LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2025 Issue: March 2025

Highlights

– Russ Keller, Chief Economist

GRF tax revenue in February was $93.9 million below the Office of Budget and Management (OBM) estimate, which follows a $172.5 million surplus in January. The two largest February shortfalls were for the commercial activity tax (CAT) and financial institutions tax (FIT). Taxpayers of both the CAT and FIT submitted payments earlier than usual this calendar year, so timing explains the recent monthly variances.

The Federal Reserve Bank of Cleveland surveyed business contacts in the region, who remarked that economic activity was flat in February, but they expected an increase in the months ahead. Moreover, they observed that consumer spending is down, and some auto dealers and consumer lenders noted declining consumer confidence related to policy uncertainty and inflation.

Through February 2025, GRF sources totaled $29.10 billion:

- Revenue from the sales and use tax was $564.6 million above estimate;
- GRF transfers in were $454.6 million below estimate;
- The personal income tax (PIT) was $273.2 million above estimate.

Through February 2025, GRF uses totaled $30.62 billion:

- Program expenditures were $645.7 million below estimate;
- Medicaid spending was $420.1 million below estimate, largely due to a decline in caseloads.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of February 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 3, 2025)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$134,368	$135,100	-$732	-0.5%
Nonauto Sales and Use	$832,386	$825,900	$6,486	0.8%
Total Sales and Use	*$966,754*	*$961,000*	*$5,754*	*0.6%*
Personal Income	$364,261	$384,900	-$20,639	-5.4%
Commercial Activity Tax	$515,355	$569,000	-$53,645	-9.4%
Cigarette	$52,231	$48,400	$3,831	7.9%
Kilowatt-Hour Excise	$28,689	$26,500	$2,189	8.3%
Foreign Insurance	$118,265	$104,900	$13,365	12.7%
Domestic Insurance	$25,644	$38,700	-$13,056	-33.7%
Financial Institution	$15,088	$48,200	-$33,112	-68.7%
Public Utility	$38,444	$35,600	$2,844	8.0%
Natural Gas Consumption	$14,178	$16,200	-$2,022	-12.5%
Alcoholic Beverage	$4,785	$4,000	$785	19.6%
Liquor Gallonage	$3,909	$4,100	-$191	-4.7%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$11	$0	$11	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,147,612**	**$2,241,500**	**-$93,888**	**-4.2%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$24,144	$8,938	$15,205	170.1%
Other Revenue	$759	$549	$210	38.3%
Total Nontax Revenue	**$24,903**	**$9,487**	**$15,416**	**162.5%**
Transfers In	**$4,450**	**$0**	**$4,450**	**---**
Total State Sources	**$2,176,965**	**$2,250,987**	**-$74,022**	**-3.3%**
Federal Grants	**$666,461**	**$591,770**	**$74,691**	**12.6%**
Total GRF Sources	**$2,843,426**	**$2,842,757**	**$669**	**0.0%**

*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 February 28, 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on March 3, 2025)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$1,262,390	$1,251,500	$10,890	0.9%	$1,254,294	0.6%
Nonauto Sales and Use	$7,953,374	$7,399,700	$553,674	7.5%	$7,884,835	0.9%
Total Sales and Use	*$9,215,765*	*$8,651,200*	*$564,564*	*6.5%*	*$9,139,129*	*0.8%*
Personal Income	$6,586,326	$6,313,100	$273,226	4.3%	$6,339,066	3.9%
Commercial Activity Tax	$1,811,457	$1,761,400	$50,057	2.8%	$1,889,506	-4.1%
Cigarette	$452,593	$437,700	$14,894	3.4%	$469,252	-3.6%
Kilowatt-Hour Excise	$210,240	$206,300	$3,940	1.9%	$190,225	10.5%
Foreign Insurance	$348,472	$314,900	$33,572	10.7%	$303,956	14.6%
Domestic Insurance	$26,740	$39,000	-$12,260	-31.4%	$39,374	-32.1%
Financial Institution	$66,034	$91,200	-$25,166	-27.6%	$89,527	-26.2%
Public Utility	$113,907	$119,300	-$5,393	-4.5%	$120,534	-5.5%
Natural Gas Consumption	$30,219	$35,400	-$5,182	-14.6%	$36,031	-16.1%
Alcoholic Beverage	$41,399	$40,800	$599	1.5%	$40,905	1.2%
Liquor Gallonage	$37,170	$38,600	-$1,431	-3.7%	$38,335	-3.0%
Petroleum Activity Tax	$5,205	$4,800	$405	8.4%	$6,398	-18.6%
Corporate Franchise	$119	$0	$119	---	$152	-21.4%
Business and Property	$0	$0	$0	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$18,945,651**	**$18,053,702**	**$891,949**	**4.9%**	**$18,702,389**	**1.3%**
Nontax Revenue						
Earnings on Investments	$220,845	$162,500	$58,345	35.9%	$230,936	-4.4%
Licenses and Fees	$41,911	$29,178	$12,733	43.6%	$25,882	61.9%
Other Revenue	$126,659	$128,192	-$1,533	-1.2%	$143,003	-11.4%
Total Nontax Revenue	**$389,415**	**$319,870**	**$69,545**	**21.7%**	**$399,822**	**-2.6%**
Transfers In	**$129,686**	**$584,300**	**-$454,614**	**-77.8%**	**$9,200**	**1309.7%**
Total State Sources	**$19,464,751**	**$18,957,872**	**$506,879**	**2.7%**	**$19,111,410**	**1.8%**
Federal Grants	**$9,633,771**	**$9,913,520**	**-$279,749**	**-2.8%**	**$8,743,124**	**10.2%**
Total GRF SOURCES	**$29,098,522**	**$28,871,392**	**$227,130**	**0.8%**	**$27,854,534**	**4.5%**

*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

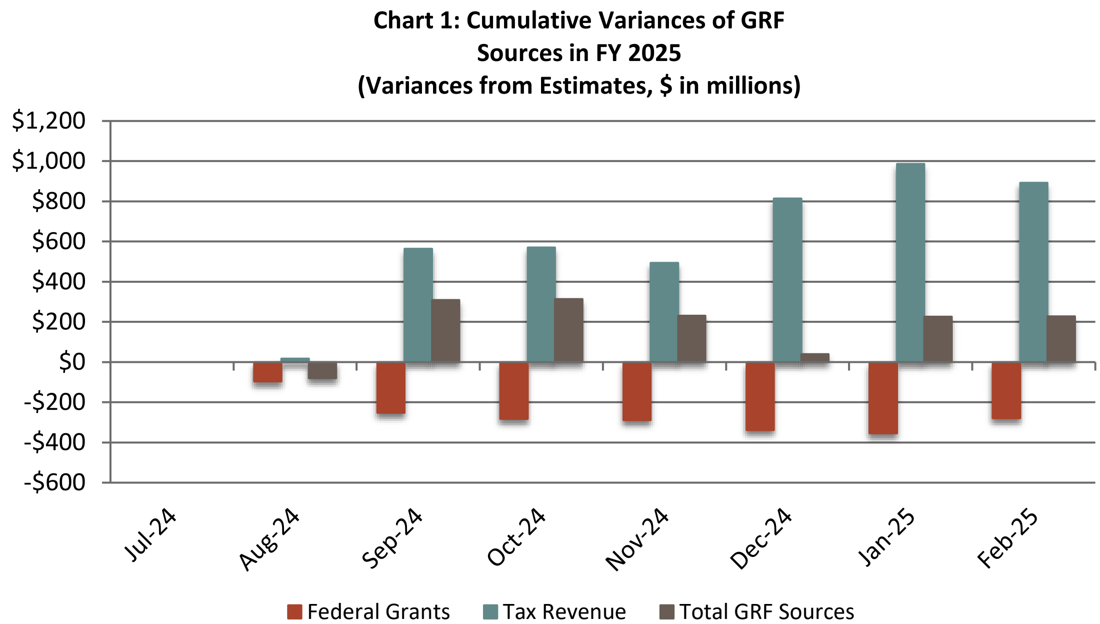
GRF tax receipts for the month of February were $93.9 million (4.2%) below OBM's estimate. The weak performance in February was largely due to revenue shortfalls in the CAT, which was $53.6 million below estimate and the FIT with a $33.1 million negative variance. Revenue shortfalls in CAT and FIT are likely timing related as both taxes registered large positive variances in January. Other contributors to February's shortfall were the PIT ($20.6 million), domestic insurance tax ($13.1 million), and natural gas consumption tax ($2.0 million), which were all below their monthly estimate. Negative variances in February were slightly offset by positive variances in the foreign insurance tax, with revenues $13.4 million (12.7%) above the estimate; the sales and use tax, with revenues $5.8 million (0.6%) above the estimate; and the cigarette tax, with revenues $3.8 million (7.9%) above the estimate. Other GRF tax sources also exceeded their respective estimates in February – the public utility excise tax ($2.8 million) and kilowatt-hour tax ($2.2 million). Nontax revenue was $15.4 million (162.5%) above estimate. Federal grants were $74.7 million (12.6%) above estimate. Total GRF sources for February were on par with estimate, as the positive variance was $0.7 million (0.0%).

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 February compared to estimates, while Table 2 shows GRF sources for the fiscal year-to-date (YTD) compared to both estimates and FY 2024 revenue. The variance analysis continues to reflect the FY 2025 revenues estimates released by OBM in September.

Through the first eight months of FY 2025 GRF tax receipts were $18.95 billion, $891.9 million (4.9%) above estimate. This positive variance was due to above-estimate receipts from the sales and use tax, $564.6 million (6.5%); the PIT, $273.2 million (4.3%); the CAT, $50.1 million (2.8%); the foreign insurance tax, $33.6 million (10.7%); the cigarette tax, $14.9 million (3.4%); and kilowatt-hour tax, $3.9 million (1.9%). Those surplus amounts were partially offset by negative variances totaling $49.4 million from the FIT, domestic insurance tax, public utility excise tax, natural gas consumption tax, and liquor gallonage tax. Transfers in were $454.6 million (77.8%) lower than estimate, and federal grants were $279.7 million (2.8%) below estimate. As discussed in the previous edition, the negative variance for transfers in is primarily related to the expanded sales tax holiday. The total YTD GRF sources of $29.10 billion were above estimate by $227.1 million (0.8%).

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

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



FY 2025 YTD GRF tax revenue was higher than in the first eight months of FY 2024 by $243.3 million (1.3%). The increase resulted from higher PIT collections, by $247.3 million (3.9%), higher sales and use tax receipts, by $76.6 million (0.8%), higher foreign insurance tax receipts, by $44.5 million (14.6%), and higher kilowatt-hour excise tax receipts, by $20.0 million (10.5%), along with increases in other smaller taxes. These increases were partially offset by declines in CAT receipts, by $78.0 million (4.1%), FIT receipts, by $23.5 million (26.2%), cigarette and other tobacco products (OTP), by $16.7 million (3.6%),[2] and other negative variances in smaller tax sources.

Total GRF sources were higher in the first eight months than a year earlier by $1.24 billion (4.5%). YTD GRF revenue from federal grants was $890.6 million (10.2%) higher than in the year-earlier period. Transfers in YTD were $129.7 million, up from $9.2 million in the year-earlier period.

Sales and Use Tax

GRF receipts from the sales and use tax were $966.7 million in February, $5.8 million (0.6%) above the estimate. For the first eight months of FY 2025, revenue from the tax was $9.22 billion, $564.6 million (6.5%) above estimate. The sales and use tax is the state's largest tax revenue source.

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

The tax base for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and

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

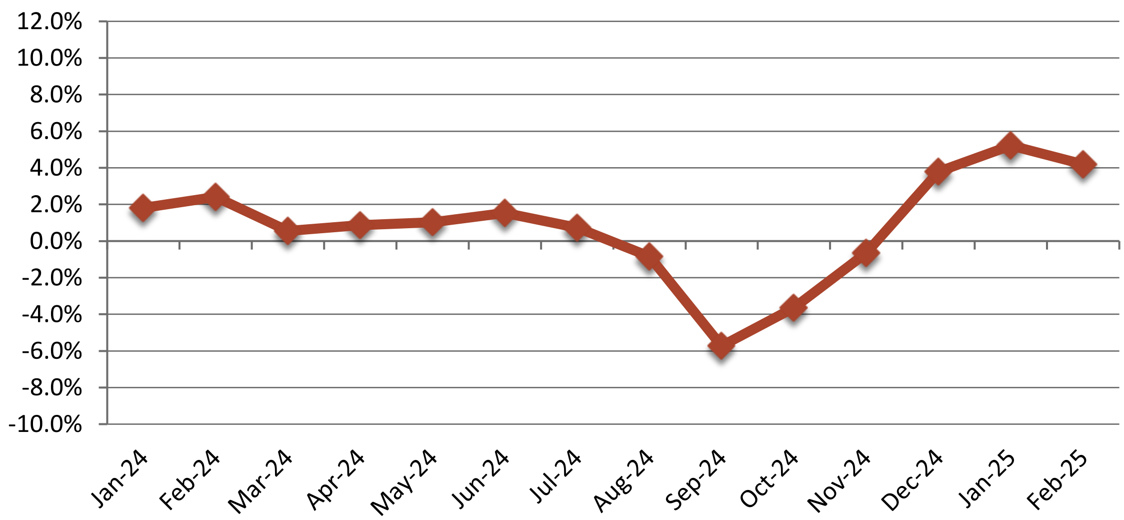
utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product data from July 2024 through January 2025 show growth in the dollar value of consumer spending, mainly in consumer services. Inflation faced by consumers, measured by changes in the personal consumption expenditures price index (i.e., the Federal Reserve's preferred inflation measure), slowed substantially from a peak in 2022, but inflation is no longer slowing. This inflation index was 2.5% higher than a year earlier, a decrease from 2.6% in December, but still above the central bank's 2% target.

Nonauto Sales and Use Tax

February GRF receipts from the nonauto sales and use tax of $832.4 million were $6.5 million (0.8%) above the OBM estimate and $21.9 million (2.7%) above revenue in February 2024. YTD revenues were $7.95 billion, $553.7 million (7.5%) above estimate and $68.5 million (0.9%) higher than receipts a year earlier. As discussed in previous editions, YTD revenues were affected by this fiscal year's expanded sales tax holiday in July and August. The negative impact of the sales tax holiday on tax collections was considerably smaller than OBM anticipated.

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since February 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 lag in receipt of tax collections from vendors, as well as three-month averaging. Growth picked up the pace late last year and continued accelerating into the current calendar year based on strong holiday season spending.

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



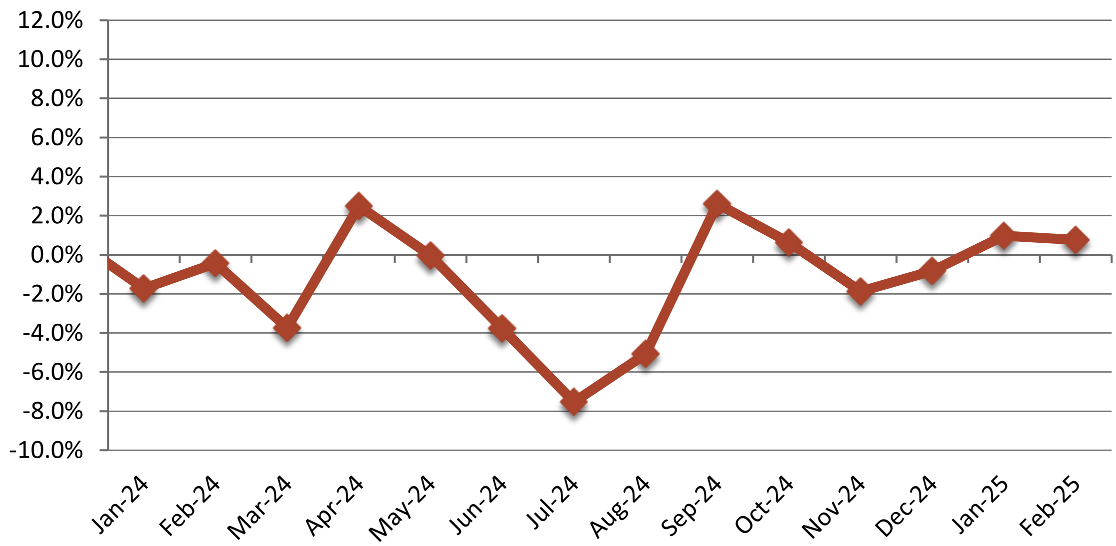
[3] A three-month moving average means, for example, that the most recent data point shown is the percentage change from revenue received during November 2023 through February 2024 to revenue received during November 2024 through February 2025.

Auto Sales and Use Tax

February receipts from the auto component of the sales and use tax were $134.4 million, about $0.7 million (0.5%) below estimate and $9.4 million (6.5%) below receipts in February 2024. Tax receipts in the first eight months of FY 2025 totaling $1.26 billion about $10.9 million above estimate (0.9%) and were above year-earlier revenues by $8.1 million (0.6%). Most auto sales tax collections reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since February 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.

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



Personal Income Tax

February GRF revenue from the PIT of $364.3 million was $20.6 million (5.4%) below estimate and $86.0 million (30.9%) higher than February 2024. GRF revenue received in the first eight months of this fiscal year totaled $6.59 billion, $273.2 million (4.3%) above estimate and $247.3 million (3.9%) higher than a year earlier. Gross PIT collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,[4] payments accompanying the filing of annual returns, trust payments, and

[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.

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 February compared to OBM estimates and year-earlier revenues. Gross collections were $28.5 million (0.3%) above anticipated revenue, but $155.9 million (1.8%) 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 $261.7 million (15.0%) lower than estimated and $404.7 million (21.5%) 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 $11.4 million (0.2%) lower than a year earlier. PTE Annual Returns and PTE Estimated Payments were down by $82.1 million and $125.3 million, respectively. IT-1040 Estimated Payments, however, were $42.4 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	$149.7	2.1%	-$11.4	-0.2%
PTE Annual Returns	-$15.3	-12.3%	-$82.1	-42.9%
PTE Estimated Payments	-$159.7	-23.6%	-$125.3	-19.5%
IT-1040 Estimated Payments	$46.6	13.3%	$42.4	11.9%
Annual Return Payments	$2.5	1.7%	$3.1	2.1%
Trust Payments	$3.8	13.7%	$5.6	21.7%
Miscellaneous Payments	$0.9	1.6%	$12.0	28.8%
Gross Collections	$28.5	0.3%	-$155.9	-1.8%
Less Refunds	-$261.7	-15.0%	-$404.7	-21.5%
Less LGF Distribution	$17.1	5.1%	$1.5	0.4%
GRF PIT Revenue	$273.2	4.3%	$247.3	3.9%

Commercial Activity Tax

February GRF CAT receipts were $515.4 million, $53.6 million (9.4%) below estimate. For July through February GRF CAT revenues were $1.81 billion, $50.1 million (2.8%) 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 $78.0 million (4.1%) 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 of Taxation 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 $1.82 billion in the first eight months of FY 2025, $78.6 million (4.1%) below net revenue in the corresponding months of FY 2024. The YTD decline is 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. This exclusion increased to $6 million per year in CY 2025 and thereafter.

Cigarette and Other Tobacco Products Tax

February revenue from the cigarette and OTP tax of $52.2 million was above estimate by $3.8 million (7.9%). Revenue from the tax in the first eight months of FY 2025 was $452.6 million, $14.9 million (3.4%) above estimate. The fiscal YTD total included $372.3 million from cigarette sales and $80.3 million from OTP.

FY 2025 YTD revenue was $16.7 million (3.6%) lower than in the first eight months of FY 2024. Receipts from cigarette sales decreased $20.9 million (5.3%) while OTP sales increased by $4.2 million (5.5%).

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.

Nontax Revenue

YTD GRF nontax revenue totaling $389.4 million was $69.5 million (21.7%) above estimate, but $10.4 million (2.6%) below such revenue in the first eight months of FY 2024. The year-over-year decrease in revenue was due to lower earnings on investment, down $10.1 million (4.4%) from a year earlier, and by “other revenue,” which was $16.3 million (11.4%) lower than a year earlier.

GRF transfers in of $129.7 million during the first eight months of FY 2025 were $454.6 million lower than the estimate, but $120.5 million higher than in the first eight months of FY 2024. As discussed in January’s edition, almost all of the transfer in was made in December as a result of reimbursement to the GRF for sales tax receipts forgone associated with the expanded sales tax holiday.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of February 2025
($ in thousands)
(Actual based on OAKS reports run March 4, 2025)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$867,375	$886,023	-$18,648	-2.1%
Higher Education	$266,194	$260,039	$6,155	2.4%
Other Education	$6,537	$6,283	$254	4.0%
Total Education	**$1,140,107**	**$1,152,346**	**-$12,239**	**-1.1%**
Medicaid	$1,054,861	$990,362	$64,500	6.5%
Health and Human Services	$188,016	$143,003	$45,014	31.5%
Total Health and Human Services	**$1,242,878**	**$1,133,364**	**$109,513**	**9.7%**
Justice and Public Protection	$214,052	$221,368	-$7,316	-3.3%
General Government	$38,698	$46,788	-$8,091	-17.3%
Total Government Operations	**$252,750**	**$268,156**	**-$15,406**	**-5.7%**
Property Tax Reimbursements	-$525	$2,168	-$2,693	-124.2%
Debt Service	$103,989	$104,100	-$111	-0.1%
Total Other Expenditures	**$103,464**	**$106,268**	**-$2,804**	**-2.6%**
Total Program Expenditures	**$2,739,198**	**$2,660,134**	**$79,064**	**3.0%**
Transfers Out	**$1,692**	**$0**	**$1,692**	**---**
Total GRF Uses	**$2,740,890**	**$2,660,134**	**$80,756**	**3.0%**

*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 February 28, 2025
($ in thousands)
(Actual based on OAKS reports run March 4, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$7,196,518	$7,140,878	$55,640	0.8%	$6,588,916	9.2%
Higher Education	$1,834,274	$1,830,056	$4,219	0.2%	$1,741,347	5.3%
Other Education	$80,767	$81,346	-$579	-0.7%	$78,092	3.4%
Total Education	**$9,111,559**	**$9,052,279**	**$59,280**	**0.7%**	**$8,408,355**	**8.4%**
Medicaid	$14,886,124	$15,306,228	-$420,105	-2.7%	$13,339,097	11.6%
Health and Human Services	$1,379,182	$1,557,644	-$178,462	-11.5%	$1,240,556	11.2%
Total Health and Human Services	**$16,265,306**	**$16,863,873**	**-$598,567**	**-3.5%**	**$14,579,653**	**11.6%**
Justice and Public Protection	$2,085,256	$2,184,118	-$98,862	-4.5%	$1,998,187	4.4%
General Government	$460,436	$508,524	-$48,088	-9.5%	$989,178	-53.5%
Total Government Operations	**$2,545,692**	**$2,692,642**	**-$146,949**	**-5.5%**	**$2,987,365**	**-14.8%**
Property Tax Reimbursements	$964,365	$940,201	$24,164	2.6%	$925,235	4.2%
Debt Service	$1,002,317	$985,971	$16,347	1.7%	$1,061,508	-5.6%
Total Other Expenditures	**$1,966,682**	**$1,926,172**	**$40,511**	**2.1%**	**$1,986,743**	**-1.0%**
Total Program Expenditures	**$29,889,239**	**$30,534,965**	**-$645,726**	**-2.1%**	**$27,962,116**	**6.9%**
Transfers Out	**$733,696**	**$730,093**	**$3,603**	**0.5%**	**$6,584,019**	**-88.9%**
Total GRF Uses	**$30,622,936**	**$31,265,058**	**-$642,122**	**-2.1%**	**$34,546,134**	**-11.4%**

*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 March 4, 2025)

	Month of February 2025				Year to Date through February 2025			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$959,276	$896,933	$62,342	7.0%	$14,108,823	$14,530,683	-$421,860	-2.9%
Non-GRF	$1,854,030	$1,830,925	$23,105	1.3%	$10,236,558	$10,436,724	-$200,166	-1.9%
All Funds	$2,813,306	$2,727,858	$85,447	3.1%	$24,345,381	$24,967,408	-$622,027	-2.5%
Developmental Disabilities								
GRF	$87,221	$86,361	$859	1.0%	$688,440	$689,849	-$1,409	-0.2%
Non-GRF	$304,105	$316,560	-$12,456	-3.9%	$2,666,296	$2,690,098	-$23,802	-0.9%
All Funds	$391,325	$402,922	-$11,596	-2.9%	$3,354,736	$3,379,946	-$25,211	-0.7%
Job and Family Services								
GRF	$7,582	$6,211	$1,371	22.1%	$82,249	$77,872	$4,377	5.6%
Non-GRF	$12,369	$12,722	-$353	-2.8%	$127,216	$125,907	$1,309	1.0%
All Funds	$19,951	$18,933	$1,018	5.4%	$209,465	$203,779	$5,686	2.8%
Other								
GRF	$783	$857	-$73	-8.6%	$6,613	$7,825	-$1,212	-15.5%
Non-GRF	$16,802	$13,631	$3,170	23.3%	$94,683	$123,196	-$28,513	-23.1%
All Funds	$17,585	$14,488	$3,097	21.4%	$101,295	$131,021	-$29,725	-22.7%
All Departments								
GRF	**$1,054,861**	**$990,362**	**$64,500**	**6.5%**	**$14,886,124**	**$15,306,228**	**-$420,105**	**-2.7%**
Non-GRF	**$2,187,305**	**$2,173,838**	**$13,467**	**0.6%**	**$13,124,753**	**$13,375,925**	**-$251,172**	**-1.9%**
All Funds	**$3,242,166**	**$3,164,200**	**$77,966**	**2.5%**	**$28,010,877**	**$28,682,153**	**-$671,277**	**-2.3%**

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

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on March 4, 2025)

	Month of February 2025				Year to Date through February 2025			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,097,855**	**$2,058,304**	**$39,551**	**1.9%**	**$17,686,097**	**$18,287,599**	**-$601,503**	**-3.3%**
CFC†	$549,427	$552,607	-$3,180	-0.6%	$4,908,028	$5,353,364	-$445,337	-8.3%
Group VIII	$477,235	$470,181	$7,054	1.5%	$4,008,597	$3,975,843	$32,753	0.8%
ABD†	$177,878	$185,150	-$7,271	-3.9%	$1,482,246	$1,551,028	-$68,782	-4.4%
ABD Kids	$64,482	$63,886	$596	0.9%	$467,609	$519,468	-$51,859	-10.0%
My Care	$310,571	$297,878	$12,693	4.3%	$2,601,882	$2,416,060	$185,822	7.7%
OhioRise	$78,644	$55,515	$23,129	41.7%	$600,565	$506,722	$93,843	18.5%
SPBM	$439,618	$433,088	$6,529	1.5%	$3,617,171	$3,738,114	-$120,943	-3.2%
Pay for Performance	$0	$0	$0	-	$0	$227,000	-$227,000	-100.0%
Fee-For-Service	**$925,822**	**$861,463**	**$64,359**	**7.5%**	**$8,493,203**	**$8,431,768**	**$61,436**	**0.7%**
ODM Services	$533,220	$475,779	$57,442	12.1%	$4,348,602	$4,194,492	$154,109	3.7%
DDD Services	$391,496	$385,684	$5,812	1.5%	$3,327,695	$3,291,275	$36,420	1.1%
Hospital – HCAP	$1,106	$0	$1,106	-	$816,907	$946,000	-$129,093	-13.6%
Premium Assistance	**$134,453**	**$142,916**	**-$8,463**	**-5.9%**	**$1,046,137**	**$1,088,750**	**-$42,614**	**-3.9%**
Medicare Buy-In	$78,828	$83,572	-$4,743	-5.7%	$622,828	$641,202	-$18,374	-2.9%
Medicare Part D	$55,625	$59,344	-$3,719	-6.3%	$423,309	$447,548	-$24,240	-5.4%
Administration	**$84,036**	**$101,517**	**-$17,481**	**-17.2%**	**$785,440**	**$874,036**	**-$88,596**	**-10.1%**
Total	**$3,242,166**	**$3,164,200**	**$77,966**	**2.5%**	**$28,010,877**	**$28,682,153**	**-$671,277**	**-2.3%**

*August 2024 estimates from the Department of Medicaid

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

Detail may not sum to total due to rounding.

Expenditures[5]

– *Michael Kerr, Budget Analyst*

– *Ivy Chen, Division Chief*

– *Brandon T. Minster, Senior Economist*

Overview

GRF program expenditures totaled $29.89 billion in the first eight months of FY 2025. These expenditures were $645.7 million (2.1%) below OBM's estimate for the YTD. GRF uses also include transfers out, which totaled $733.7 million and were $3.6 million (0.5%) over estimate for the YTD. Total GRF uses for these eight months were $30.62 billion, which was $642.1 million (2.1%) below estimate. The preceding tables 3 and 4 show GRF uses compared to estimates for the month of February and the YTD, respectively.

For February program expenditures, positive monthly variances in GRF Medicaid ($64.5 million, 6.5%) and Health and Human Services ($45.0 million, 31.5%) were partially offset by negative monthly variances in Primary and Secondary Education ($18.6 million, 2.1%), General Government ($8.1 million, 17.3%), and Justice and Public Protection ($7.3 million, 3.3%). The remaining categories had monthly variances of less than $6.2 million. Total program expenditures were $79.1 million (3.0%) above estimate for the month of February.

For the YTD, most program categories were under their OBM estimate, most significantly GRF Medicaid ($420.1 million, 2.7%), Health and Human Services ($178.5 million, 11.5%) and Justice and Public Protection ($98.9 million, 4.5%). A significant positive YTD variance for GRF uses occurred in Primary and Secondary Education ($55.6 million, 0.8%). The larger GRF variances singled out above, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As noted above, GRF Medicaid expenditures were above their monthly estimate in February by $64.5 million (6.5%) but below their yearly estimate by $420.1 million (2.7%). Non-GRF Medicaid expenditures were above their monthly estimate by $13.5 million (0.6%) but below their yearly estimate by $251.2 million (1.9%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $78.0 million (2.5%) above estimate in February but $671.3 million (2.3%) below their FY 2025 estimate.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and eight other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all-funds positive variance in February of $85.4 million (3.1%), but a FY 2025 all-funds negative variance of $622.0 million (2.5%). DODD

[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.

had a February all-funds negative variance of $11.6 million (2.9%) and ended the month with yearly expenditures being $25.2 million (0.7%) 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 three of the four major payment categories. In percentage terms, the Administration variance of $88.6 million was the largest (10.1%). 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 $601.5 million (3.3%) below the yearly estimate. The Managed Care variance is likely the result of the continuing decline of caseloads, discussed below. The Premium Assistance negative variance was $42.6 million (3.9%). The Fee-for-Service (FFS) category had a positive YTD variance in February of $61.4 million (0.7%) arising from a positive monthly variance of $64.4 million (7.5%), which reversed the YTD variance from negative to positive. Beginning in January 2025 ODM began private-room incentive payments at qualifying nursing facilities, and these payments are included in the FFS category.

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 February 2025 by over 570,000 (15.9%). November 2024 saw a slight growth in caseloads, but declines have resumed since then. February caseload figures were down over 6,000.

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 eight months of FY 2025 (34.9%), followed by OhioMHAS at 29.3%. Ten other agencies made up the remaining 35.8% of YTD spending.

The negative YTD variance for this category decreased by $45.0 million in February to settle at $178.5 million (11.5%). The largest contributor towards this positive monthly and negative YTD variance was the DCY. DCY was under estimate for the YTD by $91.2 million, which accounted for 51.1% of the program category's negative YTD variance. Two ALIs contributed significant positive variances to DCY's monthly expenditures: ALI 830500, Early Care and Education ($41.7 million), and ALI 830400, Child Care State/Maintenance of Effort ($16.1 million). ALI 830407, Early Childhood Education ($66.4 million), accounted for the largest share of DCY's YTD variance.

ALI 830500 is used to support early care and education activities, such as the state's subsidized childcare programs, and to meet Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) requirements. ALI 830400 is used to meet the matching and 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 TANF Block Grant. ALI 830407 funds early childhood education programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers.

Justice and Public Protection

This program category includes all GRF spending for justice and public protection programs, except for debt service. The Ohio Department of Rehabilitation and Correction (DRC) accounted for 70.3% of actual expenditures for this category in the first eight months of FY 2025. Eleven other agencies made up the remaining 29.7% of spending.

The negative YTD variance in this category was $98.9 million (4.5%). This was primarily due to the DRC and the Ohio Public Defender Commission (PUB), which had negative YTD variances of $55.5 million and $20.2 million, respectively; DRC's variance increased by $9.4 million in February and PUB's fell by $4.3 million. The category as a whole was $7.3 million (3.3%) below estimate for the month.

PUB's monthly variance was due mainly to lower than anticipated spending in ALI 019501, County Reimbursement. ALI 019501 is used primarily to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters. DRC's monthly variance was mainly due to negative variances of $3.4 million in ALI 505321, Institution Medical Services, and $1.6 million in ALI 503321, Parole and Community Operations.

ALI 505321 pays for the provision of medical and behavioral services to offenders housed in the state's prison system. ALI 503321 supports offender release and community supervision services, community sanctions assistance, and victim services. The largest component of this ALI is responsible for the release of offenders from prison (including the operation of the Parole Board) and their supervision in the community thereafter.

General Government

This program category includes all GRF spending for general government programs, except for debt service. The February expenditures in this category were below OBM's monthly estimate by $8.1 million (17.3%), increasing its negative YTD variance to $48.1 million (9.5%). The Department of Transportation (DOT) accounts for 37.4% of the category's negative YTD variance, followed by the Department of Development (DEV) at 22.4%. Twenty-three other agencies made up the remaining 40.2% of the category's YTD variance.

The largest negative DEV line item variance for February was in ALI 195503, Local Development Projects, which was $3.9 million under estimate for the month. This ALI is earmarked for 28 specific community projects for the FY 2024-FY 2025 biennium.

The most significant DOT line item that contributed to the category's negative monthly and YTD variances was ALI 775471, State Road Improvements. This line item was below its monthly and YTD estimates by $4.4 million and $16.9 million, respectively. ALI 775471 is used to provide supplemental funding for road improvement projects in conjunction with a Highway Operating Fund appropriation.

Primary and Secondary Education

This program category contains all GRF spending by DEW, except for property tax reimbursement and Medicaid spending. This category was over the YTD estimate by $55.6 million (0.8%) at the end of February, with a negative monthly variance of $18.6 million (2.1%). The negative monthly variance was primarily due to ALI 200550, Foundation Funding – All Students, which was below estimate by $21.0 million (3.1%) in February. This decrease in spending lowered the positive YTD variance for the line item to $39.8 million.

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

Transfers Out

Transfers out of the GRF were over the monthly estimate for February by $1.7 million, increasing the positive YTD variance in transfers out to $3.6 million (0.5%). The variance for the month was entirely due to two transfers from the GRF: $1.5 million to the Ohio College Opportunity Grant Reserve Fund (Fund 5PUO) and $0.2 million to the War Orphans and Severely Disabled Veterans' Children Scholarship Reserve Fund (Fund 5PW0).

The transfers to both funds enable ODHE to pay each fund's expenses in excess of appropriations in future years by the amount of cancelled prior-year encumbrances in their respective line items: ALI 235563, Ohio College Opportunity Grant, and ALI 235504, War Orphans and Severely Disabled Veterans' Children Scholarship.

Issue Updates

DEW Publishes K-4 Literacy Report for the 2023-2024 School Year

– Patrick Campbell, Budget Analyst

In January 2025, DEW published its annual literacy report for grades K-4 for the 2023-2024 school year. DEW reports the majority of students in each grade were on track to read at grade level, based on the reading diagnostic assessments administered to students in grades K-3 and Ohio's state test for English language arts (ELA). The report also shows a year-over-year increase in the percentage of students scoring at grade level on the diagnostic tests. Specifically, the percentages of students in kindergarten, first, second, and third grades reading at grade level increased by 1.1, 0.5, 5.8, and 5.0 percentage points, respectively, between the 2022-2023 and 2023-2024 school years. Additionally, the percentage of students in grades 3 and 4 scoring at grade level on the state ELA tests increased by 2.2 and 5.2 percentage points, respectively. These results are shown in the table below.

Students Reading at or Above Grade Level				
	Percentage at Grade Level		Percentage Not at Grade Level	
Grade Level and Test Type*	2022-2023	2023-2024	2022-2023	2023-2024
Kindergarten Diagnostic	59.8%	60.9%	40.2%	39.1%
Grade 1 Diagnostic	64.1%	64.6%	35.9%	35.4%
Grade 2 Diagnostic	58.2%	64.0%	41.8%	36.0%
Grade 3 Diagnostic	58.7%	63.7%	41.3%	36.3%
Grade 3 State ELA Test	62.3%	64.5%	64.5%	35.5%
Grade 4 State ELA Test	58.9%	64.1%	64.1%	35.9%

* The diagnostic tests are administered at the beginning of the school year. The grade 3 State ELA Test is administered in the fall and spring and the results reflect the highest score a student received on either administration. The Grade 4 State ELA Test is administered in the spring.

In addition to students reading at or below grade level, the report states that 36.8% of students in grades K-3 who were on a reading improvement and monitoring plan (RIMP) from the prior year progressed to grade-level reading in the 2023-2024 school year. This percentage increased from 32% for the 2022-2023 school year but remains lower than in the years prior to the COVID-19 pandemic. The most frequent types of intervention services for students on a RIMP varied by grade level. For example, students on a RIMP in kindergarten and first grade were more likely to receive explicit intervention in phonemic awareness, while those on a RIMP in second and third grades were more likely to receive explicit intervention in decoding and comprehension, respectively.

Finally, under a provision in H.B. 33, DEW established an approved list of high-quality core curriculum and instructional materials for ELA and a list of evidence-based reading intervention programs aligned with the science of reading and strategies for effective literacy instruction. Beginning no later than the 2024-2025 school year, each school district, community school, and STEM school must use core curriculum and instructional materials from this list. As of January 2025, 68.1% of districts and community schools reported to be using, or are planning to use, ELA instructional materials from DEW's list. Also, 18.7% reported using materials that are partially aligned to the list and 13.2% reported using none of the materials from the list. These figures have all improved since the fall of 2023, where only 32.5% of districts were using aligned materials. The full K-4 Literacy Annual Report (PDF) for the 2023-2024 school year can be accessed by conducting a keyword "annual reports" search on DEW's website: education.ohio.gov.

Ohio EPA and ODOT announce $12.8 Million in Diesel Emission Reduction Grant Awards

– Robert Meeker, Senior Budget Analyst

On January 16, 2025, the Ohio Environmental Protection Agency (Ohio EPA) and Ohio Department of Transportation (ODOT) announced $12.8 million in Diesel Emission Reduction Grant (DERG) awards for FY 2025. These grants, summarized in the table below, were awarded to five different regional transit authorities to assist in the replacement of 19 aging diesel transit buses with newer, cleaner diesel buses, or alternative fuel technology buses.

Diesel Emission Reduction Grants are administered jointly by Ohio EPA and ODOT and funded through the Federal Highway Administration's Congestion Mitigation and Air Quality (CMAQ) program. To be eligible, grant recipients must provide a minimum of 20% in matching funds, which cannot include other federal funds or in-kind services. The recipient's equipment must be operating in Ohio CMAQ designated areas for at least 65% of the time. There are 35 counties and four townships that are eligible to apply for DERG grant awards in Ohio.

DERG Grant Awards – FY 2025 Total: $12,811,276			
Grant Recipient	County	Grant Amount	Percentage Cost of Replacement Buses
Stark Area Regional Transit Authority (SARTA)	Stark	$531,150	80% of 1 bus
Western Reserve Transit Authority (WRTA)	Mahoning	$1,848,023	75% of 2 buses
Toledo Area Regional Transit Authority (TARTA)	Lucas	$2,876,400	80% of 3 buses

DERG Grant Awards – FY 2025 Total: $12,811,276			
Grant Recipient	**County**	**Grant Amount**	**Percentage Cost of Replacement Buses**
Greater Cleveland Regional Transit Authority (GCRTA)	Cuyahoga	$2,668,995	75% of 5 buses
Southern Ohio Regional Transit Authority (SORTA)	Hamilton	$4,886,708	61% of 8 buses

Ohio Traffic Safety Office Awards $24.4 Million in Traffic Safety Grants

– Maggie West, Senior Budget Analyst

On December 16, 2024, the Ohio Traffic Safety Office (OTSO) housed within the Ohio Department of Public Safety (ODPS) announced the award of 189 competitive traffic safety grants totaling $24.4 million. Individual grants ranged from $4,537 to $3.0 million. The Ohio State Highway Patrol was awarded the most funding overall ($10.0 million or 41.0% of total awarded) via 12 grants. Other recipients include state agencies, political subdivisions, nonprofit organizations, colleges and universities, hospitals, and other interested groups within selected Ohio areas based on the number of fatal crashes.

Grants were awarded in six program areas as shown in the table below. While the Statewide Programming received the most project funding overall (56.0% of total funding), the Impaired Driving Enforcement and Selective Traffic Enforcement Program category received the highest number of individual project awards, with 91. These projects fund the overtime hours worked by law enforcement to reduce traffic-related fatal crashes. To be eligible for these overtime grants, a jurisdiction had to experience an annual average of two or more fatal crashes over the three-year period including 2021, 2022, and 2023.

Also, for this grant period, OTSA awarded funding for two pilot projects. Lorain Police Department and the Logan County Sheriff's Office each received awards for a pilot program to help fund a dedicated traffic enforcement officer to reduce traffic-related fatal crashes that involve impaired driving via alcohol or drugs, seat belt usage, speed, aggressive driving, motorcycles, and failure to yield. This pilot program is primarily intended to help fund the salary of the dedicated officer in a step-down manner (100% first year, 50% second year, 25% third year) as the agency absorbs the cost. For more information on all the grant awards, see the list of award recipients and projects available under the heading "Grants" and "Federal Funding – FFY 2025" on the Ohio Traffic Safety Office website: otso.ohio.gov.

Traffic safety grants are funded through money provided by the National Highway Traffic Safety Administration (NHTSA). The grant period began October 1, 2024, and runs through September 30, 2025, coinciding with the federal fiscal year. Entities that applied for these grants agreed to join a statewide partnership to reduce fatal motor vehicle crashes in Ohio. OTSO reports performance statistics annually to NHTSA.

Ohio Traffic Safety Grants, Federal Fiscal Year 2025		
Program Area	**Number of Grants**	**Program Area Total**
Statewide Programming (statewide education, enforcement, and awareness initiatives to address traffic safety-related priority areas)	30	$13,638,530
Impaired Driving Enforcement and Selective Traffic Enforcement Program	91	$5,589,226
Countywide OVI Task Forces	10	$2,408,786
Safe Community Programs (local programs addressing impaired driving, seat belt usage, distracted driving, youthful driving, and motorcycle awareness)	42	$2,294,787
Summer Holiday Enforcement Program (law enforcement overtime to reduce traffic-related fatal crashes in the summer)	14	$270,962
Dedicated Traffic Enforcement Program (pilot program in one police department and one sheriff's office to help pay the salary of a dedicated traffic enforcement officer to reduce traffic-related fatal crashes)	2	$159,003
Total	**189**	**$24,361,294**

DCY and OSU Crane Center Receive $2.0 Million in Federal Funds to Study Child Care

– Jacquelyn Schroeder, Senior Budget Analyst

On December 2, 2024, DCY and the Ohio State University Crane Center for Early Childhood Research and Policy received $2.0 million in federal funding for the Child Care Policy Research Partnerships (CCPRP) initiative. The CCPRP supports collaborations between state agencies that administer publicly funded child care (PFCC), such as DCY, and researchers to inform the child care field about the effectiveness of recent policy changes. The goal of the CCPRP is to: (1) build capacity to conduct policy-relevant research, (2) conduct research on topics of interest to decision-makers, (3) produce pertinent findings, (4) encourage research projects that explore common research questions, (5) promote the exchange of current research ideas, and (6) disseminate findings to stakeholders at the local, state, and federal levels. Specifically, this grant will support a five-year project to analyze the impacts of Ohio's subsidy rate increases for providers who receive PFCC payments, as well as recent changes to its child care quality rating and improvement system.[6] The study will analyze how these changes have impacted family access to quality child care, provider quality and burden, and school outcomes for children who utilized PFCC.

The federal Office of the Administration for Children and Families has been providing funding for child care research collaborations through the CCPRP initiative since 1995. However, this is the first award that Ohio has received. Funded projects will be a part of a consortium that will meet monthly to share information and develop collective expertise on child care policymaking. The first year of the grant will be a planning year to help build partnerships and refine plans for research. The following four years will focus on implementing, completing, and reporting on study findings. The maximum grant award was $400,000 per year.

Work Group on Competency Restoration and Diversion Releases Recommendations to Address Bed Shortages

– Ryan Sherrock, Senior Economist

At the end of November 2024, the Governor's Work Group on Competency Restoration and Diversion released its recommendations to address the lack of available beds in the state's six regional psychiatric hospitals (RPHs). The group developed 15 recommendations. The central theme of these is to ensure that individuals receive the appropriate care in the appropriate setting. The first set of recommendations deals with building capacity in the behavioral healthcare system. This includes all aspects of care including prevention, treatment, and recovery supports, as well as developing the necessary workforce to provide these services. Another set of recommendations deals with expanding access to jail-based healthcare services and in particular, medications for mental illness and substance use disorder. Another area focuses on increasing community residential treatment facilities so individuals can receive 24-hour supervision to help their recovery efforts. For further details, the report can be read in its entirety on the OhioMHAS website.[7]

The Group was convened in April 2024 and consisted of professionals in behavioral health and criminal justice fields from state and local agencies and community organizations. The Group's task was to address bed shortages in the RPHs. Currently, RPHs operate at over 96% capacity and approximately 90% of beds are occupied by forensic patients. Forensic patients are admitted to the RPH through a criminal court order. These patients typically require longer lengths of stay – sometimes months or years. In comparison, civil patients are admitted to RPHs through community health centers and are not involved with the justice system. The length of stay for these patients is about ten to 14 days. The Group's primary goal was to ensure adequate access to RPHs for civil patients as well as forensic patients and to make recommendations on

[6] Ohio's quality rating and improvement system is known as "Step Up to Quality." Numerous changes were implemented in 2024 including reducing administrative burdens for providers by eliminating paperwork, decreasing the number of quality ratings from five levels to three levels, and implementing quality standards that are focused on better child outcomes.

[7] Governor's Work Group on Competency Restoration and Diversion Recommendations Report (PDF), which can be accessed on OhioMHAS' website: mha.ohio.gov/.

how to accomplish this and expand access to necessary programs and services to help accomplish this.

Division of Wildlife Recorded Over 238,000 Deer Taken During the 2024-2025 Hunting Season, Fourth Highest Total on Record

– Tom Wert, Senior Budget Analyst

On February 4, 2025, the Division of Wildlife within the Ohio Department of Natural Resources released results of the 2024-2025 white-tail deer hunting season. Hunters tagged a total of over 238,000 white-tail deer during this period, the fourth highest number counted according to the Division's records. The total includes deer taken during the gun (104,565), muzzleloader (13,476), bow (106,269), and youth (10,449) hunting seasons, as well as controlled firearm hunts (3,378). About two-thirds of the deer checked across the state were taken by crossbow and rifle, while the remaining one-third were taken by hunters using shotguns, vertical bows, muzzleloaders, and handguns. The almost 63,000 deer taken in the ten counties listed below accounted for over 25% of the total harvest statewide. For the 2024-2025 deer season, 78 counties had a three-deer limit. Of the remaining ten, five had a two-deer limit and five had a four-deer limit.

2024-2025 Deer Season Harvest Results by County			
Coshocton	8,196	Guernsey	5,762
Tuscarawas	7,373	Carroll	5,759
Knox	6,730	Licking	5,754
Muskingum	6,269	Holmes	5,684
Ashtabula	6,042	Richland	5,028
		Top Ten Counties	62,597
		Total Statewide	238,137

The major sources of revenue for the Division of Wildlife include hunting and fishing permit and license fees and allocations from the U.S. Department of Interior under the Pittman-Robertson Wildlife Restoration Act. Total receipts from all sources for FY 2024 was $78.2 million. For FY 2025, the amount collected from all sources as of February 2025 is $54.5 million.

Controlling Board Approves $92.2 Million in Grants from the All Ohio Future Fund

– Gavin Enseleit, LSC Fellow

On February 13, 2025, the Controlling Board approved requests from the Department of Development to grant $92.2 million from the All Ohio Future Fund for projects at four sites in

Gallia, Guernsey, Muskingum, and Pickaway counties. These projects aim to attract future economic development opportunities within the eastern and southern regions of the state. The table below shows the grant recipients and summarizes how they will use the state funding.

All Ohio Future Fund Awards, February 2025 ($ millions)		
Recipient	**Purpose**	**Amount**
Pickaway County Port Authority	Add large-scale water, wastewater, and sewer capacity, 40 Megawatts of electric capacity, and natural gas service. Improve road access on a 1,000-acre site	$86.0
Zanesville Muskingum County Port Authority	Increase sewer capacity by 290,000 gallons per day and improve topological conditions on a 203-acre site	$3.7
Guernsey County Port Authority	Improve water, sewer, and road access on a 44-acre site	$1.5
Gallia County Community Improvement Corporation	Provide site preparation, road access, and storm water retention for a new speculative industrial building on 77 acres	$1.0
	Total	**$92.2**

The largest award was to the Pickaway County Port Authority. The Authority will use $70 million of the total awarded to support Anduril Industries, a defense technology firm that plans to build a manufacturing facility on the site. The State expects the megaproject to create more than 4,000 jobs and attract $1 billion in capital investment. The remaining $16 million will be used to extend a municipal sewer line to allow sites for advanced manufacturers.

The All Ohio Future Fund was created under H.B. 33 by modifying the existing Investing in Ohio Fund, originally established under H.B. 397 of the 134th General Assembly. This existing fund had the broad goal of promoting economic development throughout the state. H.B. 33 provided a cash transfer of $667.0 million from the FY 2023 ending GRF balance into the fund, which, when combined with the existing balance of the former fund, resulted in a total of $750.0 million becoming available for the new All Ohio Future Fund. The goal of the new fund is more specifically to target infrastructure projects that create and support project-ready sites. Qualifying sites must be either publicly owned or have a private owner who has agreed to contribute monetarily to the upgrade process; however, preference is given to land under public ownership. Additionally, no more than 20% of a proposed project can be retail, entertainment, multi-family, higher education, commercial office space, or point of care medical service space.

Tracking the Economy

– Craig Kerr, Senior Economist

Overview

New tariffs were levied on many imported goods and services from China (20%), Canada (25%), and Mexico (25%) in February and early March, with those on Mexican imports currently delayed until April. Countries formerly exempt from the 25% tariff on steel imports lost their exemptions and the 10% tariff on aluminum was increased to 25%. In anticipation of the enacted trade restrictions, a record $401.2 billion worth of goods and services was imported in January. While the U.S. labor market and economic growth remained stable, inflation remained above the Federal Reserve's target, causing the central bank to maintain its targeted interest rate range. The price of eggs spiked again in January (15.2%) as millions of egg-laying birds were culled due to an avian flu. Ohio leads the nation in culled birds, just under 14 million in 2025.

The National Economy

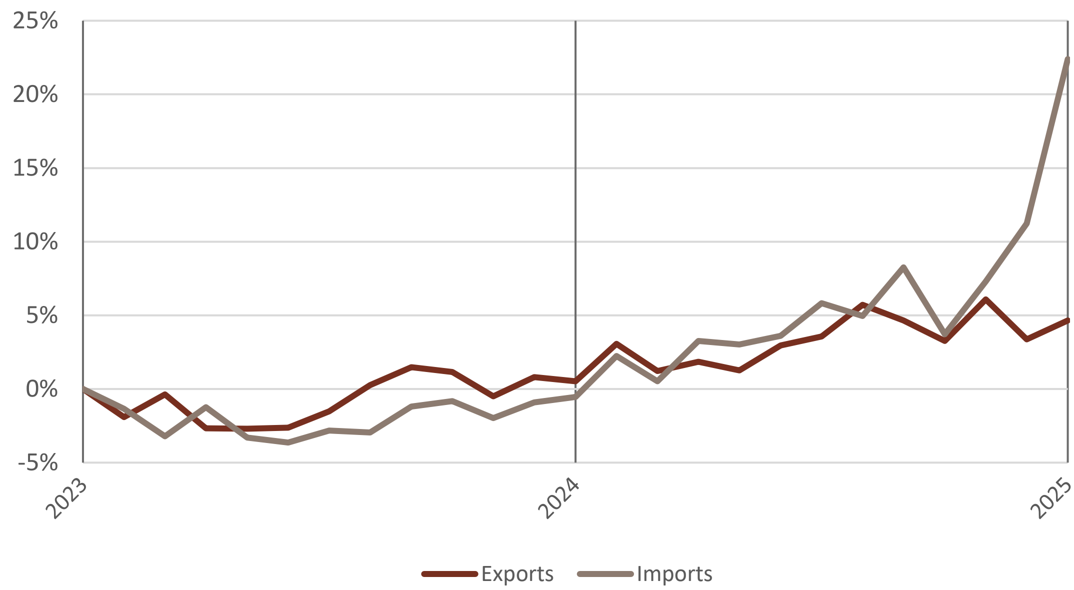
The United States imported a record $401.2 billion worth of goods and services in January according to preliminary estimates released by the Bureau of Economic Analysis (BEA). Exports also increased 1.2% to $269.8 billion. The abrupt growth in trade came ahead of newly proposed tariffs, 10% on most imported goods and services from China and 25% on those from Mexico and Canada. Chart 4 displays the percentage change in exports and imports since January 2023.

As of March 10, 2025, the tariffs on China are in effect and have increased to 20%, those levied on Canadian imports include a 10% tax for energy imports and potash, and a 25% tariff for all other imports that are not produced in North America, while those on Mexico have been paused until April pending negotiations. The application of the tariffs on automobile manufacturers importing from Canada or Mexico are delayed one month. In February, the 10% tariff on imported aluminum was raised to 25%, and exemptions from the tariff on steel for certain countries were revoked.[8] The White House ordered investigations into the effects of the nation's reliance on copper and lumber imports on national security, signaling the potential for additional tariffs in the future. Both China and Canada have announced their own tariffs on certain imported products from the United States.

Just prior to the enactment of the newly levied tariffs, the Federal Reserve Open Market Committee announced their policy to maintain the current targeted range for overnight bank-to-bank loans (Federal Funds Rate). Chairman Jerome Powell reiterated the bank's view that although the labor market has stabilized and that economic activity is expanding at a solid pace, inflation remains higher than desired and that the bank would continue to consider labor market and inflation data and monitor market responses to international and fiscal policies.

[8] These countries include Argentina, Australia, Brazil, Canada, the European Union, Japan, Mexico, South Korea, Ukraine, and the United Kingdom.

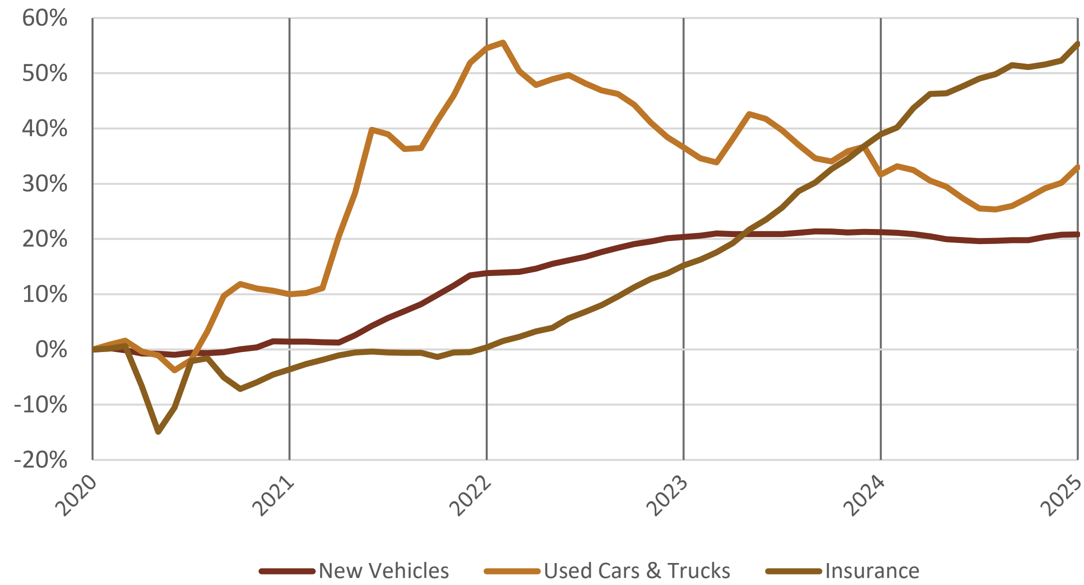
Chart 4: Percent Change in U.S. Trade since January 2023



Economic growth slowed in the fourth quarter and for the year overall in 2024 according to revised estimates released by the Bureau of Economic Analysis (BEA). The seasonally adjusted annual rate of real growth (adjusted for inflation) declined in the fourth quarter from 3.1% to 2.3%. The deceleration primarily reflected downturns in investment and exports that were partly offset by an acceleration in consumer spending. Imports, which are a subtraction from GDP, also declined. For the year overall, the economy continued to expand at a similar pace to 2023, growing by 2.8% or 0.1 percentage points lower than in 2023.

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 3.0% in January, the fourth consecutive month with an increase. Core inflation (excluding volatile food and energy prices) was largely unchanged at 3.3%. On a seasonally adjusted month-over-month basis, the increase in shelter costs (0.4%) once again accounted for a large portion of the index's rise. Energy costs elevated from December 2024, with both gasoline and natural gas prices increasing 1.8%. The cost of automobile ownership continued to rise with used cars and trucks (2.2%) and motor vehicle insurance (2.0%) both exhibiting relatively large monthly price gains. Chart 5 below displays the percentage change in the price indexes for new vehicles (cars and trucks), used cars and trucks, and automobile insurance since January 2020.

Chart 5: Percentage Change in Price Indexes since January 2020



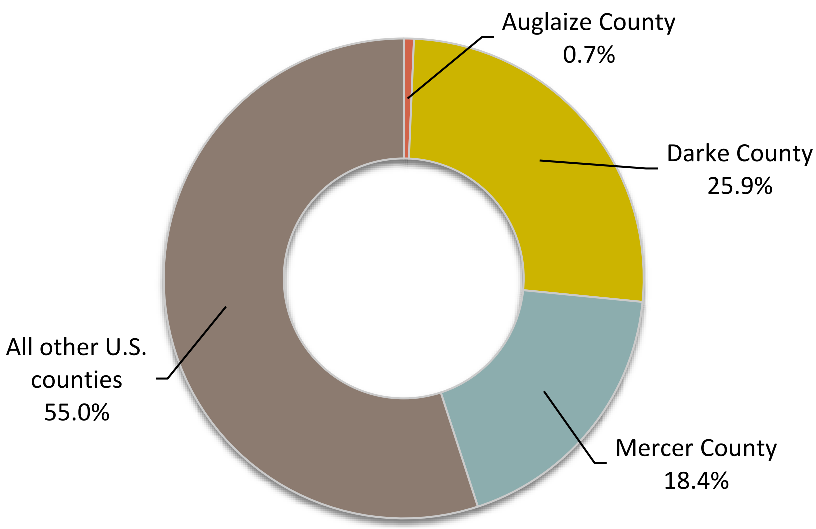
The nation's labor market remained relatively stable in February. Preliminary estimates released by the Bureau of Labor Statistics (BLS) indicate that nonfarm payroll employment increased by 151,000 jobs on a seasonally adjusted basis for the month. The growth was once again led by gains in the healthcare industry (52,000), while the leisure and hospitality (16,000), retail (6,300), and business services (2,000) industries all shed jobs. Both the unemployment rate (4.1%) and the number of unemployed people (7.1 million) changed little in February. However, the number of people employed part-time for economic reasons increased by 460,000 to 4.9 million.

Month-over-month disposable personal income growth accelerated to 0.9% on a seasonally adjusted basis in January after improving by 0.4% in December and 0.3% in November. 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 by 0.5%. Personal savings as a rate of disposable income increased by 1.1 percentage points from 3.5% to 4.6% as the dollar increase in savings ($247 billion) outpaced that of disposable income ($194 billion).

The Ohio Economy

Ohio is the nation's second largest egg-producing state but leads in the number of birds that have been culled (i.e., removed from a flock and killed) due to avian influenza this year. From the beginning of 2025 and through February, nearly 14 million birds used in the production of eggs have been impacted by the virus in the state. The increasing price of eggs accounted for two-thirds of the elevated cost of food at home in January according to the BLS, rising 15.2% from December. Chart 6 displays the proportion of relevant birds that were culled in Ohio's three applicable counties and for all other states in 2025 through February.

Chart 6. Culled Birds Relevant to Egg Production



Preliminary estimates from the BLS indicate that the state's labor market saw an increase of 6,800 jobs in December on a seasonally adjusted basis. Job gains were led by the leisure and hospitality industry (4,300) and retail (3,500) while health care and social assistance industry (1,600) once again set a record, surpassing 864,700 total jobs. The finance (1,600) and transport and utilities (1,300) industries shed the most jobs. Ohio's labor force participation rate held steady at 62.4% on a seasonally adjusted basis for the fourth consecutive month in December.[9] The number of employed workers declined a small amount (370) while the number of unemployed workers and the official unemployment rate (4.5%) was relatively unchanged.

Respondents to a Cleveland Federal Reserve survey indicated that their most important reason for being employed was not earning wages, but rather having access to benefits such as health insurance. Roughly 20% of workers reported having multiple jobs, and many were engaged in gig work due to the flexible scheduling. Most respondents reported having no plans to change their employment situation, citing difficulties in finding better opportunities.

Some real estate and construction companies have reported modest hiring in anticipation of a real estate market recovery. In January, more residential homes were sold (0.8%) at higher average prices (7.6%), generating more revenue (8.5%) for the market relative to a year ago. Mortgage rates were also a bit higher in January 2025, adding to 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 increased by $110, from $1,327 to $1,438.

Construction of new homes in the state have not yet taken off however, as only 1,700 private housing unit building permits were authorized in January, which is about 400 less than

[9] The labor market statistics reported by the BLS in January reflect updates to the population inputs from the Census Bureau used as model inputs and may not coincide with previously reported statistics.

January 2024. However, construction and real estate contacts of the Cleveland Federal Reserve reported a modest increase over the past couple months for nonresidential construction, citing greater certainty after the national election and lower interest rates. One builder observed large projects that were previously on hold began moving forward.