.1	-7.4%	-$67.7	-43.3%
PTE Estimated Payments	-$112.6	-24.5%	-$92.5	-21.0%
IT-1040 Estimated Payments	$29.4	15.2%	$29.1	15.0%
Annual Return Payments	-$2.2	-1.8%	-$1.5	-1.2%
Trust Payments	$1.9	10.3%	$3.8	22.6%
Miscellaneous Payments	-$1.1	-2.7%	$8.6	27.2%
Gross Collections	$52.5	0.9%	-$144.3	-2.3%

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

FY 2025 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	YTD Variance from Estimate		YTD Change from FY 2024	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Less Refunds	-$287.8	-27.8%	-$258.7	-25.7%
Less LGF Distribution	$8.5	3.4%	-$7.9	-3.0%
GRF PIT Revenue	$331.8	6.9%	$122.3	2.4%

Commercial Activity Tax

December GRF CAT receipts were $16.0 million, $7.1 million (79.9%) above estimate. For July through December GRF revenues were $1.17 billion, $26.9 million (2.4%) 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 $73.1 million (5.9%) 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 $1.18 billion in the first six months of FY 2025, $73.7 million (5.9%) below net revenue in July-December 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 (CY) 2024 no longer owe the CAT. This exclusion increased to $6 million per year in CY 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

December revenue from the cigarette and OTP tax of $62.6 million was above estimate by $4.3 million (7.5%). Revenue from the tax in the first half of FY 2025 was $339.6 million, $6.4 million (1.9%) above estimate. The fiscal YTD total included $279.0 million from cigarette sales and $60.6 million from OTP.

FY 2025 YTD revenue was $10.9 million (3.1%) lower than in the first six months of FY 2024. Receipts from cigarette sales decreased $14.4 million (4.9%) while OTP sales increased by $3.5 million (6.1%).

OTP revenue was boosted by rising OTP prices. The tax is an ad valorem tax, generally 17% of the cost paid by wholesalers for the product. Revenue tends to increase as prices rise.

Taxes on cigarettes, on the other hand, are based on unit sales. Revenue from cigarette sales generally declines from year to year, a pattern that has persisted for many years, with occasional months when revenues rise temporarily.

Other Taxes

GRF receipts from the kilowatt-hour tax in December 2024 were $16.4 million, $0.9 million (5.5%) below estimate and about $0.5 million (3.0%) above receipts in December 2023. As of December 2024, FY 2025 YTD kilowatt-hour tax receipts were $155.9 million, about $0.2 million (0.2%) above estimate. YTD kilowatt-hour tax receipts were $20.2 million (14.9%) above receipts through December 2023 in FY 2024. Kilowatt-hour tax collections depend on electricity consumption. Based on preliminary data on monthly electricity sales to ultimate customers in Ohio through October 2024 published by the U.S. Energy Information Administration, electricity sales volume in Ohio between June through October 2024 was higher compared to the volume in the corresponding period in 2023. Currently, one-half of 1.70% of total GRF tax receipts that are allocated to the Public Library Fund during the month is debited against kilowatt-hour tax receipts. Thus, strong GRF tax revenue collections can reduce GRF kilowatt-hour tax receipts.

YTD through December, GRF receipts from the public utility tax were $77.1 million, $6.5 million (7.7%) below estimate and $3.0 million (3.8%) lower than during July to December 2023. FY 2025 revenues were net of a $20.9 million tax refund paid in December. Most receipts from this tax are in the second month of each calendar quarter, with the largest receipts usually in May. Deliveries by natural gas utilities account for a large part of the total.

Receipts from the natural gas consumption tax were $16.0 million in the first half of FY 2025, $3.0 million (16.0%) below estimate and $3.4 million (17.5%) below revenue in the year-earlier period. Most receipts are in the second month of each calendar quarter, with payments in May accounting for nearly half of annual receipts from this tax in most years.

GRF foreign insurance tax receipts in December (paid by insurance companies whose headquarters are located outside of Ohio) were $73.8 million. Foreign insurance tax receipts were not anticipated in December 2024 and actual receipts in December 2023 were about $16,000. YTD through December 2024, FY 2025 foreign insurance tax receipts totaled $230.0 million. This amount was $13.3 million (6.2%) above estimate and $20.3 million (9.7%) above receipts in the corresponding period in FY 2024.

GRF domestic insurance tax receipts (paid by insurance companies whose headquarters are in Ohio) in December were -$75.7 million. Domestic insurance tax receipts were not anticipated in December 2024 and receipts collected in December 2023 were only $250. In the first half of FY 2025, domestic insurance tax receipts were about $873,000, $573,000 (191.1%) above estimate, and $28,000 (3.3%) above receipts in the first half of FY 2024.

Receipts from both insurance taxes in December 2024 and YTD reflect corrections and redistributions of receipts among applicable receiving funds made by the Treasurer of State (TOS) in December due to misclassified insurance tax receipt entries and account codes that occurred during the last few months. Tax receipts on insurance premiums, except for fire premiums, written by both foreign and domestic insurers are distributed to the GRF. Though, tax receipts levied on fire premiums written by foreign and domestic insurers and a portion of tax receipts levied on foreign insurers that are subject to retaliatory tax are distributed to the State Fire Marshal's Fund (Fund 5460).

In December, $75.8 million that were initially classified as domestic insurance tax receipts (i.e., YTD through November 2024 revenue specified in the previous edition of this publication) were reclassified. Of the total reclassified amount, $73.0 million were redistributed to GRF foreign insurance tax receipts while the remaining $2.8 million were redistributed to Fund 5460. In addition, TOS reclassified and redistributed a small portion of foreign insurance tax receipts to Fund 5460. As a result, YTD receipts for both insurance taxes were more nearly in line with anticipated collections and actual tax receipts in prior years.

Nontax Revenue

YTD GRF nontax revenue totaling $266.0 million was $23.2 million (9.6%) above estimate and $1.4 million (0.5%) above such revenue in the first half of FY 2024. The year-over-year increase in revenue was primarily due to higher earnings on investment, up $8.2 million (6.9%) from a year earlier, partly offset by "other revenue" which was $7.5 million (5.8%) lower than a year earlier.

GRF transfers in of $125.2 million during July-December 2024 were $459.1 million lower than the estimate, but $119.8 million higher than in the first half of FY 2024. Almost all of this transfer in was made in December, to reimburse the GRF for sales tax receipts forgone because of the sales tax holiday. This reimbursement is discussed more fully in the nonauto sales and use tax section, above.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of December 2024
($ in thousands)
(Actual based on OAKS reports run January 9, 2025)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$396,833	$401,872	-$5,039	-1.3%
Higher Education	$209,377	$210,011	-$634	-0.3%
Other Education	$3,883	$4,114	-$232	-5.6%
Total Education	**$610,092**	**$615,997**	**-$5,905**	**-1.0%**
Medicaid	$1,247,859	$1,541,549	-$293,691	-19.1%
Health and Human Services	$193,859	$186,724	$7,135	3.8%
Total Health and Human Services	**$1,441,718**	**$1,728,273**	**-$286,555**	**-16.6%**
Justice and Public Protection	$261,756	$202,400	$59,357	29.3%
General Government	$38,680	$54,792	-$16,112	-29.4%
Total Government Operations	**$300,436**	**$257,192**	**$43,244**	**16.8%**
Property Tax Reimbursements	$2,253	$11,644	-$9,391	-80.6%
Debt Service	$60,839	$61,068	-$229	-0.4%
Total Other Expenditures	**$63,092**	**$72,712**	**-$9,620**	**-13.2%**
Total Program Expenditures	**$2,415,339**	**$2,674,174**	**-$258,836**	**-9.7%**
Transfers Out	**$0**	**$0**	**$0**	**---**
Total GRF Uses	**$2,415,339**	**$2,674,174**	**-$258,836**	**-9.7%**

*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 December 31, 2024
($ in thousands)
(Actual based on OAKS reports run January 9, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$5,058,770	$4,989,811	$68,959	1.4%	$5,135,434	-1.5%
Higher Education	$1,370,180	$1,368,842	$1,338	0.1%	$1,281,320	6.9%
Other Education	$63,175	$65,324	-$2,149	-3.3%	$66,706	-5.3%
Total Education	**$6,492,125**	**$6,423,977**	**$68,148**	**1.1%**	**$6,483,460**	**0.1%**
Medicaid	$12,088,929	$12,543,580	-$454,651	-3.6%	$10,658,298	13.4%
Health and Human Services	$1,016,761	$1,235,705	-$218,945	-17.7%	$938,978	8.3%
Total Health and Human Services	**$13,105,690**	**$13,779,285**	**-$673,595**	**-4.9%**	**$11,597,276**	**13.0%**
Justice and Public Protection	$1,596,635	$1,641,875	-$45,241	-2.8%	$1,487,300	7.4%
General Government	$360,878	$383,249	-$22,371	-5.8%	$892,886	-59.6%
Total Government Operations	**$1,957,513**	**$2,025,125**	**-$67,612**	**-3.3%**	**$2,380,186**	**-17.8%**
Property Tax Reimbursements	$964,802	$938,033	$26,769	2.9%	$916,983	5.2%
Debt Service	$802,694	$802,495	$200	0.0%	$814,743	-1.5%
Total Other Expenditures	**$1,767,496**	**$1,740,528**	**$26,969**	**1.5%**	**$1,731,726**	**2.1%**
Total Program Expenditures	**$23,322,824**	**$23,968,914**	**-$646,090**	**-2.7%**	**$22,192,647**	**5.1%**
Transfers Out	**$731,701**	**$730,093**	**$1,608**	**0.2%**	**$6,583,788**	**-88.9%**
Total GRF Uses	**$24,054,525**	**$24,699,007**	**-$644,482**	**-2.6%**	**$28,776,435**	**-16.4%**

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

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on January 9, 2025)

	Month of December 2024				Year to Date through December 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,146,751	$1,447,096	-$300,345	-20.8%	$11,497,348	$11,955,498	-$458,150	-3.8%
Non-GRF	$2,395,362	$2,458,714	-$63,353	-2.6%	$7,270,219	$7,539,313	-$269,094	-3.6%
All Funds	$3,542,113	$3,905,811	-$363,698	-9.3%	$18,767,567	$19,494,811	-$727,245	-3.7%
Developmental Disabilities								
GRF	$87,412	$85,599	$1,813	2.1%	$517,537	$517,126	$410	0.1%
Non-GRF	$439,224	$370,095	$69,129	18.7%	$2,067,265	$2,071,320	-$4,055	-0.2%
All Funds	$526,636	$455,694	$70,942	15.6%	$2,584,802	$2,588,446	-$3,645	-0.1%
Job and Family Services								
GRF	$13,097	$7,999	$5,099	63.7%	$68,819	$64,847	$3,973	6.1%
Non-GRF	$19,964	$15,850	$4,114	26.0%	$103,102	$100,657	$2,445	2.4%
All Funds	$33,062	$23,849	$9,212	38.6%	$171,922	$165,504	$6,418	3.9%
Other								
GRF	$598	$855	-$257	-30.0%	$5,225	$6,109	-$883	-14.5%
Non-GRF	$20,395	$9,681	$10,713	110.7%	$65,809	$99,937	-$34,127	-34.1%
All Funds	$20,993	$10,536	$10,457	99.2%	$71,035	$106,045	-$35,011	-33.0%
All Departments								
GRF	**$1,247,859**	**$1,541,549**	**-$293,691**	**-19.1%**	**$12,088,929**	**$12,543,580**	**-$454,651**	**-3.6%**
Non-GRF	**$2,874,944**	**$2,854,341**	**$20,604**	**0.7%**	**$9,506,396**	**$9,811,227**	**-$304,831**	**-3.1%**
All Funds	**$4,122,803**	**$4,395,890**	**-$273,087**	**-6.2%**	**$21,595,325**	**$22,354,807**	**-$759,482**	**-3.4%**

*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 January 9, 2025)

	Month of December 2024				Year to Date through December 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,841,282**	**$3,057,861**	**-$216,578**	**-7.1%**	**$13,631,038**	**$14,173,506**	**-$542,468**	**-3.8%**
CFC†	$864,008	$983,387	-$119,379	-12.1%	$3,882,684	$4,261,575	-$378,891	-8.9%
Group VIII	$649,889	$593,989	$55,900	9.4%	$3,106,684	$3,035,540	$71,144	2.3%
ABD†	$194,811	$236,521	-$41,710	-17.6%	$1,126,441	$1,172,816	-$46,375	-4.0%
ABD Kids	$60,549	$71,753	-$11,204	-15.6%	$333,509	$391,762	-$58,253	-14.9%
My Care	$417,209	$352,636	$64,572	18.3%	$1,966,489	$1,817,210	$149,279	8.2%
OhioRise	$155,132	$63,517	$91,615	144.2%	$445,229	$395,942	$49,287	12.4%
SPBM	$499,685	$529,058	-$29,373	-5.6%	$2,770,002	$2,871,662	-$101,660	-3.5%
Pay for Performance	$0	$227,000	-$227,000	-100.0%	$0	$227,000	-$227,000	-100.0%
Fee-For-Service	**$1,081,123**	**$1,109,262**	**-$28,139**	**-2.5%**	**$6,625,763**	**$6,690,560**	**-$64,797**	**-1.0%**
ODM Services	$594,598	$659,805	-$65,207	-9.9%	$3,317,954	$3,221,310	$96,645	3.0%
DDD Services	$484,058	$449,457	$34,601	7.7%	$2,492,007	$2,523,250	-$31,243	-1.2%
Hospital - HCAP	$2,467	$0	$2,467	-	$815,801	$946,000	-$130,199	-13.8%
Premium Assistance	**$84,710**	**$138,126**	**-$53,417**	**-38.7%**	**$729,546**	**$803,058**	**-$73,512**	**-9.2%**
Medicare Buy-In	$82,357	$83,289	-$932	-1.1%	$463,588	$474,112	-$10,524	-2.2%
Medicare Part D	$2,353	$54,838	-$52,485	-95.7%	$265,958	$328,946	-$62,988	-19.1%
Administration	**$115,688**	**$90,641**	**$25,047**	**27.6%**	**$608,978**	**$687,683**	**-$78,705**	**-11.4%**
Total	**$4,122,803**	**$4,395,890**	**-$273,087**	**-6.2%**	**$21,595,325**	**$22,354,807**	**-$759,482**	**-3.4%**

*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 December, FY 2025 GRF program expenditures totaled $23.32 billion. These expenditures were $646.1 million (2.7%) below OBM's estimate. 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 six months were $24.05 billion, which was $644.5 million (2.6%) below estimate.

For program expenditures in December, negative monthly variances in GRF Medicaid ($293.7 million, 19.1%), General Government ($16.1 million, 29.4%), and Property Tax Reimbursements ($9.4 million, 80.6%) were partially offset by positive monthly variances in Justice and Public Protection ($59.4 million, 29.3%) and Health and Human Services ($7.1 million, 3.8%). The remaining categories had monthly variances of $5.0 million or less. Total program expenditures were $258.8 million below estimate for the month of December.

For the YTD, most program categories were under their OBM estimate, most significantly GRF Medicaid ($454.7 million, 3.6%), Health and Human Services ($218.9 million, 17.7%) and Justice and Public Protection ($45.2 million, 2.8%). A significant positive YTD variance for GRF uses occurred in Primary and Secondary Education ($69.0 million, 1.4%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were below their monthly estimate in December by $293.7 million (19.1%) and below their yearly estimate by $454.7 million (3.6%). Non-GRF Medicaid expenditures were above their monthly estimate by $20.6 million (0.7%) but below their yearly estimate by $304.8 million (3.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $273.1 million (6.2%) below estimate in December and $759.5 million (3.4%) 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 December of $363.7 million (9.3%), and a FY 2025 all-funds negative variance of $727.2 million (3.7%). DODD had a December all-funds positive variance of $70.9 million (15.6%) but ended the month

[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.

with yearly expenditures being $3.6 million (0.1%) 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 $78.7 million was the largest (11.4%). 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 $542.5 million (3.8%) below the yearly estimate. The Managed Care variance for the past few months primarily came from the delayed processing of retroactive capitation payments, and it was expected to lessen as those delays were resolved but instead increased in December. This is likely the result of an increase in caseload decline, discussed below. Fee-for-Service (FFS) and Premium Assistance also had negative variances. The FFS variance was $64.8 million (1.0%), and the Premium Assistance variance was $73.5 million (9.2%). Some subcategories showed large monthly variances. In Managed Care, the OhioRISE program had a monthly positive variance of $91.6 million (144.2%) and Pay for Performance had no spending against a forecast of $227.0 million. In Premium Assistance the negative variance for Medicaid Part D was $52.5 million (95.7%). The FY 2025 positive variance for OhioRISE is currently $49.3 million (12.4%). The Pay for Performance variance could be related to the timing of payments and will reverse in coming months. The Part D variance could also be related to the timing of payments from the U.S. Centers for Medicare & Medicaid Services (CMS). Previous months saw similar large variances (96.2% negative variance in September and 80.8% positive variance in November). The September variance was the result of a CMS data transmission error, and the November variance was its correction.

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 December 2024 by over 550,000 (15.3%). The rate of decline slowed significantly in the fall, approaching zero in October, but has increased since then. December caseload figures were down over 7,000. This raises doubt that caseload stabilization is as close as it seemed a few months ago.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. DCY accounted for a majority of the actual expenditures for this category in the first six months of FY 2025 (30.5%).

The negative YTD variance for this category decreased by $7.1 million in December to settle at $218.9 million (17.7%). The largest contributor towards this negative YTD variance was the Ohio Department of Children and Youth (DCY). DCY was under estimate for the YTD by $167.9 million, which accounted for 76.7% of the program category's negative YTD variance. Three ALIs accounted for $125.4 million of DCY's YTD variance: ALI 830407, Early Childhood

Education ($62.6 million); ALI 830400, Child Care State/Maintenance of Effort ($40.2 million); and ALI 830500, Early Care and Education ($22.5 million).

ALI 830407 funds early childhood education programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers. ALI 830400 is used to meet the matching and maintenance of effort (MOE) grant requirements of the federal Child Care and Development Fund, which supports publicly funded child care. A portion may also be used as MOE for the Temporary Assistance for Needy Families (TANF) Block Grant. ALI 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) accounted for 71.1% of actual expenditures for this category in the first six months of FY 2025. Eleven other agencies made up the remaining 28.9% of spending.

The negative YTD variance in this category was $45.2 million (2.8%). This was primarily due to the DRC and the Ohio Public Defender Commission (PUB), which had negative YTD variances of $20.8 million and $9.4 million, respectively; DRC's variance fell by $34.9 million in December and PUB's fell by $21.3 million. The category as a whole was $59.4 million (29.3%) above estimate for the month.

PUB's monthly variance was due mainly to higher 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 $24.3 million in ALI 501501, Community Residential Programs – Community Based Correctional Facilities, and $13.2 million in ALI 505321, Institution Medical Services.

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

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 $69.0 million (1.4%) at the end of December, with a negative monthly variance of $5.0 million (1.3%). The negative monthly variance was primarily due to ALI 200502, Pupil Transportation, which was under estimate by $12.3 million (26.6%) in December. This December spending resulted in a $7.6 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 the first six months of FY 2025, actual spending in this ALI comprised 8.1% of total spending in the category.

Issue Updates

Department of Development Awards $86.1 Million Under Latest Funding Round of Ohio Brownfield Remediation Program

– Jared Cape, Budget Analyst

On December 4, 2024, the Department of Development (DEV) awarded approximately $86.1 million in grant funding under the Ohio Brownfield Remediation Program. The program is aimed at restoring distressed industrial, commercial, or institutional sites to productive use. Overall, 81 projects in 46 counties received grants. Clean-up work accounted for $82.1 million (95.3%) across 65 projects, and site assessment work accounted for $4.0 million (4.7%) across 16 projects. Project awards ranged from $16,500 for cleanup and remediation of a former station and auto service facility in Seneca County to $10.0 million for asbestos removal, lead-based paint remediation, and soil gas mitigation at the historic Centennial Building in downtown Cleveland. For more information, see the list of award recipients and projects (PDF) available on the Governor's website: governor.ohio.gov.

Under the Brownfield Remediation Program, local governments, land reutilization corporations, and other entities may be awarded grants of up to $300,000 to cover assessment costs and up to $10.0 million for clean-up costs. Allowable activities include brownfield site acquisition, demolition, and infrastructure improvements. Funding to support these grants is provided through the Brownfield Remediation Fund (Fund 5YE0), which was capitalized by a $350.0 million cash transfer from the GRF under H.B. 33. Of this amount, $262.0 million is available statewide on a first-come, first-served basis for statewide eligible projects, and requires a 25% match. The remaining $88.0 million is reserved to provide $1.0 million for projects in each of Ohio's 88 counties. These county set-aside funds do not require matching funds.

Ohio Department of Health Releases 2023 Ohio Unintentional Overdose Report

– Jake Graffius, Budget Analyst

On October 30, 2024, the Ohio Department of Health (ODH) released its 2023 Unintentional Drug Overdose Report, which found that the number of unintentional drug overdose deaths decreased by 9% across the state, falling from 4,915 deaths in 2022 to 4,452 in 2023. This marks the second consecutive year that the number of overdose deaths decreased in Ohio. Opioids, including illicit fentanyl or fentanyl analogs, continue to be involved in most overdose deaths with 82% of all such deaths involving any type of opioid and 78% involving fentanyl (illicit or analog). However, from 2022 to 2023, the number of opioid-related deaths actually experienced a decrease. During this time period, the number of total opioid-related overdose deaths fell by 11% and fentanyl-related deaths fell by 12%. On the other hand, overdose deaths involving cocaine and benzodiazepines increased by 7% and 4%, respectively. The population group with the highest rate of overdose deaths were Black non-Hispanic men (64.9 deaths per 100,000 population), while the age group with the highest rate were individuals aged 35 to 44 years (85.8 deaths per 100,000 population). The report can be read in its entirety on ODH's website.[7]

Ohio's decrease in unintentional drug overdose deaths in 2023 exceeded the 2% decrease experienced for the nation as a whole. This is likely due in part to measures Ohio has taken to reduce overdose deaths in recent years. These measures include making overdose reversal medication like Naloxone more widely available, increasing access to medication assisted treatment for opioid use disorder, and increasing resources to combat overdoses.

OhioMHAS Awarded $100 Million to Combat Opioid Use Disorder and Prevent Overdose Deaths

– Jake Graffius, Budget Analyst

On November 12, 2024, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) was awarded $100 million in federal State Opioid Response (SOR) Grants to continue the state's efforts in combatting the opioid crisis. Of this amount, $68.7 million was provided to county alcohol, drug addiction, and mental health services (ADAMHS) boards and community-based providers. These funds will be used to provide prevention, harm reduction, treatment, and recovery services to individuals suffering with opioid use disorder (OUD), stimulant misuse and use disorder, and other concurrent disorders. Goals include increasing: access to all forms of U.S. Food and Drug Administration-approved medications for OUD; access to treatment for special populations; early intervention efforts; the number and capacity of recovery housing residences; and the availability of peer supporters statewide. The remaining funds will be used in partnership with other state agencies to ensure the distribution of Naloxone, an overdose reversal drug, and to support other community resources.

Federal SOR Grants are administered by the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA). SOR Grants aim to address the public health crisis caused by opioid misuse and use disorder. Grant awards are limited to states and territories based on factors such as overdose death rates and opioid use for each state. SAMHSA has awarded SOR Grants since 2018.

DEW Reports $885 Million in Disadvantaged Pupil Impact Aid and Student Wellness and Success Funds Spent in FY 2024

– Jorge Valdebenito, Economist

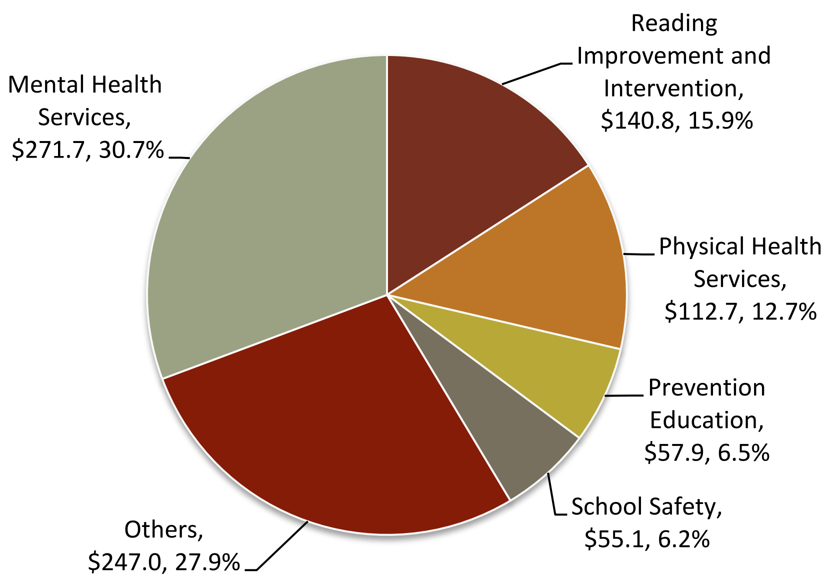
In December 2024, DEW released its annual report detailing the allocation and use of disadvantaged pupil impact aid (DPIA) and student wellness and success funds (SWSF) in public schools. The report provides an overview of how districts and schools used these funds during FY 2024, including the specific programs supported and the total expenditure. Overall, districts and schools spent a combined $885.2 million in DPIA and SWSF, which represents an increase of

[7] 2023 Ohio Drug Overdose Report (PDF), which can be accessed by doing a "drug overdose report" keyword search on ODH's website: https://odh.ohio.gov/.

14.7% compared to FY 2023. Districts and schools reported using $565.4 million (63.9%) in DPIA and $319.9 million (36.1%) in SWSF.

DPIA and SWSF are components of the school funding formula that state law restricts to a menu of certain initiatives. Districts and schools can allocate SWSF toward programs that offer comprehensive services aimed at overcoming learning barriers, such as mental and physical health services, services to promote mental health and prevent substance use and suicide, community resource connections, and family engagement. Meanwhile, DPIA can be used for these services; academic-focused programs, including reading improvement and intervention, extended school day and school year, academic intervention, and dropout prevention; and school safety. The chart below shows the distribution of the funds by initiative. The largest share was spent on mental health services with $271.7 million (30.7%). The second largest category was reading improvement and intervention at $140.3 million (15.9%), followed by physical health services with $112.7 million (12.7%), prevention education with $57.9 million (6.5%), and school safety with $55.1 million (6.2%).

DPIA and SWSF Spending by Initiative ($ in millions), FY 2024



Districts and schools must develop plans outlining how DPIA and SWSF will be used in collaboration with one or more community partners. Districts and schools most often collaborated with educational service centers, with 70.3% of districts and schools reporting such a partnership. Mental health treatment providers (67.7%) and nonprofit organizations with experience serving children (48.9%) had the next highest partnership rates.

For additional details, see [DEW's Student Wellness and Success Funds & Disadvantaged Pupil Impact Report Fiscal Year 2024 (PDF)](), which is accessible by conducting a keyword "student wellness and success funds" search on the DEW website: [education.ohio.gov]().

Controlling Board Approves $32.5 Million in Multi-Year Awards for Choose Ohio First Scholarship Program

– Jason Glover, Senior Budget Analyst

On December 2, 2024, the Controlling Board approved a request from the Ohio Department of Higher Education (ODHE) to award approximately $32.5 million in Choose Ohio First scholarships to 46 public and private institutions of higher education across the state to fund scholarships to new students who enroll from FY 2026 to FY 2030. The 46 institutions were selected for awards through a competitive grant process based on their recruitment and retention plans. Awards range from $202,000 for Franklin University to approximately $1.2 million each for six colleges and universities. Recipient institutions will distribute scholarships to their students. ODHE estimates that approximately 2,800 students will receive scholarships from the new award.

Since 2008, the Choose Ohio First Scholarship program has provided scholarships to students pursuing degrees in science (including health sciences), technology, engineering, and mathematics (STEM) fields or STEM education at one of Ohio's institutions of higher education. Subject to certain exceptions, the annual Choose Ohio First scholarship for an undergraduate or graduate student must be at least $1,500 but no more than 50% of the highest in-state undergraduate instructional and general fees charged by all state universities ($9,081 for the 2024-2025 academic year). Over the last several years, students enrolled at four-year institutions have received scholarships averaging approximately $4,300 per year, while those enrolled at two-year institutions have received scholarships averaging approximately $2,300 per year.

For more information on the Choose Ohio First Scholarship program, see the Choose Ohio First Scholarship Program Members Brief (PDF), which may be accessed on LSC's website: lsc.ohio.gov.

OCJS Awards Approximately $4.0 Million in Federal Family Violence Prevention and Services Act Grants

– Maggie West, Senior Budget Analyst

On October 3, 2024, the Office of Criminal Justice Services (OCJS) announced the award of approximately $4.0 million in federal Family Violence Prevention and Services Act (FVPSA) grants for 67 projects in 42 counties. The grants were awarded to community-based private nonprofit organizations to establish, maintain, and expand programs and projects that: (1) prevent incidents of family, domestic, or dating violence, (2) provide immediate shelter and related assistance for family, domestic, or dating violence victims and their dependents, and (3) provide specialized services for children exposed to family, domestic, or dating violence, underserved populations, and victims who are members of racial and ethnic minority populations.

Both new and continuation projects were eligible to apply for funding. There was no funding cap for the grants, however the amount awarded for each project was influenced by the number of applications received and the availability of funds. Each organization that receives FVPSA funds is required to provide a 20% in-kind or cash match. Individual project awards ranged from $29,619 (PACE, dba, Alliance Area Domestic Violence Shelter located in Stark County) to $95,000, which was received for three projects: (1) Violence Free Futures located in Greene

County, (2) Domestic Violence Project, Inc. located in Stark County, and (3) OneEighty, Inc. located in Wayne County. The average award across all recipients was $59,290.

Of the 42 counties with organizations receiving funding, 13 counties received more than $100,000 of the FVPSA distribution, totaling nearly 57% of the total FVPSA award for Ohio. The table below lists those counties, the number of projects funded, and the total amount awarded to the organizations managing those projects.[8]

County FVPSA Grant Distributions Over $100,000 Federal Fiscal Year 2024	
County (Projects/Organizations Funded)	**Award Amount**
Franklin (6)	$377,158
Hamilton (3)	$238,613
Summit (4)	$236,186
Greene (3)	$200,555
Lucas (2)	$157,471
Athens (2)	$149,700
Cuyahoga (3)	$142,906
Geauga (2)	$139,768
Montgomery (3)	$137,566
Stark (2)	$124,619
Allen (2)	$117,968
Delaware (2)	$117,500
Mahoning (2)	$110,509

[8] A complete list of project awards can be found on the OCJS website (ocjs.ohio.gov) under "Grants Funding & Monitoring"; click on "Grants News" and then perform a keyword search for "OCJS Awards $4 Million" under the "Recommended for Funding" tile.

Ohio to Receive More than $1.5 Million From a Multistate Settlement With Marriott International

– Keegan Kennedy, Budget Analyst

On October 9, 2024, the Ohio Attorney General announced a $52.0 million multistate settlement with Marriott International, Inc. Ohio's portion totaled more than $1.5 million. The settlement stems from a series of data breaches spanning from 2014 to 2020. In total, three cyber-attacks saw the personal data of over 340 million people compromised including more than five million unencrypted passport numbers.

The exact number of Ohioans affected by the data breaches is not available in this case, and the number affected did not factor into the settlement amount owed to Ohio. Ohio's portion of the settlement was based on a formula that considered several factors, including Ohio's general population size. The funds will be deposited to the Consumer Protection Enforcement Fund (Fund 6310) to offset the costs of the Attorney General's consumer protection division.

This multistate settlement with 49 states and the District of Columbia stands alongside a separate Federal Trade Commission agreement with Marriott International, Inc. and its subsidiary, Starwood Hotels & Resorts Worldwide, for violations of the Federal Trade Commission Act. The separate agreement requires Marriott to pay damages to the states and the District of Columbia and implement an information security program to settle charges that they failed to implement reasonable data security during the time of the breaches. Marriott and Starwood have agreed to provide all its U.S. customers with the ability to request deletion of personal information associated with their email address or loyalty rewards account number. Marriott is also required to review loyalty rewards accounts upon customer request, restore stolen loyalty points, and establish a consumer complaint handling agent.

LSC Publishes FY 2024 Occupational Licensing and Regulatory Boards Report

– Tom Wert, Senior Budget Analyst

On December 13, LSC published the FY 2024 Occupational and Regulatory Boards Report, summarizing operating results for the state's various professional licensing boards. Required under R.C. 103.13(H), the annual report shows the financial health of some 35 licensing boards, either free-standing or housed within larger state agencies, whose operating costs are covered by licensing revenue that is deposited into 24 state funds. None of the boards covered in the report are funded by the GRF. The report also provides licensing statistics for FY 2024 alongside data for the prior fiscal year.

Overall, the 24 funds started FY 2024 with a combined cash balance of $209.2 million. During the fiscal year, the licensing boards brought in $149.5 million in licensing receipts and other revenue. The boards paid out $110.9 million in expenditures, including cash transfers to other state funds, over the period. At the end of FY 2024, the combined unobligated cash balance of the 24 funds whose financial results are captured in LSC's report was $242.5 million. Between fiscal years, income and expenses among the licensing boards varies depending on the license renewal cycle for the regulated professions. Licenses are typically valid for one-, two-, or three-year periods.

The Occupational and Regulatory Fund (Fund 4K90), which serves as a consolidated operating fund for many of the state's licensing boards, began FY 2024 with a cash balance of $38.4 million and ended the fiscal year with an available cash balance of $43.6 million. Receipts over the period totaled $60.1 million, or $12.0 million (24.9%) more than the $48.1 million recorded in FY 2023. Expenditures and transfers out totaled $51.8 million, or $7.3 million (16.4%) more than the $44.5 million posted in FY 2023. Part of this increased spending is attributable to a change that H.B. 33 made to the funding structure for the eLicensing system, the state's centralized electronic licensing platform used by 23 agencies and boards. Until FY 2024, the eLicensing system's expenses were recouped through billings that the Department of Administrative Services, the agency which oversees the licensing platform, charged to the boards for their proportional shares of the system's expenses. These amounts were then deposited into the Professionals Licensing Fund (Fund 5JQ0). H.B. 33 eliminated this billing process and instead required DAS to pay these costs directly from Fund 4K90.

Tracking the Economy

– Craig Kerr, Senior Economist

Overview

The U.S. population increased by 3.3 million people between 2023 and 2024, 84% of which was due to net international migration. Revised estimates revealed the number of additional people living in the United States since the onset of the COVID-19 pandemic due to net migration to be approximately 7.2 million, which is roughly equivalent to the population of Tennessee. Ohio added 59,000 residents, outpaced by only Illinois in the Midwest. Interest rates on mortgages began increasing again after the Federal Reserve announced another quarter percentage point reduction in the federal funds rate and a slower pace of cuts for 2025. Inflation ticked up slightly to 2.7% in November while the labor market exhibited little to no change overall. Ohio's real GDP (2.5%) and personal income (3.0%) growth slowed in the third quarter but remained positive. The state's labor force participation rate (62.6%) returned to its March 2020 level while the health care and social assistance industry once again reported a record number of jobs (864,000).

The National Economy

Recent updates from the Census Bureau have revealed that net international migration (the difference between the number of immigrants and emigrants) since the beginning of the COVID-19 pandemic was significantly higher than previously thought. The table below presents both the former and current estimates for this period, along with the percentage change in the figures. The current estimate suggests that approximately 7.2 million additional individuals have come to reside in the United States since April 2020 due to net migration, a number roughly equivalent to the population of Tennessee. Furthermore, the Bureau noted that 84% of the 3.3 million increase in population between 2023 and 2024 was attributed to net migration.

The population statistics provided by the Census Bureau play a crucial role in calculating various metrics related to the labor force as well as per capita measures such as that of GDP and personal income. Consequently, it is likely that upcoming statistics and revisions to earlier estimates will deviate from prior reports, as the new estimates account for the expanded population and labor supply. For instance, the growth in the Bureau of Labor Statistics' (BLS) measure of employed workers has diverged from that of jobs in recent years, as the number of jobs appeared to increase much faster than employment. This divergence is likely due to an underestimation of employment, as the BLS relies on Census Bureau population estimates to derive their labor market metrics. With upcoming revisions based on a more accurate population estimate, it is reasonable to anticipate a higher estimate of employment, labor force, and potentially a higher unemployment rate, as new arrivals may have required time to secure jobs.

Comparison of Net International Migration Estimates			
Period	2024 Estimate	2023 Estimate	Percent Increase
4/1/2020 to 6/30/2020	19,335	19,335	0.0%
7/1/2020 to 6/30/2021	379,402	379,402	0.0%
7/1/2021 to 6/30/2022	1,693,263	998,983	69.5%
7/1/2022 to 6/30/2023	2,289,938	1,135,220	101.7%
7/1/2023 to 6/30/2024	2,785,517	n/a	n/a

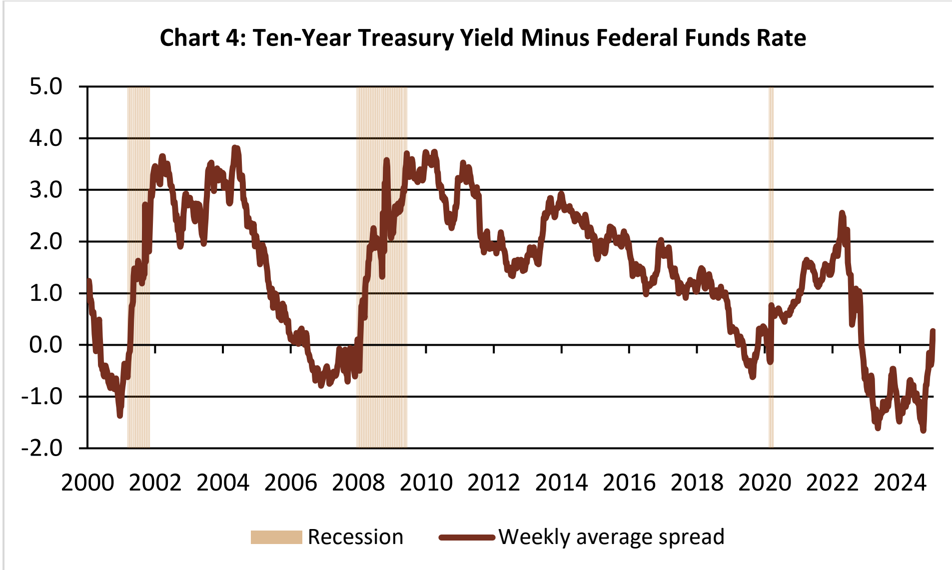
Source: U.S. Census Bureau.

Economic growth was also revised higher in the third quarter of 2024 according to the third and final estimate released by the Bureau of Economic Analysis (BEA). The revised figure increased the prior estimate from a seasonally adjusted annual rate of 2.8% real growth (adjusted for inflation) in the nation's gross domestic product to 3.1%. Approximately a third of that growth was attributable to increased production in retail trade, with motor vehicles and parts dealers leading the industry.

In their final meeting of 2024, the Federal Reserve Open Market Committee announced another quarter-percent rate cut in their targeted range for overnight bank-to-bank loans (Federal Funds Rate). Chairman Jerome Powell also stated the committee's decision to slow the speed at which they adjust rates down in 2025 due to a stable labor market, inflation that is declining slower than desired, and uncertainty surrounding potential tariffs on imports. Powell compared the adjusted approach to driving cautiously on a foggy night when the road ahead is not perfectly clear.

The announced slower pace of interest rate reductions was not good news for the commercial real estate market, which is heavily reliant on adjustable-rate loans. Financial analysis firm Trepp reported a delinquency rate in December of 11% for commercial real estate loans that have been securitized into mortgage-backed securities. The figure marks the highest rate of delinquency since the firm began recording the statistic in 2000. Office vacancy rates were also at an all-time high, with Moody's reporting that 20.4% of all office space in primary markets were without tenant in 2024.

After the Federal Reserve's announcement in mid-December, the average 30-year mortgage reversed its three-week decline and increased from 6.60% to 6.93% over the following four weeks. The interest rate on a ten-year U.S. treasury note, which is used as a benchmark interest rate for corporate bonds and mortgages, also increased after the announcement from 4.40% to 4.67%. With the decrease in the federal funds rate and increase in the ten-year treasury rate, the spread between the two (ten-year rate minus federal funds rate) turned positive for the first time since early November 2022. The movement in the spread is significant as similar reversals have immediately preceded each of the three most recent recessions, as observed in the following chart.



Year-over-year inflation as measured by the consumer price index for all urban consumers (CPI-U) ticked up by 0.1 percentage points to 2.7% in November, the second consecutive month with an increase. Core inflation (excluding volatile food and energy prices) remained steady at 3.3% for the third consecutive month. On a seasonally adjusted month-over-month basis, the increase in shelter costs (0.3%) once again accounted for a large portion (40%) of the index's rise. The price of used cars and trucks (2.0%) rose for the second consecutive month. This monthly increase in automobile prices can be partly attributed to the impact of two recent hurricanes, which caused significant damage to vehicles owned by both consumers and auto dealers. The surge in demand from individuals needing to replace their damaged vehicles, coupled with a decrease in supply resulting from inventory losses among dealers created a perfect storm for price hikes.

Disposable personal income continued its slow and steady increase, improving by 0.3% on a seasonally adjusted basis in November 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 only 0.1% in November. Personal savings as a rate of disposable income ticked down slightly by 0.1 percentage point to 4.4%.

The nation's labor market remained relatively stable in December. Preliminary estimates released by BLS indicate that nonfarm payroll employment increased by 256,000 jobs on a seasonally adjusted basis in December. This growth was led by gains in the health care (46,100) and retail (43,400) industries, while the manufacturing industry shed 13,000 jobs. Most other indicators of labor market health showed minimal change in December. The official unemployment rate for the nation (U-3) decreased by 0.1 percentage points to 4.1%, remaining within the narrow range of 4.1%-4.2% observed over the past seven months. The labor force participation rate held steady at 62.5%, while the employment-to-population ratio rose by 0.2 percentage points to reach 60.0%. It is important to note that these metrics do not account for the updated population figures from the Census Bureau, which will be reflected in the February publication of January's data.

The Ohio Economy

Ohio's population grew by an estimated 59,000 to reach 11.9 million between 2023 and 2024 according to the Census Bureau. Only Illinois (68,000) grew by a larger number in the Midwest. The state's population in 2023 was also upwardly revised by 38,000. Detailed demographic breakdowns of population are not currently accessible but will become available in future data releases.

Real GDP growth slowed to 2.5% in the third quarter of 2024 according to preliminary estimates after growing by a revised 3.4% in the second quarter. Roughly 40% of the growth was attributable to the retail trade industry. The finance and insurance industry dampened growth the most among those that contracted, holding down the overall estimate by 0.41 percentage points. Personal income growth also slowed in the state, growing at an annual rate of 3.0% after expanding by 7.7% and 5.5% in the first and second quarters respectively. More than three-fourths of the gains were due to increases in net earnings, led by incomes earned in state and local governments, health care and social services, management, and professional service industries. Earnings in durable goods manufacturing declined the most.

Preliminary estimates from the BLS indicate that the state's labor market saw an increase of 5,500 jobs in November on a seasonally adjusted basis. Job gains were widespread across various industries, with professional and business services (3,000), health care and social assistance (1,900), finance (1,800), government (1,600), construction (1,500), and wholesale trade (1,200) industries each adding over a thousand jobs. Conversely, the retail trade (2,200), transport and utilities (1,900), and leisure and hospitality (1,100) industries experienced losses of over a thousand jobs each. Notably, the health care and social assistance industry once again set a record, surpassing 864,000 total jobs.

Ohio's labor force participation rate rose by 0.1 percentage points to 62.6% on a seasonally adjusted basis in November, returning to the level it was at in March 2020 when the COVID-19 pandemic began impacting the job market. Although employed workers increased by an estimated 9,900 and 500 fewer workers were unemployed compared to October, the official unemployment rate was relatively unchanged at 4.3%. However, these figures do not include updated population information from the U.S. Census Bureau and will likely be revised in the future.

Residential real estate continued to generate more revenue (11.2%) as existing home unit sales increased by 2.8% in November compared to a year prior and were priced 8.3% higher on average according to Ohio Realtors. Although prices were significantly higher than they were in November 2023, mortgage rates were lower, which dampened the increase in the monthly cost of owning an average-priced home. Assuming a 20% down payment on a 30-year mortgage with the average monthly rate, estimated principal and interest payments only increased by $24, from $1,512 to $1,536. On the supply side, approximately 2,000 private housing unit building permits were authorized in November, which is about 200 less than November 2023.