LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2025 Issue: July 2025

Highlights

– Russ Keller, Chief Economist

The fiscal year ended on a high note as June GRF tax receipts were $239 million above the estimate published by the Office of Budget and Management (OBM). The three largest tax sources outperformed their OBM estimate for FY 2025. The sales and use tax had a $745 million surplus, which is still several hundred million dollars above expectations when excluding the impact of the Sales Tax Holiday occurring earlier this year. Revenues from the personal income tax (PIT) and commercial activity tax (CAT) exceeded their respective estimates in a year when both sources were subject to tax policy changes enacted in the previous operating budget.

Simplified GRF Cash Statement, as of June 30, 2025 ($ in millions)	
Beginning Cash Balance	**$2,141.62**
Plus Actual Revenues, Transfers In, and Receivables	$44,195.18
Less Actual Expenditures and Transfers Out	$44,324.16
Ending Cash Balance	**$2,012.64**
Year-end Encumbrances	$893.69
Unobligated Ending Cash Balance	**$1,118.95**
Budget Stabilization Fund (BSF) Balance	**$3,942.53**
Combined GRF and BSF Unobligated Ending Balance	**$5,061.48**

The past fiscal year was largely on par with expectations as GRF sources were 2.2% above estimate and GRF uses were 0.3% below estimate. Ohio's economy continued to expand and even slightly outperformed the U.S. economy during two of the three quarters in FY 2025 for which data is available. Ohio's nonfarm payroll employment added 53,300 jobs through the first 11 months of FY 2025. The state unemployment rate increased from 4.3% at the outset of the fiscal year to 4.9% in May 2025 as more Ohioans joined the labor force.

Through June 2025, GRF sources totaled $44.20 billion:

- Revenue from GRF tax sources were $1.50 billion (5.4%) above estimate;
- GRF transfers in were $701.7 million (73.9%) below estimate.

Through June 2025, GRF uses totaled $44.32 billion:

- Program expenditures were $140.9 million (0.3%) below estimate;
- Medicaid spending was $91.2 million (0.4%) above estimate. Medicaid caseloads declined every month since April 2023 for a cumulative decrease of more than 590,000.

In this issue...

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Have a great summer!

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

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$165,127	$152,200	$12,927	8.5%
Nonauto Sales and Use	$1,089,746	$1,054,800	$34,946	3.3%
Total Sales and Use	*$1,254,874*	*$1,207,000*	*$47,874*	*4.0%*
Personal Income	$1,100,201	$910,100	$190,101	20.9%
Commercial Activity Tax	$7,651	$6,400	$1,251	19.6%
Cigarette	$95,649	$103,000	-$7,351	-7.1%
Kilowatt-Hour Excise	$14,538	$16,200	-$1,662	-10.3%
Foreign Insurance	$21,810	-$7,400	$29,210	394.7%
Domestic Insurance	$283,885	$334,800	-$50,915	-15.2%
Financial Institution	$23,883	$28,300	-$4,417	-15.6%
Public Utility	$26,595	$3,400	$23,195	682.2%
Natural Gas Consumption	$14,395	$0	$14,395	---
Alcoholic Beverage	$3,451	$5,100	-$1,649	-32.3%
Liquor Gallonage	$4,785	$4,900	-$115	-2.3%
Petroleum Activity Tax	$2,395	$3,300	-$905	-27.4%
Corporate Franchise	$7	$0	$7	---
Business and Property	$211	$200	$11	5.3%
Estate	$106	$0	$106	---
Total Tax Revenue	**$2,854,434**	**$2,615,300**	**$239,134**	**9.1%**
Nontax Revenue				
Earnings on Investments	$84,743	$50,000	$34,743	69.5%
Licenses and Fees	$422	$902	-$480	-53.2%
Other Revenue	$791	$14,720	-$13,929	-94.6%
Total Nontax Revenue	**$85,956**	**$65,622**	**$20,334**	**31.0%**
Transfers In	**$87,400**	**$365,000**	**-$277,600**	**-76.1%**
Total State Sources	**$3,027,790**	**$3,045,922**	**-$18,132**	**-0.6%**
Federal Grants	**$560,582**	**$907,208**	**-$346,626**	**-38.2%**
Total GRF Sources	**$3,588,372**	**$3,953,130**	**-$364,758**	**-9.2%**

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

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$1,987,593	$1,904,000	$83,592	4.4%	$1,917,199	3.7%
Nonauto Sales and Use	$12,033,430	$11,372,200	$661,230	5.8%	$11,783,307	2.1%
Total Sales and Use	*$14,021,022*	*$13,276,200*	*$744,822*	*5.6%*	*$13,700,506*	*2.3%*
Personal Income	$10,461,519	$9,770,200	$691,319	7.1%	$9,519,315	9.9%
Commercial Activity Tax	$2,240,151	$2,197,000	$43,150	2.0%	$2,366,046	-5.3%
Cigarette	$711,979	$703,500	$8,479	1.2%	$750,411	-5.1%
Kilowatt-Hour Excise	$301,309	$293,900	$7,410	2.5%	$284,542	5.9%
Foreign Insurance	$431,433	$417,300	$14,133	3.4%	$402,128	7.3%
Domestic Insurance	$353,832	$351,000	$2,832	0.8%	$349,653	1.2%
Financial Institution	$200,586	$218,000	-$17,415	-8.0%	$204,900	-2.1%
Public Utility	$180,123	$172,400	$7,723	4.5%	$170,308	5.8%
Natural Gas Consumption	$68,688	$67,300	$1,387	2.1%	$65,851	4.3%
Alcoholic Beverage	$59,986	$60,500	-$514	-0.8%	$60,678	-1.1%
Liquor Gallonage	$54,442	$57,000	-$2,558	-4.5%	$56,614	-3.8%
Petroleum Activity Tax	$10,656	$11,500	-$844	-7.3%	$13,193	-19.2%
Corporate Franchise	$176	$0	$176	---	$213	-17.3%
Business and Property	$459	$400	$59	14.7%	$155	195.8%
Estate	$109	$0	$109	---	$3	3377.7%
Total Tax Revenue	**$29,096,470**	**$27,596,202**	**$1,500,269**	**5.4%**	**$27,944,515**	**4.1%**
Nontax Revenue						
Earnings on Investments	$398,667	$275,000	$123,667	45.0%	$454,325	-12.3%
Licenses and Fees	$139,294	$135,000	$4,294	3.2%	$126,629	10.0%
Other Revenue	$130,419	$146,248	-$15,829	-10.8%	$146,528	-11.0%
Total Nontax Revenue	**$668,381**	**$556,248**	**$112,133**	**20.2%**	**$727,481**	**-8.1%**
Transfers In	**$247,598**	**$949,300**	**-$701,702**	**-73.9%**	**$15,356**	**1512.4%**
Total State Sources	**$30,012,449**	**$29,101,750**	**$910,700**	**3.1%**	**$28,687,352**	**4.6%**
Federal Grants	**$14,182,719**	**$14,121,393**	**$61,326**	**0.4%**	**$12,645,644**	**12.2%**
Total GRF SOURCES	**$44,195,168**	**$43,223,142**	**$972,026**	**2.2%**	**$41,332,996**	**6.9%**

*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]

– Ruhaiza Ridzwan, Senior Economist

Overview

In June, total GRF sources were $3.59 billion, $364.8 million (9.2%) below estimate. GRF tax revenue was $2.85 billion, $239.1 million (9.1%) above OBM's estimate. Notable positive variances were posted for the PIT with $190.1 million (20.9%) and the sales and use tax with $47.9 million (4.0%). Also exceeding their estimates for the month were the foreign insurance tax ($29.2 million), the public utility excise tax ($23.2 million), and the natural gas consumption tax ($14.4 million). Those positive variances were partly offset by shortfalls from the domestic insurance tax ($50.9 million) and the cigarette tax ($7.4 million) as well as other smaller tax sources. Revenue in June for the foreign insurance tax, the public utility excise tax, and the natural gas consumption tax partially reversed large, timing-related negative variances they experienced in May. Among other GRF sources in June, nontax revenue was $20.3 million (31.0%) above estimate, largely because of a positive variance in the earnings on investments ($34.7 million). Federal grants were $346.6 million (38.2%) below estimate. Transfers in were below estimate by $277.6 million (76.1%), as OBM did not use discretionary authority granted by the main operating budget to transfer non-GRF balances into the GRF.

FY 2025 ended with $44.20 billion in total GRF sources, exceeding OBM's estimate by $972.0 million (2.2%). FY 2025 GRF tax revenue was $1.50 billion (5.4%) above estimate. Nontax revenue was $112.1 million (20.2%) above estimate, largely due to strong performance of earnings on investments. In FY 2025, earnings on investments garnered $398.7 million, $123.7 million (45.0%) above estimate, but $55.7 million (12.3%) less than in FY 2024 when interest rates were higher. Transfers in had a shortfall of $701.7 million (73.9%), primarily related to the expanded sales tax holiday occurring last summer, which was discussed in prior editions. Federal grants were above estimate by $61.3 million (0.4%).

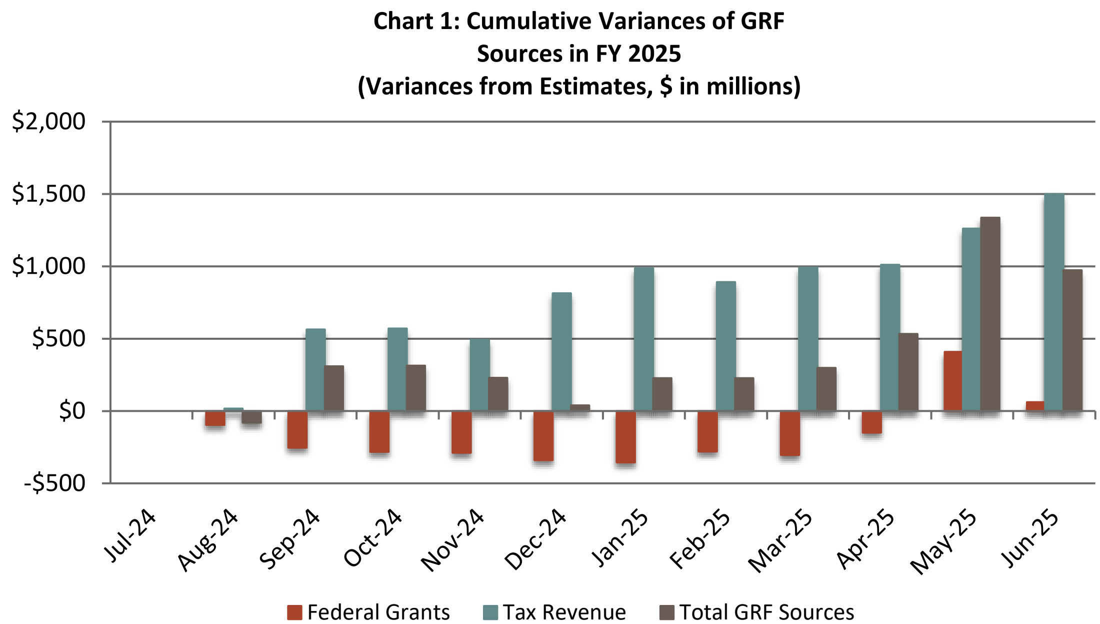
The strong performance of GRF tax revenue in FY 2025 was mostly due to robust positive variances for the sales and use tax with $744.8 million (5.6%) and PIT with $691.3 million (7.1%). In addition, the CAT was above estimate, by $43.2 million (2.0%); the foreign insurance tax, by $14.1 million (3.4%); the cigarette tax, by $8.5 million (1.2%); the public utility excise tax, by $7.7 million (4.5%); the kilowatt-hour tax, by $7.4 million (2.5%); and other tax sources also posted smaller variances. Only four GRF taxes ended FY 2025 with shortfalls totaling $21.3 million, of which the financial institutions tax ($17.4 million) and liquor gallonage tax ($2.6 million) had the largest negative variances.

Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Table 1 shows GRF sources for the month of June compared to estimates, while Table 2 shows GRF sources for the fiscal year-to-

[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.

date (YTD) compared to both estimates and FY 2024 revenue. The variance analysis continues to reflect the FY 2025 revenues estimates released by OBM in September 2024.

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



FY 2025 GRF sources were up $2.86 billion (6.9%) compared to FY 2024. The increase was largely due to higher PIT collections, by $942.2 million (9.9%) and the sales and use tax receipts, by $320.5 million (2.3%). Other tax collections were also higher – foreign insurance tax receipts, by $29.3 million (7.3%), kilowatt-hour excise tax receipts, by $16.8 million (5.9%), and the public utility excise tax, by $9.8 million (5.8%). Partially offsetting these increases were declines in CAT receipts, by $125.9 million (5.3%) and cigarette and other tobacco products (OTP), by $38.4 million (5.1%).[2] Total GRF revenue from federal grants in FY 2025 was $1.54 billion (12.2%) higher than in FY 2024. Transfers in were up $232.2 million as compared to FY 2024. However, nontax revenue was $59.1 million lower than the amount in FY 2024, largely due to lower receipts from earnings on investments and other revenue.

Sales and Use Tax

June GRF receipts from the sales and use tax were $1.25 billion, $47.9 million (4.0%) above the estimate. For the entire year of FY 2025, revenue from the tax was $14.02 billion, $744.8 million (5.6%) above estimate. The sales and use tax is the state's largest tax revenue source.

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

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

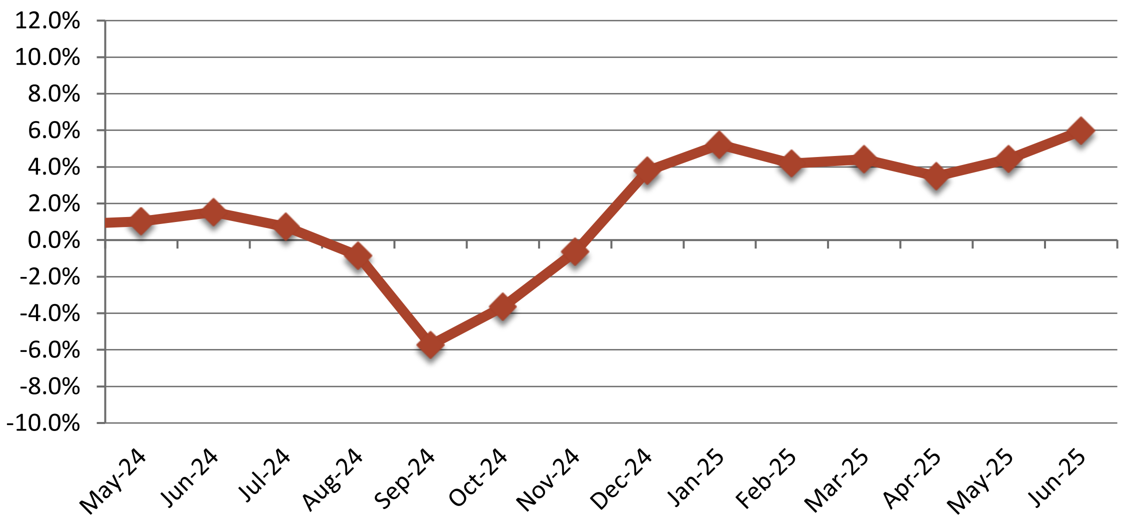
The tax base for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases.

Nonauto Sales and Use Tax

June GRF receipts from the nonauto sales and use tax were $1.09 billion, $34.9 million (3.3%) above the OBM estimate and $54.6 million (5.3%) above revenue in June 2024. FY 2025 revenues were $12.03 billion, $661.2 million (5.8%) above estimate and $250.1 million (2.1%) higher than receipts in FY 2024. As discussed in previous editions, FY 2025 revenues were reduced by this fiscal year's expanded sales tax holiday in July and August. The negative impact of the sales tax holiday on tax collections was considerably smaller than OBM anticipated.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since May 2024. The data are shown using a three-month moving average[3] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. Declines indicated by the smoothed line in August through November, compared with a year earlier, reflect the effects of the July-August sales tax holiday and the associated lag in receipt of those tax collections from vendors, as well as three-month averaging. Growth picked up the pace late last year based on strong holiday season spending, and the tax performance remained strong for the second half of FY 2025.

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



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

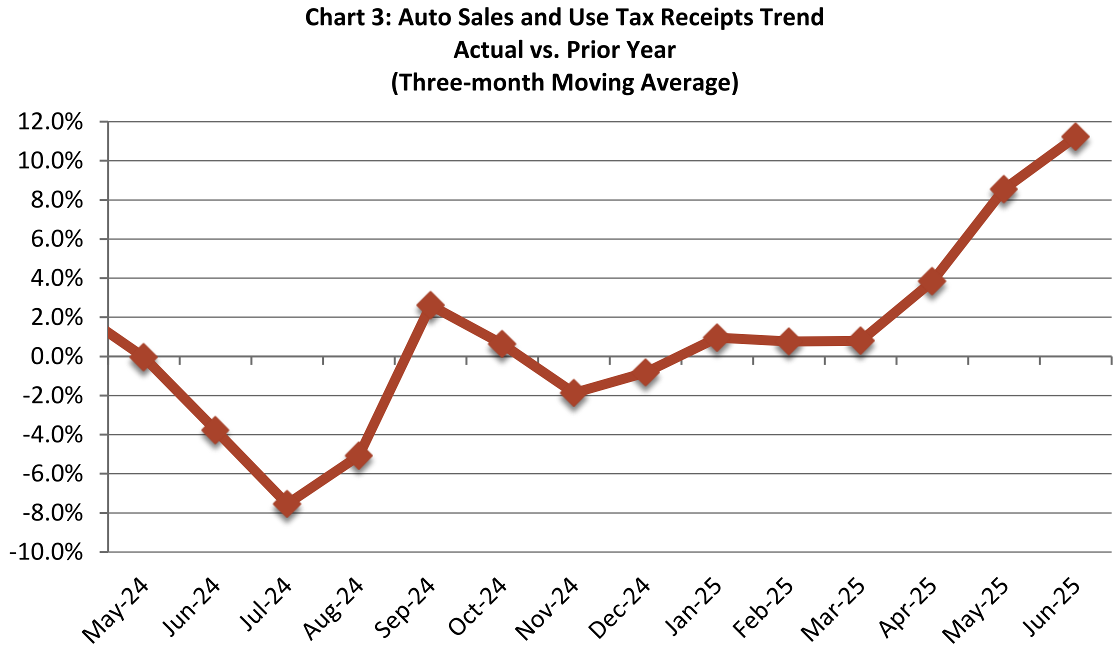
Auto Sales and Use Tax

June GRF receipts from the auto component of the sales and use tax were $165.1 million, $12.9 million (8.5%) above estimate and $18.2 million (12.4%) above receipts in June 2024. Tax receipts in FY 2025 totaled $1.99 billion, about $83.6 million (4.4%) above estimate and were above FY 2024 revenues by $70.4 million (3.7%). 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 in July 2024 through June 2025 were up by 3.3%. Unit sales were up in the months of March and April, as compared to the same period a year earlier, but decreased in June.

According to data provided by the Ohio Bureau of Motor Vehicles (BMV) shown below, the increase in the Ohio auto tax base in FY 2025 compared to FY 2024 was due to an increase of 2.4% in the number of passenger vehicles and trucks sold. In FY 2025, unit purchases and spending of new motor vehicles increased, as compared with the previous year. Unit purchases for used motor vehicles also increased in FY 2025, but spending for used motor vehicles decreased. In FY 2025 average prices for new motor vehicles increased by 1.0% from a year earlier. However, average prices for used vehicles were 2.7% lower in FY 2025 than a year earlier, largely due to lower average prices paid for used vehicles.

FY 2025 New and Used Cars and Light Trucks Titled			
Type	**Titles**	**Spending ($ in millions)**	**Average Purchase Price**
New Vehicles	370,481	$18,197	$49,116
Used Vehicles	1,501,760	$20,418	$13,596
Total	1,872,241	$38,615	$20,625
Growth from FY 2024			
New Vehicles	8.0%	9.1%	1.0%
Used Vehicles	1.1%	-1.6%	-2.7%
Total	2.4%	3.2%	0.7%

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since May 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 late 2024. Buying in the Spring was spurred by looming trade tariffs, as new vehicle purchasers presumably sought to acquire their vehicles before prices increased.



Personal Income Tax

GRF revenue from the PIT in June was $1.10 billion, $190.1 million (20.9%) above estimate and $183.3 million (20.0%) higher than June 2024. GRF revenue received in FY 2025 totaled $10.46 billion, $691.3 million (7.1%) above estimate and $942.2 million (9.9%) higher than in FY 2024. Gross PIT collections include withholding payments, PTE annual returns and estimated payments, IT-1040 estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted 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 FY 2025 compared to OBM estimates and year-earlier revenues. Gross collections were $393.2 million (2.9%) above anticipated revenue, and $245.0 million (1.8%) above 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. FY 2025 refunds were $320.0 million (9.9%) lower than estimate and $710.8 million (19.7%) lower than in the year-earlier period. The income tax cuts in H.B. 33 of the 135th General Assembly and subsequent withholding rate reductions continue nevertheless to curtail revenues. Withholding, the largest category, was $99.7 million (0.9%) higher than a year earlier. PTE Annual Returns and PTE Estimated Payments were down by $103.8 million and $92.2 million, respectively. IT-1040 Estimated Payments, however, were $103.4 million higher.

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

FY 2025 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY 2024	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$230.1	2.2%	$99.7	0.9%
PTE Annual Returns	-$47.8	-9.9%	-$103.8	-19.2%
PTE Estimated Payments	-$134.5	-15.0%	-$92.2	-10.8%
IT-1040 Estimated Payments	$108.8	19.2%	$103.4	18.1%
Annual Return Payments	$222.2	27.3%	$208.1	25.1%
Trust Payments	$24.6	35.2%	$24.6	35.1%
Miscellaneous Payments	-$10.2	-10.5%	$5.2	6.4%
Gross Collections	$393.2	2.9%	$245.0	1.8%
Less Refunds	-$320.0	-9.9%	-$710.8	-19.7%
Less LGF Distribution	$21.9	4.4%	$13.6	2.7%
GRF PIT Revenue	$691.3	7.1%	$942.2	9.9%

Commercial Activity Tax and Petroleum Activity Tax

GRF CAT receipts in June were $7.7 million, $1.3 million (19.6%) above estimate. GRF CAT revenue from the tax in FY 2025 was $2.24 billion, $43.2 million (2.0%) 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.

FY 2025 GRF revenue from the CAT was $125.9 million (5.3%) lower than FY 2024. 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 $2.25 billion in FY 2025, $126.8 million (5.3%) below net revenue in FY 2024. The FY 2025 decline was due to an H.B. 33 provision that reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less in calendar year (CY) 2024 no longer owe the CAT. The policy tandem of repealing the minimum annual tax and the $3 million exclusion reduced the number of CAT taxpayers from nearly 165,000 to roughly 35,000.

This CAT exclusion subsequently increased to $6 million per year in CY 2025 and thereafter; quarterly tax payments due in May 2025 were the first to reflect this law change. Taxpayers will claim this $6 million exclusion as soon as possible, so although payments received in May 2025 were lower than anticipated, the remaining three quarterly payments for CY 2025 should be less affected by this tax change as taxpayers draw down the tax benefit.

The petroleum activity tax is applied to receipts from the sale or exchange of motor fuel at a rate of 0.65% on a motor fuel supplier's adjusted gross receipts. In FY 2025, OBM estimated GRF revenue of $11.5 million for the PAT. GRF revenue from the tax was about $10.7 million, thus resulting in a negative variance of $0.8 million (7.3%) for the fiscal year. FY 2025 GRF revenue was $2.5 million (19.2%) below revenue in FY 2024. All-funds revenue from the PAT was $103.2 million. Of that total, $92.5 million was deposited in the Petroleum Activity Tax Public Highway Fund (Fund 5NZ0). Gasoline prices were generally lower in FY 2025, as compared to FY 2024, which reduced the tax base and associated PAT collections.

Cigarette and Other Tobacco Products Tax

Revenue from the cigarette and OTP tax in June was $95.6 million, $7.4 million below estimate (7.1%). Revenue from the tax in FY 2025 was about $712.0 million, $8.5 million (1.2%) above estimate. The FY 2025 total included about $596.0 million from cigarette sales and $116.0 million from OTP.

FY 2025 revenue was $38.4 million (5.1%) lower than in FY 2024. Receipts from cigarette sales decreased $40.6 million (6.4%) while OTP sales increased by $2.1 million (1.9%).

OTP revenue was boosted by rising OTP prices. The tax is an ad valorem tax, generally 17% of the cost paid by wholesalers for the product. Revenue tends to increase as prices rise. Taxes on cigarettes, on the other hand, are based on unit sales. Revenue from cigarette sales generally declines from year to year, a pattern that has persisted for many years, with occasional months when revenues rise temporarily. More recently, tobacco manufacturers have commented on substitution in their quarterly financial statements. Specifically, they observed preferences of some consumers shifting away from cigarettes in favor of smokeless tobacco (e.g., vapor products).

Utility-Related Taxes

Utility-related taxes include the public utility tax, the natural gas distribution tax or MCF, and the kilowatt-hour tax. All receipts from these taxes are credited to the GRF. The public utility excise tax is levied on gross receipts. Tax revenues from this tax totaled $180.1 million in FY 2025, $7.7 million (4.5%) above estimate, and $9.8 million (5.8%) more than in FY 2024. Taxes paid by natural gas companies account for most tax receipts from the public utility excise tax and were about 94% of the total in FY 2025. Other classes of utilities that pay this tax include pipelines, waterworks, water transportation, and heating. Companies that pay the public utility excise tax do not pay the CAT.

The MCF tax is levied based on the quantity of natural gas distributed to end users in Ohio. Receipts from this tax were $68.7 million in FY 2025, $1.4 million (2.1%) above estimate, and $2.8 million (4.3%) more than in FY 2024. Growth in the tax base is often attributed to weather, as colder winters spur more MCF consumption.

FY 2025 receipts from the kilowatt-hour tax that were retained by the GRF were $301.3 million, $7.4 million (2.5%) above estimate, and $16.8 million (5.9%) higher than FY 2024 receipts. Total FY 2025 kilowatt-hour tax collections (revenues on an all-funds basis), net of refunds, were about $555.0 million, $23.3 million (4.4%) higher than total collections in FY 2024. The growth was primarily due to higher-than-expected sales of electricity. Consumption growth is driven both by data centers and weather (i.e., hotter weather spurs more electricity usage). For accounting purposes, half of the share of GRF total tax revenue that is transferred to the Public Library Fund (PLF) is debited against this tax source. The other half is debited against the nonauto sales and use tax.

Foreign and Domestic Insurance Taxes

GRF foreign insurance tax receipts (paid by insurance companies whose headquarters are located outside of Ohio) were $431.4 million in FY 2025, $14.1 million (3.4%) above estimate, and $29.3 million (7.3%) above receipts in FY 2024. GRF domestic insurance tax receipts (paid by insurance companies whose headquarters are in Ohio) were $353.8 million in FY 2025, $2.8 million (0.8%) above estimate, and $4.2 million (1.2%) above the prior fiscal year receipts. Increases in revenue from both taxes in FY 2025 were due to larger premiums paid to health insuring corporations than in FY 2024.

Financial Institutions and Corporate Franchise Taxes

GRF receipts from the FIT in FY 2025 totaled $200.6 million, $17.4 million (8.0%) below estimate and $4.3 million (2.1%) below receipts in FY 2024. FIT revenue has trended down since FY 2023. Although the FIT did not perform well in FY 2025, the tax base did not contract. Instead, the revenue decline was primarily due to increased tax credit claims.

Alcoholic Beverage and Liquor Gallonage Taxes

Combined revenue from the alcoholic beverage and liquor gallonage taxes was $114.4 million in FY 2025, $3.1 million (2.6%) less than was projected by OBM and a decrease of $2.9 million (2.4%) from FY 2024. Growth was led by sales of wine and mixed beverages which brought in $1.5 million of revenue, 6.8% more than in FY 2024. In FY 2025, tax revenue from sales of beer and malt beverages were $2.2 million (5.9%) lower than in FY 2024. Finally, revenue from the liquor gallonage tax was $54.4 million in FY 2025, $2.6 million (4.5%) lower than one year ago. Revenue coming from the liquor gallonage tax has been trending down since FY 2022 while revenue coming from the alcoholic beverage tax has decreased since FY 2023.

Earnings on Investments

In FY 2025, GRF earnings on investments of $398.7 million were $123.7 million (45.0%) above estimate but $55.7 million (12.3%) below FY 2024 earnings. Earnings on investments generally reflect the interest rate environment. The Federal Reserve significantly raised interest rates throughout 2023, but in the latter months of 2024, it cut interest rates multiple times.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of June 2025
($ in thousands)
(Actual based on OAKS reports run July 2, 2025)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$483,581	$476,511	$7,070	1.5%
Higher Education	$202,469	$198,598	$3,871	1.9%
Other Education	$4,094	$4,245	-$151	-3.6%
Total Education	**$690,144**	**$679,354**	**$10,790**	**1.6%**
Medicaid	$1,005,598	$1,400,867	-$395,269	-28.2%
Health and Human Services	$110,103	$141,098	-$30,995	-22.0%
Total Health and Human Services	**$1,115,701**	**$1,541,965**	**-$426,264**	**-27.6%**
Justice and Public Protection	$229,742	$218,336	$11,406	5.2%
General Government	$30,566	$50,678	-$20,112	-39.7%
Total Government Operations	**$260,308**	**$269,014**	**-$8,706**	**-3.2%**
Property Tax Reimbursements	$37,190	$23,959	$13,231	55.2%
Debt Service	$65,843	$62,678	$3,165	5.0%
Total Other Expenditures	**$103,033**	**$86,637**	**$16,396**	**18.9%**
Total Program Expenditures	**$2,169,187**	**$2,576,970**	**-$407,783**	**-15.8%**
Transfers Out	**$2,562**	**$9,315**	**-$6,754**	**-72.5%**
Total GRF Uses	**$2,171,748**	**$2,586,285**	**-$414,537**	**-16.0%**

*September 2024 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2025 as of June 30, 2025
($ in thousands)
(Actual based on OAKS reports run July 2, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$9,856,152	$9,822,622	$33,530	0.3%	$9,479,353	4.0%
Higher Education	$2,708,571	$2,686,114	$22,457	0.8%	$2,575,925	5.1%
Other Education	$103,891	$105,215	-$1,324	-1.3%	$102,019	1.8%
Total Education	**$12,668,615**	**$12,613,951**	**$54,663**	**0.4%**	**$12,157,298**	**4.2%**
Medicaid	$21,917,763	$21,826,550	$91,212	0.4%	$19,329,476	13.4%
Health and Human Services	$1,962,410	$2,199,431	-$237,021	-10.8%	$1,784,718	10.0%
Total Health and Human Services	**$23,880,173**	**$24,025,981**	**-$145,808**	**-0.6%**	**$21,114,193**	**13.1%**
Justice and Public Protection	$3,128,260	$3,196,088	-$67,828	-2.1%	$2,963,656	5.6%
General Government	$644,430	$740,329	-$95,898	-13.0%	$1,204,043	-46.5%
Total Government Operations	**$3,772,691**	**$3,936,417**	**-$163,726**	**-4.2%**	**$4,167,699**	**-9.5%**
Property Tax Reimbursements	$1,956,932	$1,885,992	$70,940	3.8%	$1,873,728	4.4%
Debt Service	$1,288,447	$1,245,432	$43,014	3.5%	$1,304,828	-1.3%
Total Other Expenditures	**$3,245,379**	**$3,131,424**	**$113,954**	**3.6%**	**$3,178,556**	**2.1%**
Total Program Expenditures	**$43,566,857**	**$43,707,773**	**-$140,916**	**-0.3%**	**$40,617,746**	**7.3%**
Transfers Out	**$757,305**	**$739,408**	**$17,897**	**2.4%**	**$7,564,307**	**-90.0%**
Total GRF Uses	**$44,324,162**	**$44,447,182**	**-$123,019**	**-0.3%**	**$48,182,054**	**-8.0%**

*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 July 2, 2025)

	Month of June 2025				Year to Date through June 2025			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$933,818	$1,329,408	-$395,590	-29.8%	$20,778,147	$20,693,867	$84,280	0.4%
Non-GRF	$1,989,495	$1,902,494	$87,001	4.6%	$16,847,165	$17,084,346	-$237,181	-1.4%
All Funds	$2,923,313	$3,231,902	-$308,589	-9.5%	$37,625,312	$37,778,213	-$152,901	-0.4%
Developmental Disabilities								
GRF	$60,796	$62,989	-$2,193	-3.5%	$1,011,975	$1,012,176	-$201	0.0%
Non-GRF	$330,522	$325,855	$4,667	1.4%	$4,068,113	$4,065,191	$2,922	0.1%
All Funds	$391,319	$388,844	$2,475	0.6%	$5,080,087	$5,077,367	$2,720	0.1%
Job and Family Services								
GRF	$9,615	$7,619	$1,996	26.2%	$116,683	$109,074	$7,608	7.0%
Non-GRF	$15,841	$13,049	$2,793	21.4%	$187,861	$180,046	$7,814	4.3%
All Funds	$25,456	$20,668	$4,788	23.2%	$304,544	$289,121	$15,423	5.3%
Other								
GRF	$1,369	$851	$518	60.9%	$10,959	$11,433	-$474	-4.1%
Non-GRF	$7,894	$4,182	$3,712	88.8%	$156,449	$158,389	-$1,940	-1.2%
All Funds	$9,262	$5,032	$4,230	84.1%	$167,407	$169,822	-$2,414	-1.4%
All Departments								
GRF	**$1,005,598**	**$1,400,867**	**-$395,269**	**-28.2%**	**$21,917,763**	**$21,826,550**	**$91,212**	**0.4%**
Non-GRF	**$2,343,752**	**$2,245,579**	**$98,173**	**4.4%**	**$21,259,587**	**$21,487,972**	**-$228,385**	**-1.1%**
All Funds	**$3,349,350**	**$3,646,446**	**-$297,096**	**-8.1%**	**$43,177,350**	**$43,314,522**	**-$137,172**	**-0.3%**

*August 2024 estimates from the Department of Medicaid
Detail may not sum to total due to rounding.

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on July 2, 2025)

	Month of June 2025				Year to Date through June 2025			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,242,947**	**$2,420,972**	**-$178,025**	**-7.4%**	**$27,918,925**	**$28,031,941**	**-$113,016**	**-0.4%**
CFC†	$569,699	$548,425	$21,273	3.9%	$7,426,709	$7,966,150	-$539,441	-6.8%
Group VIII	$511,805	$471,209	$40,596	8.6%	$6,187,880	$6,162,957	$24,922	0.4%
ABD†	$190,131	$185,520	$4,611	2.5%	$2,338,763	$2,424,074	-$85,311	-3.5%
ABD Kids	$68,523	$64,158	$4,364	6.8%	$736,002	$797,806	-$61,803	-7.7%
MyCare	$383,200	$297,923	$85,277	28.6%	$4,236,953	$3,606,768	$630,185	17.5%
OhioRISE	$89,927	$56,602	$33,325	58.9%	$979,973	$752,946	$227,026	30.2%
SPBM	$429,663	$555,319	-$125,656	-22.6%	$5,486,686	$5,757,606	-$270,920	-4.7%
Pay for Performance	$0	$241,816	-$241,816	-100.0%	$525,960	$563,634	-$37,674	-6.7%
Fee-For-Service	**$878,895**	**$995,705**	**-$116,810**	**-11.7%**	**$12,459,993**	**$12,371,720**	**$88,273**	**0.7%**
ODM Services	$495,681	$559,099	-$63,418	-11.3%	$6,688,438	$6,420,740	$267,698	4.2%
DDD Services	$383,214	$382,607	$608	0.2%	$4,954,648	$4,950,979	$3,668	0.1%
Hospital - HCAP	$0	$54,000	-$54,000	-100.0%	$816,907	$1,000,000	-$183,093	-18.3%
Premium Assistance	**$135,896**	**$144,283**	**-$8,387**	**-5.8%**	**$1,590,230**	**$1,664,297**	**-$74,067**	**-4.5%**
Medicare Buy-In	$79,566	$84,514	-$4,948	-5.9%	$942,049	$977,930	-$35,881	-3.7%
Medicare Part D	$56,330	$59,768	-$3,439	-5.8%	$648,181	$686,366	-$38,185	-5.6%
Administration	**$91,612**	**$85,486**	**$6,126**	**7.2%**	**$1,208,202**	**$1,246,565**	**-$38,363**	**-3.1%**
Total	**$3,349,350**	**$3,646,446**	**-$297,096**	**-8.1%**	**$43,177,350**	**$43,314,522**	**-$137,172**	**-0.3%**

*August 2024 estimates from the Department of Medicaid

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

Detail may not sum to total due to rounding.

Expenditures[5]

– Kyuhan Choi, Economist

– Brandon T. Minster, Senior Economist

Overview

FY 2025 GRF program expenditures totaled $43.57 billion. These expenditures were $140.9 million (0.3%) below OBM's estimates. GRF uses also include transfers out, which totaled $757.3 million and were $17.9 million (2.4%) above estimate for the year. Total GRF uses for the year were $44.32 billion, which was $123.0 million (0.3%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of June and the entire fiscal year, respectively.

For program expenditures in the month of June, negative monthly variances in GRF Medicaid ($395.3 million, 28.2%), Health and Human Services ($31.0 million, 22.0%), and General Government ($20.1 million, 39.7%) were partially offset by positive monthly variances in Property Tax Reimbursements ($13.2 million, 55.2%), Justice and Public Protection ($11.4 million, 5.2%), Primary and Secondary Education ($7.1 million, 1.5%), Higher Education ($3.9 million, 1.9%) and Debt Service ($3.2 million, 5.0%). Total program expenditures were $407.8 million (15.8%) below estimate for the month of June.

For FY 2025 program expenditures, five program categories were over their OBM estimate, most significantly Medicaid ($91.2 million, 0.4%), Property Tax Reimbursements ($70.9 million, 3.8%), Debt Service ($43.0 million, 3.5%), Primary and Secondary Education ($33.5 million, 0.3%), and Higher Education ($22.5 million, 0.8%). Conversely, significant negative yearly variances for GRF uses occurred in Health and Human Services ($237.0 million, 10.8%), General Government ($95.9 million, 13.0%), and Justice and Public Protection ($67.8 million, 2.1%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

State agencies encumbered $893.7 million in GRF appropriations for expenditure in FY 2026. The "**Encumbrances**" section of this report provides additional information on FY 2025 year-end encumbrances.

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 June by $395.3 million (28.2%) but above their yearly estimate by $91.2 million (0.4%). Non-GRF Medicaid expenditures were above their monthly estimate by $98.2 million (4.4%) yet below their yearly estimate by $228.4 million (1.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $297.1 million (8.1%) below estimate in June and $137.2 million (0.3%) below their FY 2025 estimate.

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

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 June of $308.6 million (9.5%), and a FY 2025 all-funds negative variance of $152.9 million (0.4%). DODD had a June all-funds positive variance of $2.5 million (0.6%) and ended the month with yearly expenditures being $2.7 million (0.1%) above estimate. The other eight "sister" agencies – Job and Family Services (ODJFS), Ohio Department of Health (ODH), Aging (ODA), Mental Health and Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), Higher Education (ODHE), and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the eight "sister" agencies incur only administrative spending.

Table 6 shows all-funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for three of the four major payment categories. The categories with negative variances were Premium Assistance, Administration, and Managed Care. Premium Assistance was $74.1 million (4.5%) below projection, while Administration was $38.4 million (3.1%) below projection and Managed Care was $113.0 million (0.4%) below projection. Fee-For-Service (FFS) had a positive variance for the fiscal year, $88.3 million (0.7%) above estimate.

Two Managed Care subcategories had large positive monthly variances in June, contributing to them closing the fiscal year above projection. OhioRISE (Resilience through Integrated Systems and Excellence) had a positive variance of $227.0 million (30.2%) for the year, and MyCare's positive variance was $630.2 million (17.5%) in FY 2025. One subcategory of FFS ended the fiscal year with a large negative variance: Hospital Care Assurance Program (HCAP) at $183.1 million (18.3%).

Medicaid caseloads increased more than 28% from March 2020 to April 2023 during the COVID-19 public health emergency (PHE). The total caseload increase during the PHE was nearly 800,000. Since resuming eligibility redeterminations in April 2023, ODM's net caseload has declined every month. By June 2025 the decrease totaled more than 590,000 (16.5%).

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 for FY 2025 (37.2%), followed by OhioMHAS at 29.7%. Ten other agencies made up the remaining 33.2% of yearly spending.

The negative yearly variance for this category increased by $31.0 million in June to reach $237.0 million (10.8%). The largest contributor towards this negative monthly and yearly variance was DCY, which fell $20.5 million below estimate in June. DCY spending was below estimate for the year by $108.5 million, which accounted for 45.8% of the program category's negative FY 2025 variance.

Most of the ALIs in DCY's budget were at or below their FY 2025 estimate. Expenditures from ALI 830407, Early Childhood Education, and ALI 830506, Family and Children Services, were under their FY 2025 estimate by $74.0 million and $28.1 million, respectively. As discussed elsewhere in this issue, encumbrances from those two items totaled $86.4 million, which indicates a substantial portion of this negative variance will not lapse and instead be spent in FY 2026. Separately, ALI 830416, Adoption Grant Program, was above the FY 2025 estimate by $20.0 million. This relatively new ALI is used to administer grants to adoptive parents through the Adoption Grant Program.

Following DCY, the second-largest contributor to the negative yearly variance was ODJFS, which was $80.1 million below estimate for FY 2025. All but one of the 14 ALIs in ODJFS's budget were at or below their FY 2025 estimates. Expenditures from ALIs 600450, Program Operations, and 600410, TANF State Maintenance of Effort, were under their FY 2025 estimate by $23.4 million and $20.2 million, respectively. However, about 93% of the negative variance was encumbered by ODJFS for use in FY 2026. Elsewhere, spending from ALI 600523, Children and Families Subsidy, was under its FY 2025 estimate by $19.4 million. This discontinued ALI funded State Child Protection Allocation, which is distributed to each county public children services agency (PCSA) to partially reimburse their incurred costs. H.B. 33 moved funding for these activities from ODJFS to a corresponding item in DCY, ALI 830506, Family and Children Services. Only $1.9 million remains encumbered from 600523, and those amounts were originally appropriated in FY 2023-FY 2024.

General Government

This program category includes all GRF spending for general government programs, excluding debt service. June expenditures were $20.1 million (39.7%) below OBM's monthly estimate, increasing the category's negative yearly variance to $95.9 million (13.0%). The Department of Transportation (DOT) accounts for $41.8 million of the FY 2025 shortfall, followed by the Department of Development (DEV) at $34.6 million.

The most significant DOT line item that contributed to the category's negative yearly variance was ALI 775471, State Road Improvements, which was $34.8 million below estimate. The largest contributor to DEV's YTD shortfall was ALI 195456, Local Roads, which was $33.6 million below estimate. This discontinued line item was previously used to fund local road improvements for economic development purposes. Encumbrances from these two line items totaled $84.2 million at the end of FY 2025, and they were rooted in appropriations from FY 2022-FY 2023. The amounts will be available in FY 2026 for the delayed projects they are intended to support.

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 69.7% of actual expenditures for this category for FY 2025. Eleven other agencies made up the remaining 30.3% of spending.

The negative FY 2025 variance in this category was $67.8 million (2.1%). This was primarily due to the DRC and the Attorney General (AGO), which had negative yearly variances of $52.2 million and $18.0 million. DRC's yearly variance was primarily due to lower-than-expected spending in three ALIs: 501321, Institutional Operations ($20.7 million); 505321, Institutional Medical Services ($16.2 million); 503321, Parole and Community Operations ($9.2 million). By the end of June, $124.5 million of FY 2025 appropriations were encumbered from these ALIs for spending in FY 2026.

AGO's yearly variance was due mainly to lower than anticipated spending in ALI 055509, Law Enforcement Training, which was $15.0 million below the FY 2025 estimate. This line item provides state funding for the continuing professional training of peace officers and troopers. Only $5.6 million from item 055509 was encumbered at the end of FY 2025.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close. In June, this category had a positive variance of $13.2 million (55.2%) to reach a positive variance of $70.9 million (3.8%) for FY 2025. In recent years, property taxes have grown faster than the historical norm. The two appropriations that provide these property tax reimbursements were increased by a combined $72.0 million in FY 2025, in order to make payments to school districts and local governments. The main operating budget appropriates additional amounts necessary to fulfill these GRF obligations.

Debt Service

The debt service program category funds general obligation bond debt service payments incurred by several state agencies for various capital improvement projects at the state and local levels. It also includes lease rental payments made pursuant to leases and agreements relating to bonds, notes, or other obligations of the state.

FY 2025 expenditures in this category were $43.0 million (3.5%) above OBM estimate, primarily due to debt issued for the Ohio Department of Natural Resources. Approximately $22.2 million of this positive variance was attributed to ALI 725903, Natural Resources General Obligation Bond Debt Service. Originally, $5.7 million in debt payments for ALI 725903 was projected to occur in March, but $28.0 million was instead disbursed. This increase resulted from the early redemption of State of Ohio Natural Resources General Obligation Bonds, Series W on April 1, 2025. OBM estimates this early redemption will save the state $5.3 million in interest costs through April 1, 2033. A similar circumstance affected ALI 725413, Parks and Recreational Facilities Lease Rental Bond Payments, which ended FY 2025 with a positive variance of $16.7 million. In January, OBM utilized available cash resources to redeem certain outstanding Special Obligation bonds to reduce the State's overall debt service obligations.

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 FY 2025 estimate by $33.5 million (0.3%), with a positive monthly variance of $7.1 million (1.5%) in June.

The positive yearly variance was primarily driven by ALI 200437, Student Assessment, which was $22.2 million above estimate. This line item supports state academic content standards and assessments, model curricula, and the state school accountability system. The original FY 2025 appropriation was increased by nearly $3.6 million using authority that enables OBM to transfer appropriation from other DEW line items.

ALI 200550, Foundation Funding – All Students, also contributed to the yearly variance, which was $17.6 million above the FY 2025 estimate. This line item provides the primary source of state aid to school districts, community and STEM schools, and state scholarship programs. Funding is distributed based on the school foundation formula. The original FY 2025 appropriation was increased by $31.1 million using authority that enables OBM to transfer appropriation from other DEW line items.

Encumbrances

As of June 30, 2025, state agencies encumbered a total of $893.7 million in GRF appropriations for expenditure in FY 2026. An agency generally has five months to spend prior-year encumbrances for operating expenses, after which time they lapse. An agency may encumber appropriations for purposes other than operating expenses beyond the five-month period if approval is obtained from the OBM Director. Encumbrances for some grant and aid payments are encumbered for several months or sometimes years.

The table below summarizes the encumbrances by the fiscal year of the original appropriation. As seen from the table, the majority of the encumbrances were originally appropriated in FY 2025. However, small encumbrances remain from as early as FY 2016.

FY 2025 Year-End Encumbrances by Fiscal Year for Which Appropriations Were Originally Made		
Fiscal Year	**Amount ($ in thousands)**	**Percentage of Total**
2016-2021	$1,639	0.2%
2022	$38,464	4.3%
2023	$81,262	9.1%
2024	$115,156	12.9%
2025	$657,167	73.5%
Total	**$893,688**	100.0%

The encumbrance amounts vary from agency to agency. As shown in the next table, 14.5% of the total was encumbered by one agency, DRC, which had an encumbrance of $129.4 million at the end of the fiscal year. DEV is second with an encumbrance of $118.4 million (13.2%); DCY is third with an encumbrance of $112.8 million (12.6%); and DOT is fourth with an encumbrance of $110.5 million (12.4%). The next five agencies with the largest encumbrances are ODJFS at $89.7 million (10.0%), the Ohio Department of Higher Education (ODHE) at $81.7 million (9.1%), DEW at $50.6 million (5.7%), DPS at $50.2 million (5.6%), and ODM at $48.5 million (5.4%). Thirty-nine other agencies encumbered the remaining $102.0 million (11.4%).

FY 2025 Year-End Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Rehabilitation and Correction	$129,403	14.5%

FY 2025 Year-End Encumbrances by Agency		
Agency	**Amount ($ in thousands)**	**Percentage of Total**
Development	$118,355	13.2%
Children and Youth	$112,786	12.6%
Transportation	$110,541	12.4%
Job and Family Services	$89,665	10.0%
Higher Education	$81,697	9.1%
Education and Workforce	$50,625	5.7%
Public Safety	$50,190	5.6%
Medicaid	$48,477	5.4%
Other	$101,950	11.4%
Total	**$893,688**	**100.0%**

Department of Rehabilitation and Correction

DRC encumbered $129.4 million for expenditure in FY 2026, of which $89.5 million (69.2%) occurred in ALI 501321, Institutional Operations, and another $29.7 million (22.9%) in ALI 505321, Institution Medical Services. Funds encumbered in ALI 501321 will be used to support the operation of the Department's correctional institutions, including payroll and other costs associated with security, unit management, facility administration and maintenance, and support services. Funds encumbered in 505321 will be used to pay various outstanding bills for providing medical services to inmates.

Department of Development

DEV encumbered $118.4 million for expenditure in FY 2026. Of that amount, $45.1 million (38.1%) was in ALI 195556, TechCred Program. ALI 195556 is used to offer financial assistance for students and workers to enroll in short-term training courses or programs in specific industries, or to pursue in-demand jobs. ALI 195456, Local Roads, had the second largest encumbrance at $33.6 million (28.4%). This ALI is used to fund local road improvements for economic development purposes, including Intel's megaproject development in central Ohio.

Department of Children and Youth

DCY encumbered $112.8 million for expenditure in FY 2026, of which $52.6 million (46.7%) occurred in ALI 830407, Early Childhood Education, and another $33.8 million (30.0%) in ALI 830506, Family and Children Services. Item 830407 funds early childhood education (ECE) programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers. Item 830506 issues the state child protective allocation to meet expenses of the children services program, including costs for the care of a child who resides with a caretaker relative and other services a public children services agency considers necessary to protect children from abuse, neglect, or dependency.

Ohio Department of Transportation

DOT encumbered $110.5 million for expenditure in FY 2026. The largest encumbrance was $50.7 million for ALI 775471, State Road Improvements. This ALI provides supplemental funding for road improvement projects. In addition, ALI 775470, Public Transportation – State, which is used primarily for competitive grants for public transit systems across the state, had an encumbrance of $36.6 million. The third largest encumbrance was $14.2 million in ALI 777471, Airport Improvements – State, to provide grants to public airports in Ohio for pavement maintenance and obstruction removal.

Ohio Department of Job and Family Services

ODJFS encumbered $89.7 million for expenditure in FY 2026. Encumbrances in four ALIs account for $67.1 million (74.8%) of the total. These ALIs are: (1) 600450, Program Operations, at $26.5 million, (2) 600410, TANF State Maintenance of Effort, at $20.2 million, (3) 600521, Family Assistance – Local, at $11.3 million, and (4) 655522, Medicaid Program Support – Local, at $9.1 million.

Funds encumbered in ALIs 600450 and 600410 will be used for a variety of administrative costs, and expenditures from the latter ALI are counted toward the state's maintenance of effort for the federal TANF Block Grant. Funds encumbered in ALI 600521 will be used to fund the state share of county administration expenditures for food assistance and disability assistance programs. Funds encumbered in ALI 655522 will mainly be used to provide the remaining state share of Medicaid subsidies for local administrative services of county departments of job and family services.

Ohio Department of Higher Education

ODHE encumbered $81.7 million for expenditure in FY 2026. The majority of the total was encumbered in ALIs 235438, Choose Ohio First Scholarship ($71.0 million), and 235599, National Guard Scholarship Program ($6.0 million), to pay the state's obligations to scholarship recipients.

Ohio Department of Education and Workforce

DEW encumbered $50.6 million for expenditure in FY 2026. Three ALIs with significant encumbrances were: (1) 200550, Foundation Funding – All Students, at $17.9 million, (2) 200448, Educator Preparation, at $8.2 million, and (3) 200572, Adult Education Programs, at $5.5 million. These three ALIs account for $31.5 million (62.2%) of DEW's total encumbrances. The remaining $19.1 million was encumbered in various other ALIs.

Funds encumbered in ALI 200550 will be used mainly to meet year-end school foundation payment adjustments. Foundation payments are allocated to districts based on a variety of data. Some of these data are not finalized until the following fiscal year. Funds are generally encumbered each year in order to make adjusted payments based on these updated data. Funds encumbered in ALI 200448 will be used to support a variety of initiatives related to educator preparation and school improvement. Funds encumbered in ALI 200572 will be used to pay the 22+ Adult High School Diploma Program, which provides a locally issued high school diploma to those that previously dropped out of high school.

Department of Public Safety

DPS encumbered $50.2 million for expenditure in FY 2026. The majority of the total was encumbered in ALIs 768425, Justice Program Services ($17.5 million), and 763513, Security Grants ($17.4 million), to distribute grants to local law enforcement agencies, nonprofit organizations, houses of worship, chartered nonpublic schools, and licensed preschools for a variety of safety and security initiatives.

Ohio Department of Medicaid

ODM encumbered a total of $48.5 million for expenditure in FY 2026, of which $28.9 million was in ALI 651525, Medicaid Health Care Services, and $19.6 million in ALI 651425, Medicaid Program Support – State. ALI 651525 is the primary GRF funding source for Ohio Medicaid. Funds encumbered in this ALI will be used for subsidy payments to Medicaid providers. Funds encumbered in ALI 651425 will be used to pay ODM's outstanding operating expenses for administering the Medicaid program in Ohio.

Issue Updates

FY 2025 Operating and Capital Expenditures Total $104.7 Billion

– Melaney Carter, Director

In FY 2025, the state of Ohio incurred a total of $104.70 billion in operating and capital expenditures. As seen from the following table, $97.44 billion (93.1%) of the total expenditures were authorized in the main operating budget. The transportation and capital budgets accounted for $5.15 billion (4.9%) and $1.74 billion (1.7%), respectively. The remaining $370.6 million (0.4%) was authorized in the Bureau of Workers' Compensation and Industrial Commission budgets.

FY 2025 Operating and Capital Expenditures by Budget		
Budget	**Amount**	**% of Total**
Main Operating	$97,437,791,575	93.1%
Transportation	$5,147,961,854	4.9%
Capital	$1,743,886,182	1.7%
Workers' Compensation	$370,607,886	0.4%
Total	**$104,700,247,497**	**100.0%**

The next table shows FY 2025 expenditures by the account category used in the state's accounting system. As seen from the table, Subsidies and Shared Revenue is the largest spending area. In FY 2025, 87.2% ($37.97 billion) of total GRF expenditures were distributed as subsidies. These include payments to Medicaid service providers, schools, colleges and universities, local governments, and various other entities. Across all funds, this category's expenditures totaled $72.91 billion (69.6%).

Expenditures incurred under the Capital Item category – $4.88 billion (4.7%) across all funds – supported the construction and maintenance of roads and bridges in the state as well as the construction and renovation of public K-12 schools and colleges and universities. Capital Item expenditures are mainly funded by bond proceeds. FY 2025 debt service payments totaled $350.3 million (0.8%) for the GRF and $1.61 billion (1.5%) across all funds.

For FY 2025, state payroll costs (including both salaries and fringe benefits) amounted to $6.22 billion (5.9%) across all funds, of which $2.84 billion was supported by the GRF. In addition to Payroll, spending that is commonly referred to as the state government's operating expenses also includes expenditures incurred under the Purchased Personal Services, Supplies and Maintenance, and Equipment categories. For FY 2025, the state government's operating expenses totaled $11.36 billion across all funds, of which $4.21 billion came from the GRF. In percentage terms, these amounts represent 10.8% and 9.7% of the respective totals.

FY 2025 Operating and Capital Expenditures by Account Category				
Account Category	**GRF Only**	**% of Total**	**All Funds**	**% of Total**
500 – Payroll	$2,837,521,964	6.5%	$6,223,189,060	5.9%
510 – Purchased Personal Services	$608,894,734	1.4%	$2,253,717,683	2.2%
520 – Supplies and Maintenance	$723,638,155	1.7%	$2,595,623,601	2.5%
530 – Equipment	$42,681,222	0.1%	$284,772,310	0.3%
550 – Subsidies Shared Revenue	$37,970,939,268	87.2%	$72,914,437,197	69.6%
560 – Goods and Services for Resale	$0	0.0%	$126,916,975	0.1%
570 – Capital Items	$55,037,890	0.1%	$4,884,912,225	4.7%
590 – Judgments, Settlements and Bonds	$15,471,626	0.0%	$30,436,583	0.0%
591 – Debt Service	$350,342,194	0.8%	$1,605,664,136	1.5%
595 – Transfers and Non-Expense	$962,329,869	2.2%	$13,780,577,729	13.2%
Total	**$43,566,856,923**	**100.0%**	**$104,700,247,497**	**100.0%**

ODJFS Distributes Summer EBT Benefits

– Jake Graffius, Budget Analyst

On June 11, 2025, ODJFS announced that Summer EBT benefits (or SUN Bucks) would be distributed to eligible children throughout June and July. SUN Bucks is a nutrition program that provides benefits to eligible children with the goal of ensuring that children have access to nutritious food during summer break. Families with eligible children will receive benefits to use at authorized grocery stores to buy food items. The funds will be provided as a one-time distribution of $120. A child will automatically receive benefits if the child: receives free or reduced-price meals at school;[6] is school-aged and enrolled in the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Head Start, or other approved program; or is school-aged and in foster care, homeless, a runaway, or a migrant. Families of children not automatically enrolled will need to fill out an application to determine if their child is eligible. However, most families will be automatically enrolled.

[6] This applies to schools participating in the National School Lunch Program or the School Breakfast Program.

Benefits for the SUN Bucks Program, like SNAP, are funded fully by the federal government.[7] Families that receive SNAP benefits receive an Ohio Direction card, which is like a debit card that can be used at participating grocery stores to purchase food products. Families with a child that is eligible for SUN Bucks will receive benefits as follows: those currently enrolled in SNAP will have their child's SUN Bucks allocation issued onto their existing Ohio Direction card; and those families that do not participate in SNAP will be issued a new Ohio Direction card.

The federal Consolidated Appropriations Act of 2023 established SUN Bucks as a nationwide, permanent program. Summer 2024 was the first year that benefits were issued.[8] In total, 37 states are participating in the program this summer.

DCY Announces $3.0 Million in Awards to Expand Cradle Cincinnati Infant Mortality Reduction Model

– Jacquelyn Schroeder, Senior Budget Analyst

On April 30, 2025, DCY and the Governor's Office awarded a total of $3.0 million to expand the Cradle Cincinnati model to help improve birth outcomes, eliminate racial inequities, and reduce infant mortality rates in four counties. Utilizing state GRF, four recipients will each receive $250,000 per year over the three-year grant period. Recipients include First Year Cleveland (Cuyahoga County), CelebrateOne (Franklin County), the Hospital Council of Northwest Ohio (Lucas County), and Dayton Children's Hospital (Montgomery County). The Cradle Cincinnati model brings together parents, caregivers, healthcare professionals, and community members to help support mothers and infants. Some of the program's key goals include (1) creating opportunities for healthcare providers and patients to get to know one another outside of medical settings; (2) linking patients with community health workers and doulas; (3) equipping families with knowledge to care for themselves and their infants; (4) ensuring access to early prenatal care, postpartum follow-up, and well-baby visits; (5) supporting equity initiatives and reducing implicit bias affecting Black women; (6) increasing transparency of birthing hospitals' maternal and infant health equity efforts; and (7) improving communication between Black moms and birthing hospitals.

Cradle Cincinnati has played a key role in helping to reduce Hamilton County's infant mortality rate.[9] In 2013, when Cradle Cincinnati was established, Hamilton County's infant mortality rate was 10.6. By 2023, the rate had fallen to 7.6.[10] Ohio's overall five-year average infant mortality rate was 7.1 in 2023. The goal of this expansion is to achieve similar reductions in these other at-risk communities.

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[7] The federal government and states share SNAP administrative costs. They will also share SUN Bucks administrative costs.

[8] On May 6, 2024, the Controlling Board approved an ODJFS request to increase appropriations by $105.8 million in FY 2024 and by $130.0 million in FY 2025 to conduct the SUN Bucks Program.

[9] Infant mortality rate is defined as the number of infant deaths per 1,000 live births prior to an infant's first birthday.

[10] Hamilton County's 2013 rate was based on a ten-year average between 2004 and 2013. The rate in 2023 was based on a five-year average between 2019 and 2023.

Missing Children Clearinghouse Report Shows Decrease in Number of Children Reported Missing in 2024

– Keegan Kennedy, Budget Analyst

On May 19, 2025, the Attorney General's Office released the Ohio Missing Children Clearinghouse Report for 2024. According to the report, 16,404 children were reported missing in 2024, compared to 17,405 in 2023. The 2024 total represents a decrease of 5.8%, or 1,001 children, from 2023. Of those reported missing in 2024, 96.5%, or 15,834 children, were recovered safely by year's end. As shown in the table below, the majority of the children reported missing in 2024 fall between the ages of 13 and 17 (89.5%, or 14,681 children).

The Ohio Missing Children Clearinghouse was established in 1993 and is operated by the Bureau of Criminal Investigation's Missing Persons Unit. The Clearinghouse acts as a central repository for statistics received on missing persons in Ohio whose cases have been entered into the National Crime Information Center (NCIC) database by law enforcement agencies. These agencies have the option of noting the circumstances of the disappearance, if known. About half of all missing person reports filed with NCIC contain this information. Some of these circumstances include runaway, abduction by noncustodial parent, and abduction by stranger.

Ohio's Amber Alert system, launched in 2003, serves as a tool to help locate missing persons. It serves as a voluntary partnership involving law enforcement agencies, broadcasters, transportation agencies, and the wireless communications industry to activate an urgent bulletin in child-abduction cases. According to the report, Ohio law enforcement issued 13 Amber Alerts involving 15 children in 2024. Of those 15 children, 14 were recovered safely while one was located deceased. Additionally, 17 Endangered Missing Children Alerts were issued involving 18 children. Seventeen were recovered safely and one was recovered deceased. This type of alert is designed to seek assistance for a missing child when law enforcement cannot determine whether the child was abducted but the disappearance otherwise meets Amber Alert criteria.

The complete Ohio Missing Children Clearinghouse report can be found on the Attorney General's website under Publications and then by selecting Reports: ohioattorneygeneral.gov.

Ohio Missing Children Clearinghouse Statistics, CY 2020- CY 2024					
Category	**2020**	**2021**	**2022**	**2023**	**2024**
Total Missing Children Reported	**16,332**	**14,027**	**15,555**	**17,405**	**16,404**
Females	*8,396*	*7,521*	*8,224*	*9,571*	*8,758*
Males	*7,935*	*6,504*	*7,331*	*7,829*	*7,646*
Sex unknown or unreported	*1*	*2*	*--*	*5*	*--*
Age 0 to 5	*158*	*166*	*178*	*172*	*167*
Age 6 to 12	*1,038*	*1,008*	*1,387*	*1,541*	*1,556*
Age 13 to 17	*15,136*	*12,853*	*13,990*	*15,692*	*14,681*

Ohio Missing Children Clearinghouse Statistics, CY 2020- CY 2024					
Category	**2020**	**2021**	**2022**	**2023**	**2024**
Recovered	15,881 (97.2%)	13,606 (97.0%)	14,940 (96.0%)	17,033 (97.9%)	15,834 (96.5%)
Amber Alerts Issued	7	14	8	13	13

Department of Development Awards Local Communities $5.75 Million in Community Development Block Grant Funding

– Jared Cape, Budget Analyst

On June 4, 2025, DEV announced the distribution of $5.75 million in federal Community Development Block Grant (CDBG) funding to 14 communities across 13 counties. The funds were awarded through the Flexible Grant and Residential Public Infrastructure Grant programs to invest in downtowns, provide public services, and upgrade water and sewer infrastructure. A full list of projects can be found on DEV's website.[11]

DEV's Office of Community Development administers CDBG Program funds received from Housing and Urban Development (HUD) for nonentitlement communities, which do not receive federal funds directly. The funding can be used for a range of purposes, including main street and neighborhood development programs, affordable housing, and other projects. Much of the funding provided to nonentitlement communities is calculated via federal formula. However, DEV uses a portion of the funding to provide competitive grant awards. The competitive grant programs include the: Residential Public Infrastructure program, Critical Infrastructure program, Economic Development and Public Infrastructure Grant program, Neighborhood Revitalization Grant program, and CDBG Flexible Grant program. More information on these programs and the methodology DEV uses to distribute CDBG and other federal grants for nonentitlement communities can be found in the Ohio Consolidated Plan located on DEV's Community Services Division's website.[12] H.B. 96, the operating budget for the FY 2026-FY 2027 biennium, provides $57.5 million in FY 2026 and FY 2027 for nonentitlement communities under Fund 3K80 ALI 195613, Community Development Block Grant.

DEW Publishes Annual State Report on Preschool Children with Disabilities

– Ryan Brown, Budget Analyst

In June 2025, DEW released the FY 2024 Annual State Report on Preschool Children with Disabilities in Ohio. DEW reported that 26,834 preschool children received state-funded special education services in FY 2024, an increase of 1,811 children (7.2%) compared to FY 2023. For

[11] development.ohio.gov/home/news-and-events.

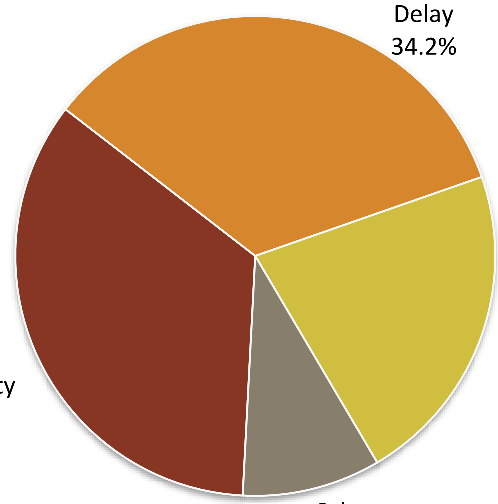
[12] development.ohio.gov/community/community-resources.

funding purposes, preschool children are put into six categories based on their disability condition. The table below summarizes the number of preschool children by special education funding category in each of FY 2023 and FY 2024. The number of preschool children in category six, mostly consisting of students with autism, grew the fastest between FY 2023 and FY 2024, at 22.0%. Other than category two, which mostly consists of children with developmental delays and other minor health impairments, the number of preschool children in every other category decreased from FY 2023 to FY 2024.

Preschool Special Education Students by Special Education Funding Category, FY 2023 - FY 2024				
Category	**Disability Conditions**	**FY 2023**	**FY 2024**	**% Change**
Category 1	Speech and Language Disability	9,778	9,295	-4.9%
Category 2	Developmentally Disabled; Specific Learning Disabled; Other Health (minor)	9,003	10,307	14.5%
Category 3	Hearing Impaired; Severe Behavior Disabled	226	214	-5.3%
Category 4	Visually Impaired; Other Health (major)	143	128	-10.5%
Category 5	Multiple Disability; Orthopedically Disabled	1,002	946	-5.6%
Category 6	Deaf and Blind; Autistic; Traumatic Brain Injured	4,871	5,944	22.0%
	Total	**25,023**	**26,834**	**7.2%**

Preschool children receiving state-funded educational services tend to be concentrated in three disability conditions, as illustrated in the chart below. Overall, 34.6% of children received services for speech and language disabilities, 34.2% received services for developmental delays, and 21.9% received services for autism. All other children with disabilities comprised the remaining 9.3% of children.

Preschool Children with Disabilities by Disability Condition, FY 2024



State funding for preschool special education and related services provided by school districts, educational service centers, and county developmental disabilities (DD) boards is distributed through a per-pupil based approach. Specifically, each school district receives $4,000 per student plus additional special education aid based on the product of the applicable special education weight for each student, the statewide average base cost per pupil for the fiscal year, the resident district's state share percentage, and 0.5. The additional per-pupil funding for each special education category, before the state share percentage and 0.5 factors are applied, ranges from $2,007 for students with speech and language disabilities to $32,599 for preschool children with deaf-blindness, autism, or traumatic brain injury. Educational service centers and county DD boards receive preschool special education funding through transfers from the amounts allocated to the school districts with which those entities have service agreements. In FY 2024 and FY 2025, state payments for preschool special education total to $147.5 million each fiscal year, paid from GRF ALI 200540, Special Education Enhancements.

Office of Criminal Justice Services Awards $2.2 Million in RecoveryOhio Law Enforcement Grants

– Maggie West, Senior Budget Analyst

On May 2, 2025, the Office of Criminal Justice Services (OCJS), a division of the Ohio Department of Public Safety, announced the award of more than $2.2 million in RecoveryOhio Law Enforcement grants to 34 drug task forces in 31 counties to help identify high-level drug traffickers, dismantle large drug trafficking organizations, interrupt the flow of money and drugs from international cartels, and prevent the sale of illegal narcotics. Individual awards ranged from $10,000 (Licking County Sheriff's Office) to $189,965 (Hamilton County Office of Addiction Response). The average award was $66,131. Eligible applicants include county, municipal, township, and village law enforcement agencies that are part of a drug task force and that meet other specified criteria related to information sharing and reporting.

A list of recipients (PDF) is available by clicking on “Grant News” under the heading “Grants Funding & Monitoring” and then selecting “Recommended for Funding” on OCJS’s website: ocjs.ohio.gov.

RecoveryOhio Law Enforcement grants provide funding to defray expenses that a drug task force incurs in performing functions related to enforcement of the state’s drug laws and other state laws related to illegal drug activity, as well as deflection, diversion, outreach, education, prevention, harm reduction, and Quick Response Teams activities related to the RecoveryOhio Initiative. The grant period began on May 1, 2025, and runs through April 30, 2026.

Department of Development Awards $1.5 million to Local Governments to Modernize Zoning

– Jared Cape, Budget Analyst

On June 4, 2025, DEV awarded $1.5 million to political subdivisions across 20 counites to modernize zoning codes under the Housing Technical Assistance Program. The program’s goal is to encourage new housing development in communities where it is lacking or areas facing growth pressures. Overall, two counties, nine cities, six villages, and 12 townships received grants. Recipient communities may use the awards to hire consultants or cover the cost of internal planning work to create or update comprehensive plans and zoning codes. The maximum eligible award amount was $100,000; however, actual grant awards ranged from just over $13,000 to $85,000. The Housing Technical Assistance Program was created in H.B. 315 of the 135th General Assembly, which appropriated $1.5 million under GRF ALI 195420, Housing Technical Assistance. The list of grant awards can be found on DEV’s website.[13]

[13] development.ohio.gov/home/news-and-events.

Tracking the Economy

– Craig Kerr, Senior Economist

This month's edition of *Tracking the Economy* was derived from the Economic Outlook in LBO's *Baseline Forecast of GRF Revenues & Medicaid Expenditures*, as submitted in testimony to the Conference Committee on H.B. 96.

Overview

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

For the first time since 2022, economic output shrank in the first quarter of 2025 after steadily rising throughout 2024. On the other hand, industrial production contracted slightly in 2024 but started 2025 strong with the highest growth rate observed since 2021. Employers collectively continued to add to payrolls through June 2025, though the growth of total employment has slowed from 2023. Contrary to the increasing number of jobs, the unemployment rate slowly increased, settling at 4.1% by December. The rate changed very little in subsequent months and was 4.1% as of June.

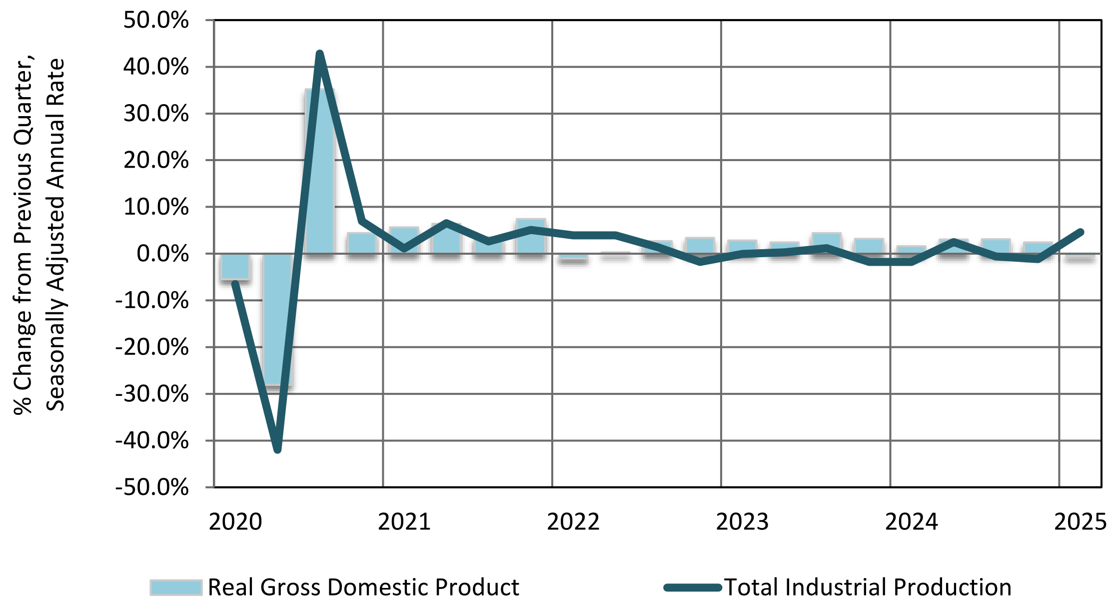
Economic activity in Ohio, as elsewhere, will be influenced by a host of forces in the near future. On the one hand, economic growth is slowing, and inflation has not yet reached the Federal Reserve's stated target of 2%, meaning that the rate of increase in the price level is higher than the central bank deems ideal for the economy. Prospective tariffs also threaten to contribute to inflation and reduce economic activity overall. On the other hand, if the Federal Reserve can control inflation and continue lowering short-term interest rates, consumer loans such as those for automobiles or short-term revolving credit may become cheaper, stimulating consumption.

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

The National Economy

Chart 4, below, displays the extreme deviations in real gross domestic product (GDP) and industrial production that occurred during the COVID-19 pandemic followed by a return to lower, more typical rates of growth. After a minor contraction in 2022, the economy expanded at a normal pace through 2024 before contracting by a small percentage in 2025. The reversal is mostly due to businesses that pushed imports, which are a subtraction from GDP, to historic levels prior to newly levied tariffs taking effect. On the other hand, industrial production fell in the fourth quarter of 2022 and in four of the six most recent quarters as manufacturing production was reduced in numerous industries. This trend may be reversing, at least temporarily, with tariffs increasing import costs and providing incentive to manufacture domestically. In the first quarter of 2025, industrial production grew faster than any other quarter since 2021.

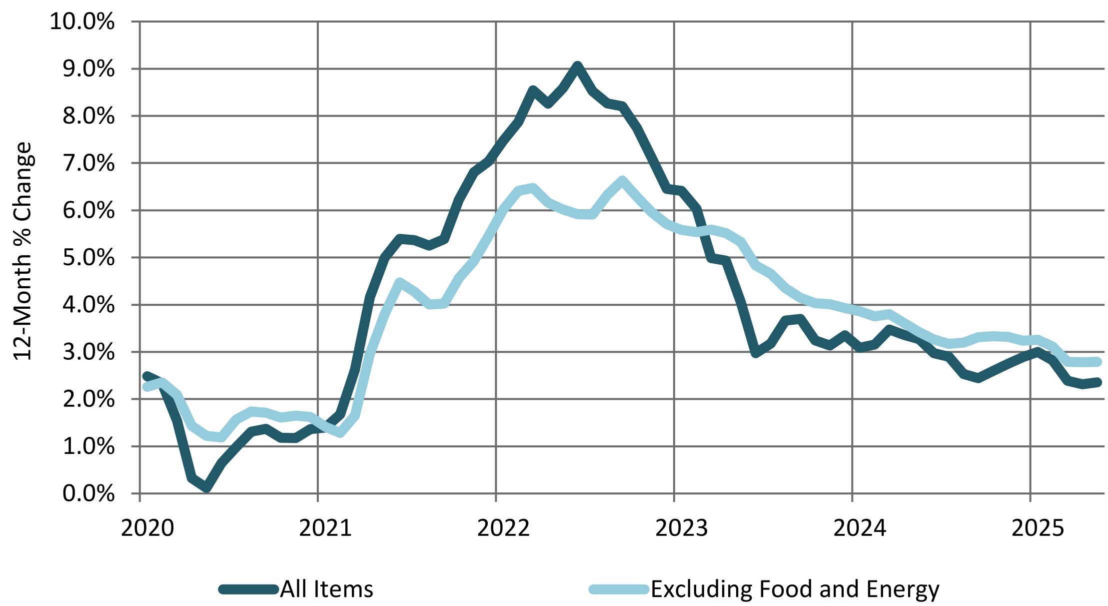
Chart 4: United States Output Measures



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

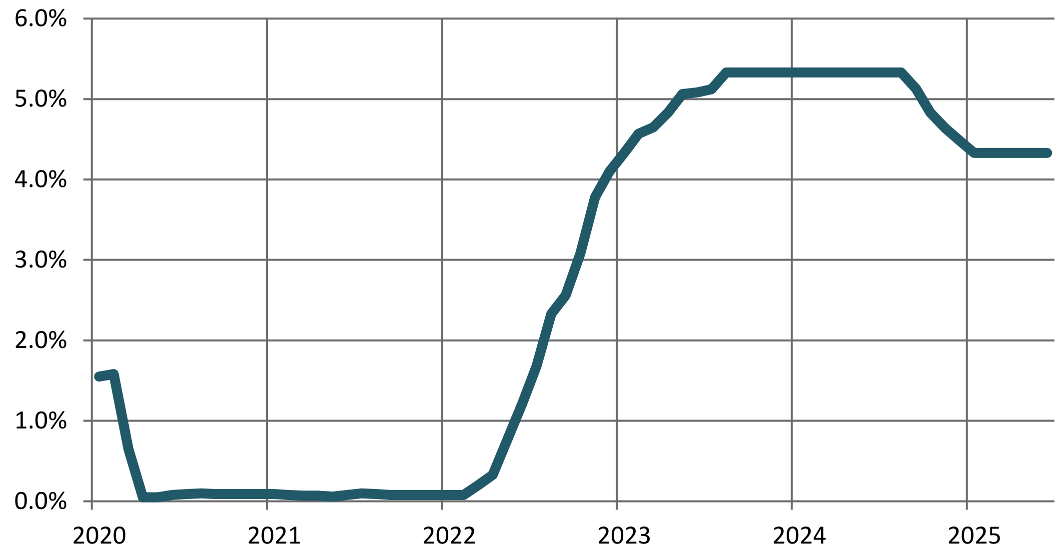
Inflation measured by the year-over-year percent change in the consumer price index for all urban consumers (CPI-U) is shown in Chart 5, below, for all items and for consumer prices other than food and energy (Core CPI-U). Inflation reached levels not observed since the early 1980s in 2022; inflation for all items peaked at 9.1% in June. The rate at which prices increase have moderated since this peak, with the CPI-U falling below 3% in 2025.

Chart 5: United States Consumer Price Index



As the economy began to fully reopen, the Federal Reserve sharply increased its target short-term interest rate to fight the rapid ascent of inflation observed in Chart 5, above. The central bank also halted their program of buying U.S. Treasury, agency, and mortgage-backed securities, which was designed to hold down longer-term interest rates, and began allowing its securities holdings to decline as they matured. In mid-September 2024, the central bank's policy-setting Federal Open Market Committee (FOMC) reversed course and began a series of interest rate cuts, lowering its target rate from 5.3% to 4.3% over the following three months. Chairman Jerome Powell announced in December the central bank's intention to slow the rate of interest rate cuts in 2025 due to core inflation remaining above 2% and economic uncertainty surrounding potential economic policy changes. Through June, the FOMC has held their targeted rate constant at 4.3% in 2025.

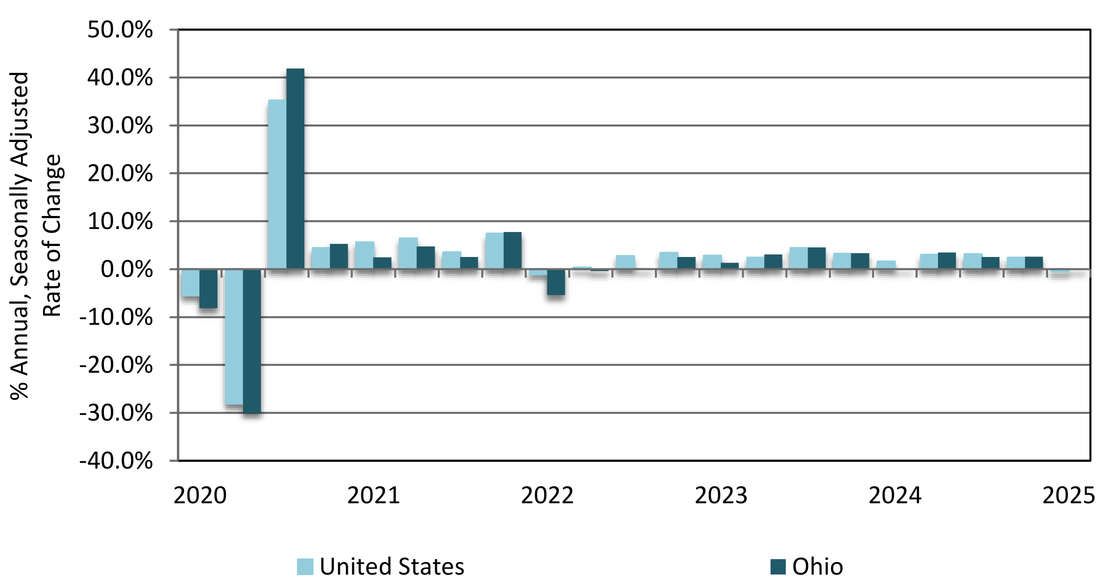
Chart 6: Effective Federal Funds Rate



The Ohio Economy

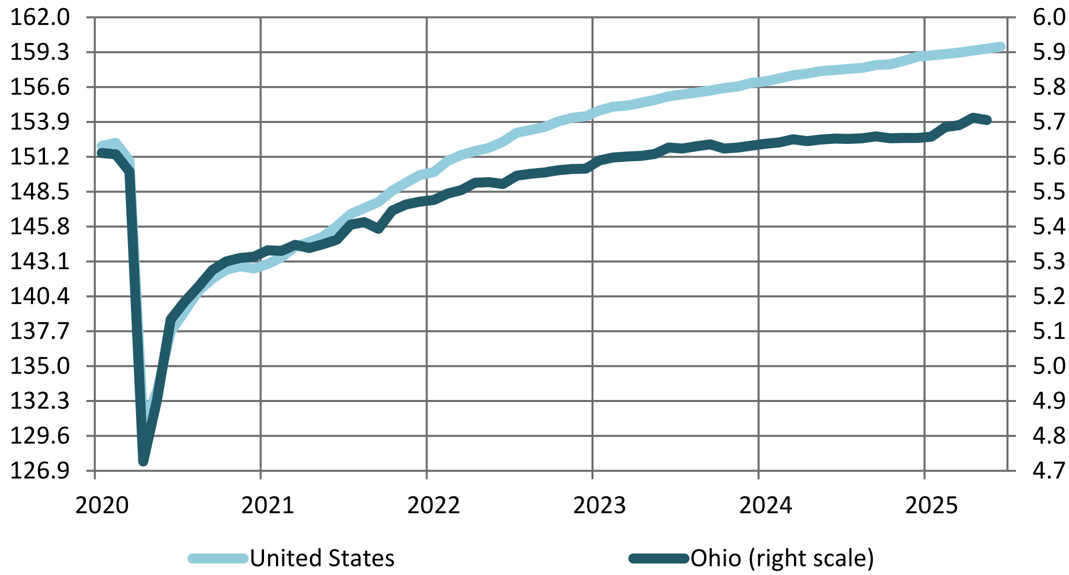
Ohio's economy has grown slower in the post-pandemic expansion compared to the nation by the broadest measure, real GDP. Most industries grew at a slow pace or contracted slightly. The retail industry expanded faster than others over the last two years while the manufacturing industry has alternated between expansion and contraction. However, the state's economy has performed slightly better than the nation's more recently, growing at a faster rate (0.2 percentage points) in the fourth quarter of 2024 and shrinking by a slower rate (0.4 percentage points) in the first quarter of 2025.

Chart 7: Real Gross Domestic Product Growth
Seasonally Adjusted



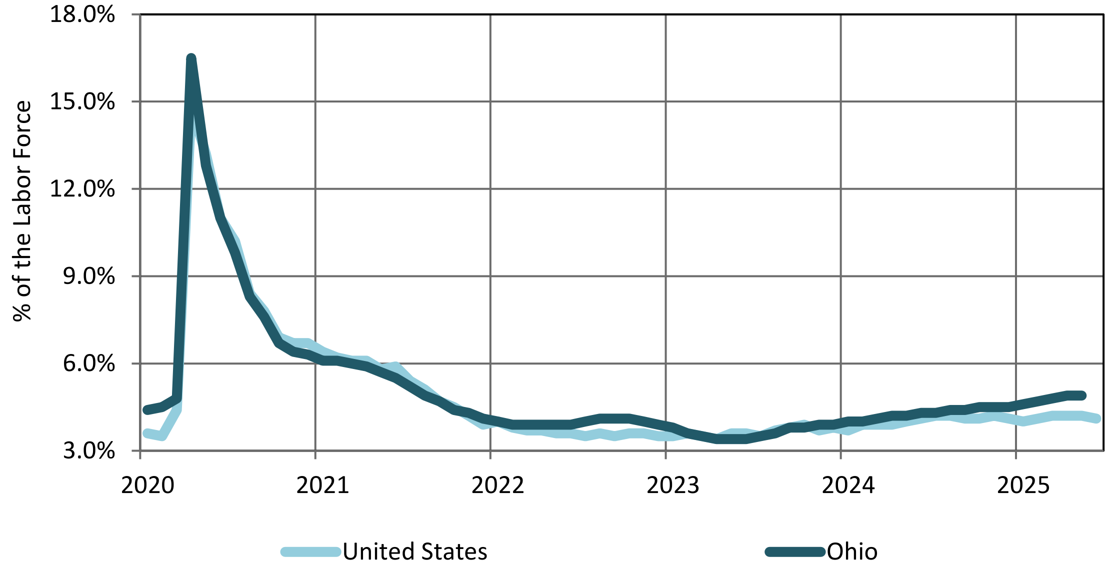
Job growth in Ohio has lagged that of the nation since the reopening of the economy. From the April 2020 recession trough through May 2025, total statewide nonfarm payroll employment rose 20.7%, compared with a 22.3% increase nationwide. Ohio employment remained above the prerecession peak from May 2023 onwards and surpassed the previous all-time high in March 2024. This contrasts with the comparable nationwide statistic, which rose to an all-time high more than a year before Ohio in January 2023.

Chart 8: Total Nonfarm Payroll Employment
Millions, Seasonally Adjusted



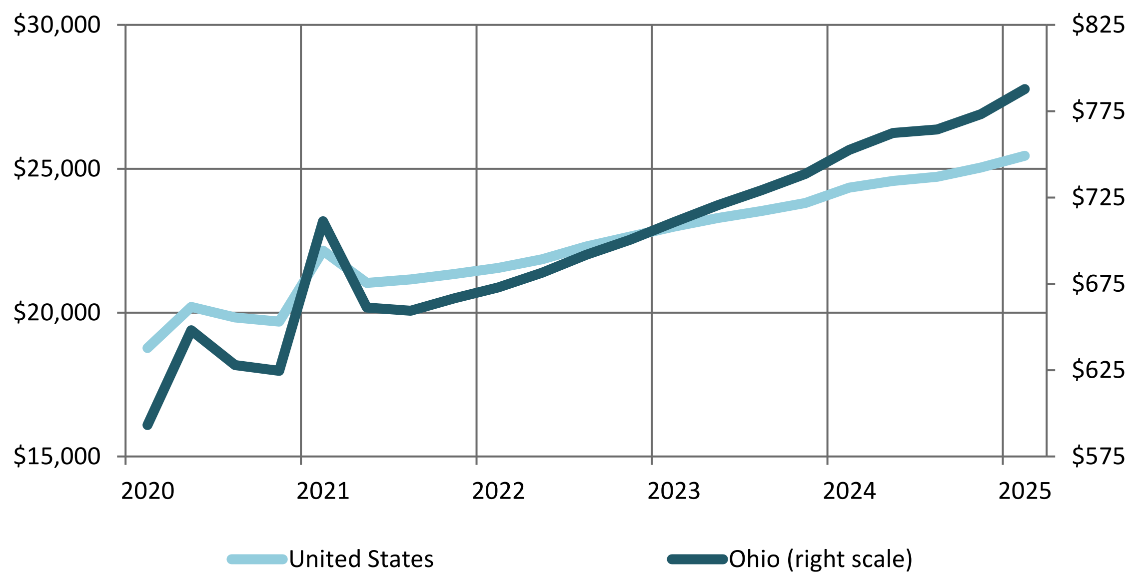
Ohio's unemployment rate was the same as or lower than the nation's between February 2023 and October 2023 according to revised estimates from the Bureau of Labor Statistics. However, the state unemployment rate surpassed that of the nation in November 2023 and has remained higher since. In May 2025, the percentage of unemployed individuals actively seeking work in the state was 4.9%, higher than the national average of 4.2%. Unemployment rates from January 2020 through May (and June) 2025 are shown in Chart 9, below, for the state (and nation).

Chart 9: Unemployment Rate
Seasonally Adjusted



Personal income per capita rose sharply in 2020 and 2021 due to federal transfer payments enacted in response to the pandemic. Over the full period shown in Chart 9, Ohio's total personal income rose by 32.8%, which is approximately equivalent to a 5.8% annual rate. Nationwide, total personal income increased by 35.6%, which is approximately equivalent to a 6.3% annual rate.

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



Economic forecasts

The following are forecasts of key indicators of the economic environment that will determine state tax revenues during the next biennium. Some of the indicator forecasts were inputs to LBO models used to make state revenue forecasts. Both these economic indicator forecasts and LBO's forecasts for state revenues are inherently subject to uncertainty. The economic indicator projections shown below are from baseline forecasts released in May 2025 by Moody's Analytics, an economic forecasting firm used by LBO.

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

U.S. gross domestic product

Moody's Analytics anticipated the economy to begin growing again in the second quarter of CY 2025 and slowly pick up pace through the fourth quarter of CY 2027. U.S. real GDP was projected to increase about 1.4% annually on average in the next biennium, as shown below.

U.S. Real GDP Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	-0.3	0.4	1.3	1.6	1.4	1.7	1.9	1.9	2.1	2.3	2.2	2.2
Fiscal Year		2.2				1.1				1.8		

Ohio gross domestic product

Ohio's economy is expected to expand at a slower pace than the national economy, with growth bottoming out in the second quarter of 2025 before increasing through 2027. Real GDP in the state is projected to increase at about a 1.1% annual rate on average in the next biennium, somewhat slower than the nation's growth rate.

Ohio Real GDP Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	0.3	-0.2	0.7	1.1	0.9	1.3	1.7	1.6	1.8	2.0	1.8	1.9
Fiscal Year		2.0				0.7				1.5		

U.S. inflation

Inflation, as measured by the rate of increase in the CPI-U, is predicted to decline, reaching a low in the fourth quarter of 2026 and averaging around 2.9% annually during the next biennium.

U.S. Consumer Price Index Inflation												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	3.8	3.8	3.3	3.2	3.5	2.9	2.1	1.8	1.9	2.0	2.1	2.1
Fiscal Year		2.8				3.4				2.4		

U.S. personal income

Nationwide personal income growth was projected to drop from 6.5% to 3.5% in the second quarter of 2025, stabilize between 4% and 5% in 2026, and slowly decline in 2027. The year-over-year rate of growth is expected to hold stable between 4.3% and 4.4% for FY 2025 through FY 2027.

U.S. Personal Income Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	6.5	3.5	5.0	3.4	4.2	4.9	4.5	4.5	4.3	4.3	4.0	3.9
Fiscal Year		4.3				4.4				4.4		

Ohio personal income

Total personal income in Ohio was forecast to grow slower than the nation, equaling about 4.4% on average annually during the upcoming biennium. Similar to the nation as a whole, total personal income growth in the state is projected to drop from a peak in the first quarter of 2025, and bounce between 4% and 5% in 2026 before slowly declining in 2027.

Ohio Personal Income Growth												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent change at annual rate ----------------------------------											
Quarterly	6.8	3.1	4.9	3.5	4.2	5.0	4.6	4.5	4.2	4.1	3.8	3.5
Fiscal Year		3.9				4.4				4.4		

U.S. unemployment rate

In Moody's Analytics May baseline forecast, the seasonally adjusted national unemployment rate increases relatively steadily throughout 2026. The rate is projected to peak at 4.9% in the third quarter of 2026 and remain at that rate until the fourth quarter of 2027.

U.S. Unemployment Rate												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent of the labor force ----------------------------------											
Quarterly	4.1	4.2	4.2	4.4	4.6	4.8	4.9	4.9	4.9	4.9	4.9	4.8
Fiscal Year		4.1				4.5				4.9		

Ohio unemployment rate

Ohio's seasonally adjusted unemployment rate is projected to follow a similar pattern to the nation's. Statewide unemployment is forecast to peak at 5.6% in the third quarter of 2026 and not decline until the third quarter of 2027.

Ohio Unemployment Rate												
	2025				2026				2027			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	---------------------------------- Percent of the labor force ----------------------------------											
Quarterly	4.7	4.8	4.9	5.1	5.3	5.5	5.6	5.6	5.6	5.6	5.5	5.4
Fiscal Year		4.6				5.2				5.6		