LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2025 Issue: September 2024

Highlights

– Russ Keller, Chief Economist

The Office of Budget and Management (OBM) revised their FY 2025 GRF revenue estimates in September. Anticipated GRF tax revenues are $1.0 billion (3.5%) lower than originally forecasted when the operating budget was enacted. The personal income tax (PIT) was reduced by $681.3 million (6.5%) while the sales and use tax was lowered by $321.4 million (2.4%). Nontax receipts and transfers in were revised upward, so the overall state-source revenue estimate is down $626.1 million (2.1%) from the FY 2025 forecast accompanying the budget bill.

The latest OBM monthly estimates for FY 2025 revenues and expenditures are summarized in this issue at the conclusion of the Revenues and Expenditures sections, respectively.

Ohio's unemployment rate went up to 5.4% in July, but this was partially due to more residents actively looking for work. The state's labor force participation rate was 62.3%, the highest level since March 2020. Ohio wage growth has slowed this calendar year.

Through August 2024, GRF sources totaled $7.89 billion:

- Revenue from the PIT was $9.6 million above estimate;
- Commercial activity tax (CAT) receipts were $8.9 million above estimate.

Through August 2024, GRF uses totaled $9.68 billion:

- Program expenditures were $76.3 million below estimate;
- Transfers out totaled $727.1 million, of which the largest was a $600 million transfer related to school funding.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of August 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 3, 2024)

State Sources	**Actual**	**Estimate***	**Variance**	**Percent**
Tax Revenue				
Auto Sales	$193,087	$189,641	$3,446	1.8%
Nonauto Sales and Use	$952,184	$957,212	-$5,028	-0.5%
Total Sales and Use	*$1,145,272*	*$1,146,853*	*-$1,581*	*-0.1%*
Personal Income	$826,329	$816,701	$9,628	1.2%
Commercial Activity Tax	$427,385	$418,531	$8,854	2.1%
Cigarette	$64,928	$65,061	-$133	-0.2%
Kilowatt-Hour Excise	$34,410	$34,228	$182	0.5%
Foreign Insurance	$4	-$519	$523	100.8%
Domestic Insurance	$742	$232	$510	219.8%
Financial Institution	-$211	$446	-$657	-147.3%
Public Utility	$44,035	$43,871	$164	0.4%
Natural Gas Consumption	$11,498	$13,258	-$1,760	-13.3%
Alcoholic Beverage	$5,936	$4,955	$981	19.8%
Liquor Gallonage	$4,743	$5,018	-$275	-5.5%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$15	-$4	$19	519.3%
Business and Property	$0	$0	$0	---
Estate	$1	-$2	$3	142.1%
Total Tax Revenue	**$2,565,087**	**$2,548,629**	**$16,458**	**0.6%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$8,103	$7,913	$190	2.4%
Other Revenue	$94,278	$95,101	-$823	-0.9%
Total Nontax Revenue	**$102,381**	**$103,013**	**-$632**	**-0.6%**
Transfers In	**$97**	**$0**	**$97**	**---**
Total State Sources	**$2,667,566**	**$2,651,642**	**$15,923**	**0.6%**
Federal Grants	**$1,385,030**	**$1,480,891**	**-$95,861**	**-6.5%**
Total GRF Sources	**$4,052,596**	**$4,132,533**	**-$79,938**	**-1.9%**

*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 August 31, 2024
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 3, 2024)

State Sources	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Tax Revenue						
Auto Sales	$348,347	$344,900	$3,446	1.0%	$334,517	4.1%
Nonauto Sales and Use	$1,958,073	$1,963,100	-$5,028	-0.3%	$1,996,235	-1.9%
Total Sales and Use	*$2,306,419*	*$2,308,000*	*-$1,581*	*-0.1%*	*$2,330,752*	*-1.0%*
Personal Income	$1,569,628	$1,560,000	$9,628	0.6%	$1,603,633	-2.1%
Commercial Activity Tax	$540,654	$531,800	$8,854	1.7%	$578,759	-6.6%
Cigarette	$95,167	$95,300	-$133	-0.1%	$91,509	4.0%
Kilowatt-Hour Excise	$58,082	$57,900	$182	0.3%	$47,442	22.4%
Foreign Insurance	$23	-$500	$523	104.6%	$1,243	-98.1%
Domestic Insurance	$810	$300	$510	170.0%	$820	-1.3%
Financial Institution	$844	$1,500	-$657	-43.8%	-$745	---
Public Utility	$44,364	$44,200	$164	0.4%	$41,676	6.4%
Natural Gas Consumption	$11,941	$13,700	-$1,760	-12.8%	$13,497	-11.5%
Alcoholic Beverage	$13,282	$12,300	$981	8.0%	$11,614	14.4%
Liquor Gallonage	$9,326	$9,600	-$275	-2.9%	$9,744	-4.3%
Petroleum Activity Tax	$0	$0	$0	---	$0	---
Corporate Franchise	$19	$0	$19	---	$84	-77.7%
Business and Property	$0	$0	$0	---	$0	---
Estate	$3	$0	$3	---	$0	5370.5%
Total Tax Revenue	**$4,650,560**	**$4,634,102**	**$16,458**	**0.4%**	**$4,730,029**	**-1.7%**
Nontax Revenue						
Earnings on Investments	$0	$0	$0	---	$0	1933.6%
Licenses and Fees	$8,481	$8,290	$190	2.3%	$8,183	3.6%
Other Revenue	$104,558	$105,381	-$823	-0.8%	$116,578	-10.3%
Total Nontax Revenue	**$113,039**	**$113,671**	**-$632**	**-0.6%**	**$124,761**	**-9.4%**
Transfers In	**$97**	**$0**	**$97**	**---**	**$399**	**-75.6%**
Total State Sources	**$4,763,696**	**$4,747,773**	**$15,923**	**0.3%**	**$4,855,189**	**-1.9%**
Federal Grants	**$3,122,445**	**$3,218,306**	**-$95,861**	**-3.0%**	**$3,088,726**	**1.1%**
Total GRF SOURCES	**$7,886,141**	**$7,966,079**	**-$79,938**	**-1.0%**	**$7,943,914**	**-0.7%**

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

Revenues[1]

– Phil Cummins, Senior Economist

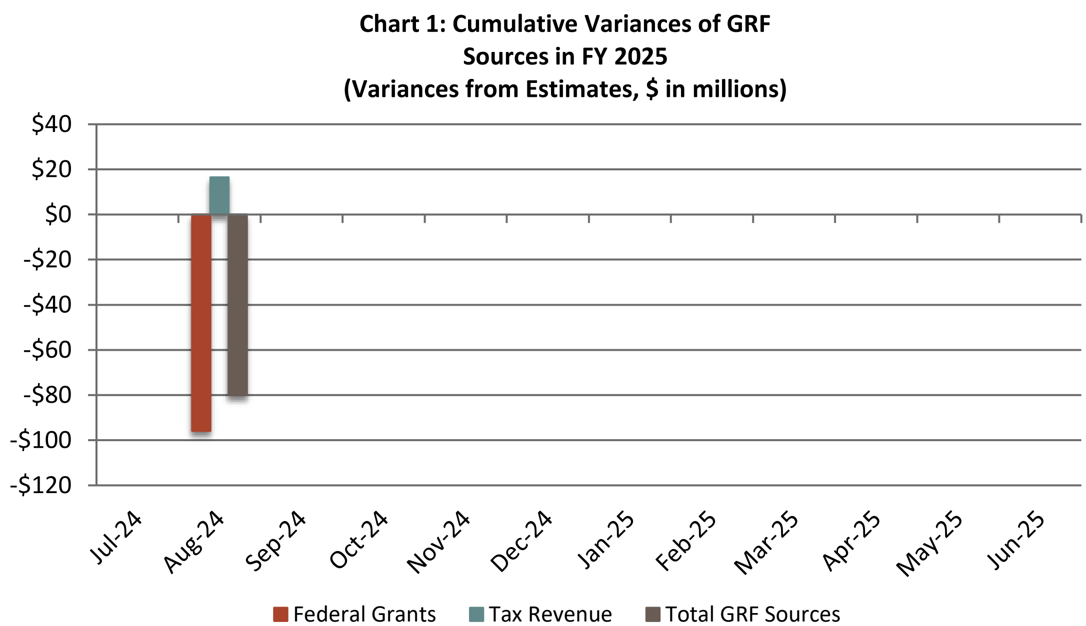
Overview

August GRF total tax revenue was above OBM's estimate by $16.5 million (0.6%). Revenues exceeded the estimate from the PIT by $9.6 million and the CAT by $8.9 million. Revenues were below estimate from the sales and use tax by $1.6 million. Federal grants were below estimate by $95.9 million, and total GRF sources for August were below estimate by $79.9 million.

Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Table 1 above shows GRF sources for the month of August compared to estimates, while Table 2 shows GRF sources for the fiscal YTD compared to both estimates and FY 2024 revenue.

GRF tax receipts in the first two months of FY 2025 were $4.65 billion, $16.5 million (0.4%) above estimate. The dollar amount of the YTD variance matches that for August because July estimates were set equal to actual receipts. For the same reason, the dollar amount of nontax YTD variances also matched those for August. Total YTD GRF sources, $79.9 million below estimate, were 1.0% lower than OBM's estimate.

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



[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 GRF tax revenue in July and August was lower than in FY 2024 by $79.5 million (1.7%). The decline was accounted for by the CAT, lower by $38.1 million (6.6%); the PIT, by $34.0 million (2.1%); the sales and use tax, lower by $24.3 million (1.0%); and other taxes with smaller negative variances. On the positive side, receipts from the kilowatt-hour excise tax were above a year earlier, by $10.6 million (22.4%).

Year-to-date (YTD) nontax revenue to the GRF in FY 2025 was lower than a year earlier by $11.7 million, reflecting a $12.0 million (10.3%) decline in other revenue. Total state-source revenue was lower than a year earlier by $91.5 million (1.9%). GRF revenue from federal grants was higher than in the year-earlier period by $33.7 million (1.1%).

Sales and Use Tax

August GRF receipts from the sales and use tax were $1.15 billion, and for the first two months of FY 2025, revenue from the tax was $2.31 billion. Both were $1.6 million (0.1%) below 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[2] for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases. National gross domestic product data show growth in the dollar value of consumer spending through July, seasonally adjusted, with growth this year mostly in the service sector. Consumer price inflation decreased significantly in FY 2023 from its peak in June 2022, but has remained relatively flat in FY 2024 and FY 2025 through August. In July, the personal consumption expenditures price index was 2.5% higher than a year earlier, matching lows early in 2024 that were the lowest since February 2021 for this inflation measure.

Nonauto Sales and Use Tax

August GRF receipts of $952.2 million were $5.0 million (0.5%) below the OBM estimate and $24.0 million (2.5%) below revenue in August 2023. YTD revenues were $1.96 billion, $5.0 million (0.3%) below estimate and $38.2 million (1.9%) lower than receipts a year earlier. August tax collections reflect retail sales occurring in July, and many purchases were exempt in the final two days of that month.

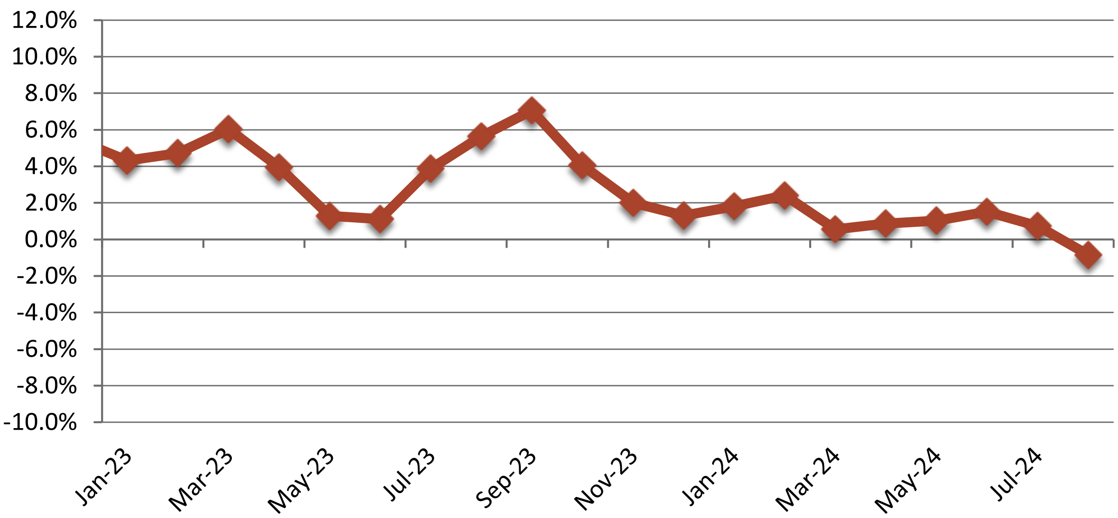
H.B. 33 of the 135th General Assembly created an expanded sales tax holiday starting in 2024. The act held harmless, up to $750 million, the state GRF as well as local governments, public libraries, and transit authorities from revenue losses in 2024 due to the holiday, mainly by transfers from the FY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

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

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

Chart 2, below, shows year-over-year growth in nonauto sales and use tax collections since January 2023. The data are shown using a three-month moving average[4] to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month. The decline in the latest period is indicative of the recent performance of the nonauto sales tax, which was below its prior year levels in both July and August. This recent trend will likely continue into next month, due to the aforementioned sales tax holiday.

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



Auto Sales and Use Tax

August receipts from the auto component of the sales and use tax were $193.1 million, $3.4 million (1.8%) above estimate and $3.9 million (2.1%) above receipts in August 2023. Tax receipts in the first two months of FY 2025 totaling $348.3 million were above the estimate by $3.4 million (1.0%) and above year-earlier revenues by $13.8 million (4.1%). Auto sales tax collections generally reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis. National data on unit sales of new light vehicles (automobiles and light trucks) show a year-over-year increase in July through August 2024 of around 3%. Motor vehicles were excluded from the sales tax holiday.

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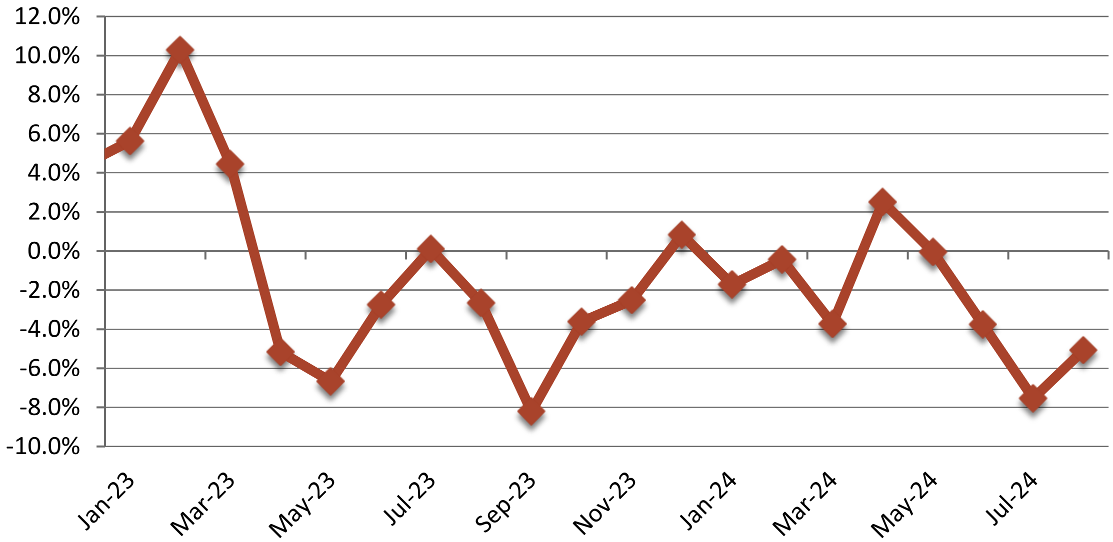
[3] Tangible personal property is any property that can be seen, weighed, measured, felt, or touched. Alcoholic beverages, tobacco and vapor products, marijuana, motor vehicles, and watercraft or outboard motors are excluded from the sales tax holiday.

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

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2023. Auto sales and use tax receipts are volatile from one month to the next, but have broadly trended lower for more than a year. The price of used vehicles has trended lower since early 2023, according to the Manheim used vehicle value index.

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



Personal Income Tax

August GRF revenue from the PIT of $826.3 million was $9.6 million (1.2%) above estimate. GRF revenue received in the first two months of this fiscal year totaled $1.57 billion, $9.6 million (0.6%) above estimate but $34.0 million (2.1%) lower than a year earlier. Implicitly, the estimate for July equaled actual revenue. The weakness compared with year-earlier revenue plausibly is due at least in part to the tax cuts in tax year (TY) 2023 and TY 2024 made by H.B. 33. H.B. 33 reduced both tax rates and the number of tax brackets for both years. Withholding rates, set administratively, were reduced by the Department of Taxation in November 2023 and again in July 2024, by percentages ranging up to 25%. Also, Ohio income growth slowed early this year. Wage disbursements in the first quarter were 4.6% higher than a year earlier, down from a 5.8% increase in all of calendar year (CY) 2023.

The Department is changing the categories for which it reports detailed information on the PIT. Gross PIT tax collections now include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments,[5] payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the Local Government

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

Fund (LGF). What remains is GRF PIT revenue. The change in reporting follows enactment of electing PTE law, S.B. 246 of the 134th General Assembly. The primary driver of PIT revenue is withholding payments, about 78% of gross PIT collections in FY 2024.

The table below provides details on revenue from PIT components in July and August relative to estimates for the fiscal year and to revenues received in the year-earlier period. Gross collections were $18.7 million (1.0%) above anticipated revenue, but $60.3 million (3.1%) below year-earlier revenues. Withholding, the largest category, was $11.1 million (0.6%) above anticipated revenue, but $63.8 million (3.6%) below a year earlier. Refunds and LGF distributions were lower than in the year-earlier period.

July-August 2024 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	$11.1	0.6%	-$63.8	-3.6%
PTE Annual Returns	$1.3	6.4%	-$4.6	-18.0%
PTE Estimated Payments	-$4.3	-6.1%	-$10.3	-13.6%
IT-1040 Estimated Payments	$5.7	31.5%	$10.1	72.5%
Annual Return Payments	$4.3	22.5%	$2.0	9.4%
Trust Payments	$0.0*	1.1%	$1.9	149.7%
Miscellaneous Payments	$0.6	3.5%	$4.5	37.6%
Gross Collections	**$18.7**	**1.0%**	**-$60.3**	**-3.1%**
Less Refunds	$9.1	4.3%	-$24.0	-9.9%
Less LGF Distribution	$0.0*	0.0%	-$2.3	-2.6%
GRF PIT Revenue	**$9.6**	**0.6%**	**-$34.0**	**-2.1%**

* Denotes a dollar value less than $50,000 before rounding.

Commercial Activity Tax

August GRF CAT receipts were $427.4 million, $8.9 million (2.1%) above estimate. For July and August GRF revenues were $540.7 million, $8.9 million (1.7%) above estimate. CAT payments are due in February, May, August, and November based on gross receipts in the previous calendar quarter.

YTD GRF revenue from the CAT was $38.1 million (6.6%) lower than a year earlier. Allocation of CAT revenue was changed by H.B. 33 to direct virtually all revenue after the first

0.65% to the GRF.[6] 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. YTD CAT revenue on an all-funds basis net of refunds, $544.2 million, was $38.4 million (6.6%) below comparable CAT revenue in FY 2024.

Although the disposition of revenue remains unchanged from one year ago, a significant policy change obscures comparisons with revenues from the prior year. For tax periods beginning in TY 2024, another H.B. 33 provision reduces the CAT tax base. Businesses with taxable gross receipts of $3 million or less per year no longer owe the CAT. Payments due in August were based on gross receipts in April through June less this exclusion amount. The change likely accounts for the YTD decline in CAT revenues on an all-funds basis. This exclusion amount increases to $6 million in TY 2025 and thereafter. All CAT taxpayers now pay quarterly; the category of annual CAT taxpayer is eliminated.

Cigarette and Other Tobacco Products Tax

August revenue from the cigarette and other tobacco products (OTP) tax totaling $64.9 million was below estimate by $0.1 million (0.2%). Revenue in the first two months of FY 2025 from the tax was $95.2 million, $0.1 million (0.1%) below estimate. The fiscal YTD total included $73.6 million from cigarette sales and $21.6 million from OTP.

FY 2025 YTD revenue was $3.7 million (4.0%) higher than in the first two months of FY 2024. OTP sales increased by $1.9 million (9.5%) while receipts from cigarette sales increased $1.8 million (2.5%). The larger percentage increase in OTP revenue may be due in part to rising OTP prices, up about 5% at wholesale in the latest year. The tax is an ad valorem tax, generally 17% of the wholesale price paid by wholesalers for the product; thus, revenue from that portion of the tax base tends to be boosted by price increases.

Taxation of cigarettes, on the other hand, is 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 are higher than a year earlier. Notably, during the COVID-19 pandemic, receipts were up from a year earlier for several months, after which the downtrend resumed.

Summary of OBM Estimates for GRF Sources for FY 2025

Estimated revenue by GRF source for the full fiscal year is shown in the table below. GRF sources are estimated to total $43.22 billion in FY 2025. Based on this estimate, the sales and use tax, the PIT, the CAT, and the cigarette tax will provide about 60% of total GRF sources in FY 2025. Transfers in are estimated to be $949.3 million, which includes a December transfer of $584.3 million that reimburses the GRF for losses arising from the expanded sales tax holiday.

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[6] R.C. 5751.02 as amended by H.B. 33 directs CAT revenue after the credit to Fund 2280 to any required payments to the Commercial Activity Tax Motor Fuel Receipts Fund (Fund 7019) and any amounts needed to make required payments to the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). The remainder is to be credited to the GRF. Fund 7019 continues to receive small amounts of revenue. Balances in Fund 7047 and Fund 7081 are far in excess of required payments.

OBM Estimate for GRF Sources for FY 2025 ($ in millions)		
Revenue Source	**Estimate**	**As a % of Total Source**
Sales and Use Tax	$13,276.2	30.7%
Individual Income Tax	$9,770.2	22.6%
Commercial Activity Tax	$2,197.0	5.1%
Cigarette & Other Tobacco Products Tax	$703.5	1.6%
Domestic and Foreign Insurance Taxes	$768.3	1.8%
Utility Taxes	$533.6	1.2%
Other Taxes	$347.4	0.8%
Subtotal – GRF Taxes	**$27,596.2**	**63.8%**
Nontax Revenue	$556.2	1.3%
Transfers In	$949.3	2.2%
Federal Grants	$14,121.4	32.7%
Total GRF Sources	**$43,223.1**	**100.0%**

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

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$912,652	$907,351	$5,302	0.6%
Higher Education	$223,452	$219,884	$3,567	1.6%
Other Education	$18,965	$16,191	$2,774	17.1%
Total Education	**$1,155,069**	**$1,143,426**	**$11,643**	**1.0%**
Medicaid	$2,079,833	$1,992,054	$87,779	4.4%
Health and Human Services	$165,039	$225,467	-$60,428	-26.8%
Total Health and Human Services	**$2,244,872**	**$2,217,520**	**$27,352**	**1.2%**
Justice and Public Protection	$257,291	$294,607	-$37,316	-12.7%
General Government	$66,922	$71,892	-$4,971	-6.9%
Total Government Operations	**$324,213**	**$366,499**	**-$42,286**	**-11.5%**
Property Tax Reimbursements	$123,949	$222,065	-$98,116	-44.2%
Debt Service	$305,609	$165,332	$140,277	84.8%
Total Other Expenditures	**$429,558**	**$387,397**	**$42,161**	**10.9%**
Total Program Expenditures	**$4,153,712**	**$4,114,843**	**$38,869**	**0.9%**
Transfers Out	**$1,522**	**$1,500**	**$22**	**1.5%**
Total GRF Uses	**$4,155,234**	**$4,116,343**	**$38,892**	**0.9%**

*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 August 31, 2024
($ in thousands)
(Actual based on OAKS reports run September 9, 2024)

Program Category	Actual	Estimate*	Variance	Percent	FY 2024**	Percent
Primary and Secondary Education	$1,849,134	$1,848,463	$671	0.0%	$1,702,680	8.6%
Higher Education	$445,758	$445,309	$448	0.1%	$380,806	17.1%
Other Education	$30,993	$29,647	$1,346	4.5%	$29,697	4.4%
Total Education	**$2,325,885**	**$2,323,419**	**$2,466**	**0.1%**	**$2,113,183**	**10.1%**
Medicaid	$4,903,881	$4,853,936	$49,945	1.0%	$4,591,390	6.8%
Health and Human Services	$337,667	$441,392	-$103,725	-23.5%	$273,339	23.5%
Total Health and Human Services	**$5,241,548**	**$5,295,328**	**-$53,780**	**-1.0%**	**$4,864,730**	**7.7%**
Justice and Public Protection	$600,708	$661,800	-$61,092	-9.2%	$533,229	12.7%
General Government	$135,483	$141,010	-$5,527	-3.9%	$89,048	52.1%
Total Government Operations	**$736,191**	**$802,811**	**-$66,619**	**-8.3%**	**$622,277**	**18.3%**
Property Tax Reimbursements	$123,876	$222,483	-$98,607	-44.3%	$121,181	2.2%
Debt Service	$524,928	$384,665	$140,262	36.5%	$336,646	55.9%
Total Other Expenditures	**$648,804**	**$607,148**	**$41,656**	**6.9%**	**$457,827**	**41.7%**
Total Program Expenditures	**$8,952,428**	**$9,028,706**	**-$76,278**	**-0.8%**	**$8,058,017**	**11.1%**
Transfers Out	**$727,115**	**$727,093**	**$22**	**0.0%**	**$5,817,218**	**-87.5%**
Total GRF Uses	**$9,679,543**	**$9,755,799**	**-$76,256**	**-0.8%**	**$13,875,235**	**-30.2%**

*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 September 6, 2024)

	Month of August 2024				Year to Date through August 2024			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$1,977,991	$1,886,863	$91,128	4.8%	$4,707,866	$4,656,448	$51,417	1.1%
Non-GRF	$1,154,493	$1,303,536	-$149,043	-11.4%	$1,189,726	$1,338,712	-$148,985	-11.1%
All Funds	$3,132,484	$3,190,399	-$57,915	-1.8%	$5,897,592	$5,995,160	-$97,568	-1.6%
Developmental Disabilities								
GRF	$90,075	$89,863	$212	0.2%	$170,757	$173,005	-$2,248	-1.3%
Non-GRF	$295,574	$313,881	-$18,308	-5.8%	$629,556	$664,723	-$35,167	-5.3%
All Funds	$385,648	$403,744	-$18,096	-4.5%	$800,313	$837,728	-$37,415	-4.5%
Job and Family Services								
GRF	$10,549	$13,945	-$3,396	-24.4%	$23,295	$22,099	$1,196	5.4%
Non-GRF	$16,536	$18,572	-$2,036	-11.0%	$31,450	$30,387	$1,063	3.5%
All Funds	$27,085	$32,517	-$5,432	-16.7%	$54,745	$52,486	$2,259	4.3%
Health, Aging, Mental Health & Addiction, Pharmacy Board, Education & Workforce, Higher Education, and Children & Youth								
GRF	$1,218	$1,383	-$165	-11.9%	$1,963	$2,383	-$421	-17.6%
Non-GRF	$8,272	$16,183	-$7,911	-48.9%	$13,316	$25,009	-$11,693	-46.8%
All Funds	$9,490	$17,566	-$8,076	-46.0%	$15,279	$27,392	-$12,113	-44.2%
All Departments:								
GRF	**$2,079,833**	**$1,992,054**	**$87,779**	**4.4%**	**$4,903,881**	**$4,853,936**	**$49,945**	**1.0%**
Non-GRF	**$1,474,875**	**$1,652,172**	**-$177,297**	**-10.7%**	**$1,864,048**	**$2,058,830**	**-$194,782**	**-9.5%**
All Funds	**$3,554,708**	**$3,644,226**	**-$89,518**	**-2.5%**	**$6,767,929**	**$6,912,766**	**-$144,837**	**-2.1%**

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

Table 6: All Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on September 6, 2024)

	Month of August 2024				Year to Date through August 2024			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	**$2,034,366**	**$2,031,011**	**$3,355**	**0.2%**	**$4,110,158**	**$4,155,007**	**-$44,849**	**-1.1%**
CFC†	$519,031	$551,123	-$32,092	-5.8%	$1,094,487	$1,101,883	-$7,396	-0.7%
Group VIII	$480,166	$490,650	-$10,484	-2.1%	$912,855	$951,416	-$38,561	-4.1%
ABD†	$174,935	$186,873	-$11,938	-6.4%	$347,882	$359,129	-$11,247	-3.1%
ABD Kids	$61,272	$65,984	-$4,712	-7.1%	$121,081	$127,157	-$6,076	-4.8%
My Care	$324,914	$248,836	$76,078	30.6%	$616,159	$543,135	$73,024	13.4%
OhioRISE	$54,350	$51,785	$2,565	5.0%	$102,355	$103,358	-$1,003	-1.0%
SPBM†	$419,698	$435,761	-$16,063	-3.7%	$915,339	$968,929	-$53,590	-5.5%
Fee-For-Service	**$1,288,309**	**$1,341,985**	**-$53,676**	**-4.0%**	**$2,216,316**	**$2,273,899**	**-$57,583**	**-2.5%**
ODM Services	$608,754	$438,247	$170,507	38.9%	$1,126,537	$943,415	$183,122	19.4%
DDD Services	$378,259	$383,738	-$5,479	-1.4%	$788,484	$810,484	-$22,000	-2.7%
Hospital - HCAP†	$301,295	$520,000	-$218,705	-42.1%	$301,295	$520,000	-$218,705	-42.1%
Premium Assistance	**$129,035**	**$132,836**	**-$3,801**	**-2.9%**	**$258,247**	**$265,748**	**-$7,501**	**-2.8%**
Medicare Buy-In	$76,352	$77,756	-$1,404	-1.8%	$152,465	$155,913	-$3,448	-2.2%
Medicare Part D	$52,683	$55,080	-$2,397	-4.4%	$105,782	$109,835	-$4,053	-3.7%
Administration	**$102,998**	**$138,393**	**-$35,395**	**-25.6%**	**$183,208**	**$218,112**	**-$34,904**	**-16.0%**
Total	**$3,554,708**	**$3,644,226**	**-$89,518**	**-2.5%**	**$6,767,929**	**$6,912,766**	**-$144,837**	**-2.1%**

*August 2024 estimates from the Department of Medicaid

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

Detail may not sum to total due to rounding.

Expenditures[7]

– Michael Kerr, Budget Analyst

– Brandon T. Minster, Economist

Overview

For the first two months of FY 2025, GRF program expenditures totaled $8.95 billion. These expenditures were $76.3 million (0.8%) below OBM's estimates. GRF uses also include transfers out, which totaled $727.1 million and were roughly at estimate for the YTD. Total GRF uses for these two months, therefore, totaled $9.68 billion, which was also $76.3 million (0.8%) under estimate. OBM's estimates for GRF uses are summarized at the end of this section.

Among program categories, Debt Service had the largest positive and overall YTD variance ($140.3 million, 36.5%). However, the second and third largest YTD variances were negative: Health and Human Services ($103.7 million, 23.5%) and Property Tax Reimbursements ($98.6 million, 44.3%). These variances, in addition to Medicaid's non-GRF variance, are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. GRF Medicaid expenditures were above their monthly estimate in August by $87.8 million (4.4%) and above their yearly estimate by $49.9 million (1.0%). Non-GRF Medicaid expenditures were below their monthly estimate by $177.3 million (10.7%) and below their yearly estimate by $194.8 million (9.5%). Nearly all of the non-GRF variance can be attributed to lower Hospital Care Assurance Program (HCAP) spending. Including both the GRF and non-GRF, all funds Medicaid expenditures were $89.5 million (2.5%) below estimate in August and $144.8 million (2.1%) below their FY 2025 estimate.

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and eight other "sister" agencies that also take part in administering Ohio Medicaid. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for the majority of the variances in Medicaid expenditures. ODM had an all-funds negative variance in August of $57.9 million (1.8%), and a FY 2025 all-funds negative variance of $97.6 million (1.6%). DODD had an August all-funds negative variance of $18.1 million (4.5%) and ended the month with yearly expenditures being $37.4 million (4.5%) below estimate. These data reflect decreased spending in the first two months of the fiscal year. The other eight "sister" agencies – Job and Family Services (ODJFS), Health (ODH), Aging (ODA), Mental Health & Addiction Services (OhioMHAS), State Board of Pharmacy, Education and Workforce (DEW), Higher Education, and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the eight "sister" agencies incur only administrative spending.

[7] 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 6 shows all-funds Medicaid expenditures by payment category. Expenditures were below their fiscal year estimates for all four major payment categories. In percentage terms, the Administration variance of $34.9 million (16.0%) was the largest. This continues the trend from the previous fiscal year of administrative underspending. In terms of absolute dollars, the largest variance was in Fee-for-Service (FFS), which was $57.6 million (2.5%) below the yearly estimate. The other categories with negative variances were Managed Care at $44.8 million (1.1%) and Premium Assistance at $7.5 million (2.8%).

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 August 2024 by over 530,000 (14.8%).

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.

The August expenditures in this category were above its monthly estimate by $140.3 million (84.8%), resulting in a positive YTD variance of $140.3 million (36.5%). This large variance for the month is primarily due to ALI 230908, Common Schools General Obligation Bond Debt Service, which had a positive August variance of $140.4 million. This line item is used for debt service payments on general obligation bonds issued to raise funds for the state share of school facilities project costs. The $140.4 million debt payment was originally projected to occur in September but was instead disbursed in August. There is expected to be a corresponding negative variance for this line item in September as a result.

Health and Human Services

This program category includes all GRF spending for non-Medicaid health and human services agencies, except for their debt service obligations. OhioMHAS accounts for a majority of the actual expenditures for this category in the first two months of FY 2025 (33.9%).

The negative YTD variance for this category increased by $60.4 million in August to reach $103.7 million (23.5%). The largest contributor towards this negative YTD variance was DCY, the category's third largest component by actual expenditures. DCY was under estimate for the YTD by $75.9 million, which accounted for 73.2% of the category's negative YTD variance. Three ALIs accounted for $52.5 million of DCY's YTD variance: ALI 830407, Early Childhood Education ($23.5 million); ALI 830500, Early Care and Education ($18.1 million); and ALI 830400, Child Care State/Maintenance of Effort ($10.9 million).

ALI 830407 funds early childhood education (ECE) programs at school districts, educational service centers, community schools, chartered nonpublic schools, and certain licensed child care centers. ALI 830500 is used to support early care and education activities, such as the state's subsidized childcare programs, and to meet TANF maintenance of effort requirements. ALI 830400 is used to meet the federal Child Care and Development Fund (CCDF) matching and Maintenance of Effort (MOE) grant requirements.

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 August, this category had a negative variance of $98.1 million (44.2%) to reach a negative variance of $98.6 million (44.3%) for the YTD.

Transfers Out

Transfers out of the GRF were at estimate for July and roughly at estimate for August. The $725.6 million in transfers out in July were due to transfers into the following funds:

- $600.0 million into the Student Wellness and Success Fund (Fund 5VS0);
- $50.0 million into the Career-Technical Education Equipment Fund (Fund 5AD1);
- $24.5 million into the Targeted Addiction Program Fund (Fund 5TZ0);
- $17.8 million into the One Time Strategic Community Investments Fund (Fund 5AY1);
- $10.0 million into the Grow Your Own Teacher Program (Fund 5ZY0);
- $6.0 million into the Transcranial Magnetic Stimulation Fund (Fund 5VV0);
- $5.3 million into the Property Tax Administration Fund (5V80);
- $5.0 million into the DVS Persian Gulf, Afghanistan, Iraq Compensation Fund (Fund 7041);
- $5.0 million into the Maritime Assistance Fund (Fund 5QT0);
- $1.5 million into the Behavioral Healthcare Fund (Fund 5AU0);
- $0.5 million into the Wildlife Fund (Fund 7015).

Transfers out for the month of August included the transfer of $1.0 million into the Public Defender Legal Aid Fund (Fund 5740) and $0.5 million into the Underground Parking Garage Fund (Fund 2080).

Summary of OBM Estimates for GRF Uses

The table below shows OBM's estimates for GRF uses for FY 2025. The program categories are ordered from largest to smallest annual estimate. Altogether, GRF program expenditures are estimated to total $43.71 billion in FY 2025. Of this amount, $21.83 billion (49.9%) will go to Medicaid and $9.82 billion (22.5%) will go to Primary and Secondary Education. Together, these two program categories are expected to account for 72.4% of total program expenditures in FY 2025.

In addition to program expenditures, OBM estimates that $739.4 million will be transferred out of the GRF. Most of these estimated transfers out ($727.1 million) already happened in the first two months of the fiscal year. The remaining transfers out are estimated to occur in November ($3.0 million) and June ($9.3 million).

OBM also estimates that $686.3 million of FY 2025 appropriations will be encumbered at the end of the fiscal year for expenditure in future fiscal years. Including these encumbrances, estimated total GRF uses for FY 2025 are $45.13 billion.

OBM Estimates for GRF Uses for FY 2025 by Program Category ($ in thousands)

Program Categories	Expenditures	As a % of Total Program Expenditures
Medicaid	$21,826,550	49.9%
Primary and Secondary Education	$9,822,622	22.5%
Justice and Public Protection	$3,196,088	7.3%
Higher Education	$2,686,114	6.1%
Health and Human Services	$2,199,431	5.0%
Property Tax Reimbursements	$1,885,992	4.3%
Debt Service	$1,245,432	2.8%
General Government	$740,329	1.7%
Other Education	$105,215	0.2%
Total Program Expenditures	**$43,707,773**	**100.0%**
Transfers Out	$739,408	---
Year-end Encumbrances	$686,297	---
Total GRF Uses	**$45,133,478**	**---**

Issue Updates

Ohio Department of Medicaid Awards $6.5 Million in Community Reinvestment Grants

– Nelson V. Lindgren, Economist

On June 12, 2024, ODM, in collaboration with Medicaid managed care entities (MCEs), announced that 17 recipients received a total of more than $6.5 million in community reinvestment grants. ODM requires MCEs to collectively invest a portion of their yearly proceeds into community-based services that address social determinants of health. The grant recipients were chosen by MCEs and regional advisory committees consisting of community members. The award process involved scoring potential projects on the following criteria: sustainability, scalability, alignment with ODM's efforts to improve the health of Medicaid beneficiaries, impact on health inequities and disparities, and coordination with community organizations. Grant focus areas were maternal and infant health, health-related social needs, behavioral health for children and adults, healthier communities, and school-based health projects. Examples of specific activities funded include: a statewide doula initiative to increase doula usage, particularly by women of color or women in Appalachia; food support programs (e.g., school-based food pantries and home delivery to people with limited mobility) in southeast Ohio, harm reduction efforts to expand access to fentanyl test strips and overdose prevention packets; lead testing; and nurse navigators to help pregnant and postpartum women improve birth outcomes.

Two Ohio Organizations Received $896,000 in Federal Ryan White HIV/AIDS Program Part D Grants

– Jacquelyn Schroeder, Senior Budget Analyst

On July 31, 2024, the U.S. Department of Health and Human Services (HHS) announced that two Ohio community-based organizations were awarded approximately $896,000 in federal Ryan White HIV/AIDS Program (RWHAP) Part D Grants. The two organizations that received funds were the University of Toledo Health Science Campus and the University Hospitals of Cleveland, which were awarded approximately $509,000 and $388,000, respectively. The funds will be used to provide family-centered medical care and support services to low-income women, infants, children, and youth with human immunodeficiency virus (HIV). A total of $68.5 million in Part D grants were awarded to 111 community-based organizations in federal fiscal year (FFY) 2024. Part D recipients may use grant funding for (1) medical service costs, (2) support service costs, including case management, transportation services for medical appointments, and outreach to recruit individuals and keep them in care, (3) training and technical assistance for staff and quality improvement, and (4) administrative costs.

RWHAP was first authorized in 1990 and serves over 560,000 individuals with HIV each year. The program's goals are the following: provide a comprehensive system of HIV medical care, medication, and support services to low-income individuals with HIV; improve HIV-related health outcomes; and help reduce HIV transmission through five grant program parts. Each program part has a different funding purpose and is available to specified grant recipients, including states, cities, counties, and local community-based organizations. The five parts are briefly described below.

- Part A provides medical and support services to cities and counties that are most impacted by HIV.
- Part B is provided to states to improve HIV health care access and quality and to provide medications to low-income individuals with HIV.
- Part C is used to provide outpatient ambulatory health services to people with HIV and to strengthen capacity of community-based groups.
- Part D, as mentioned above, provides medical care for low-income women, children, and youth with HIV.
- Part F is provided to a variety of organizations (hospitals, dental schools, nonprofits, etc.) to provide oral health care for people with HIV, improve minority HIV health care access, and to develop innovative models of HIV care.

OFCC Awards 11 School Districts $88.9 Million in Grants for Appalachian Community Innovation Centers

– Jason Glover, Senior Budget Analyst

In June 2024, the Ohio Facilities Construction Commission (OFCC) awarded a total of approximately $88.9 million in grants under the Appalachian Community Innovation Centers Program (ACICP) to 11 school districts. The grants are for projects that support new construction or renovation of multi-purpose facilities, or Community Innovation Centers, in areas within the Appalachian region. These centers provide an access point to public education, community health services, and workforce development. School districts, joint vocational school districts (JVSDs), regional councils of government, and other political subdivisions located in the 32-county Ohio Appalachian region were eligible to receive the funds. Facilities supported by the grants must be used to provide K-12 public education, physical or behavioral health services to students and the public through a partnership with a health care provider, community access to job-related programming and resources such as adult education, workforce training, and career counseling services, and return-to-work services with internet access providing work search capabilities. The grants are supported by federal American Rescue Plan Act (ARPA) funds appropriated from Fund 5CV5 ALI 230654, Appalachian Community Innovation Centers.

Grant amounts range from about $700,000 for a 2,400 square foot warehouse space renovation project in the New Richmond Exempted Village School District (Clermont County) to $16.4 million for a 20,876 square foot renovation and expansion project in the New Lexington City School District (Perry County). The table below summarizes the recipients and grant awards. Project descriptions can be accessed by conducting a keyword “Appalachian Community Innovation Centers” search on OFCC’s website: ofcc.ohio.gov.

Appalachian Community Innovation Centers Program Awards, FY 2024-FY 2025		
School District	**County**	**Amount**
New Lexington City	Perry	$16,404,114
Bridgeport Exempted Village	Belmont	$13,834,879
Fayetteville-Perry Local	Brown	$10,842,473
Gallia-Jackson-Vinton JVSD	Gallia	$10,500,000
Chesapeake Union Exempted Village	Lawrence	$10,305,000
Caldwell Exempted Village	Noble	$8,358,966
Indian Creek Local	Jefferson	$6,515,272
Trumbull Career and Technical Center	Trumbull	$5,126,000
Mahoning County Career and Technical Center	Mahoning	$5,030,815
Brown Local	Carroll	$1,320,550
New Richmond Exempted Village	Clermont	$711,000
	Total	**$88,949,069**

Source: Ohio Facilities Construction Commission

ACICP supplements the Appalachian Community Grants Program created by H.B. 377 of the 134th General Assembly. H.B. 377 appropriated $500.0 million in ARPA funding under Fund 5CV3 ALI 1956B1, ARPA Appalachia Community Grants, for the Department of Development (DEV) to award planning and development grants to support economic development in Ohio's Appalachian region.

Department of Development Invests $50.0 Million to Expand Broadband in Adams, Brown, and Clermont Counties

– Jared Cape, Budget Analyst

On August 15, 2024, BroadbandOhio, under DEV, announced a $50.0 million investment to support broadband expansion in Adams, Brown, and Clermont counties, through the Multi-County Last Mile Fiber Build Pilot program. The state is partnering with altafiber, a fiber network provider, to expand internet coverage to an estimated 30,000 people who currently do not have service. In total, the project will cost $110.0 million, with altafiber providing $60.0 million in private investment. The state's portion of the funding comes from the U.S. Department of Treasury's Capital Projects Fund, appropriated through the state's ARPA Capital Projects Fund (Fund 5CV5). The $50.0 million must be spent and the fiberoptic buildout must be completed in

Brown and Clermont counties by December 31, 2026. Altafiber must complete the Adams County buildout no later than December 31, 2027.

DEW Approves Providers for the Ohio Computer Science Promise Program

– Patrick Campbell, Budget Analyst

In August, the Department of Education and Workforce (DEW) released a list of the approved providers for the Ohio Computer Science Promise program. The program allows students in grades 7-12 to enroll in one computer science course not offered by the student's secondary school per year. The program, which is being offered for the first time in the 2024-2025 school year, allows students to earn high school credit for these courses at no cost to the student. Course offerings include website development, networking, computer service, computer programming, and specific topics in computer science like cybersecurity and artificial intelligence. The courses are available virtually, so students from across the state are able to take them. The approved providers for each type of course are listed in the table below.

The program was created in H.B. 33, which defined the requirements for the program, including eligibility, and laid out DEW's responsibilities, such as publishing a list of approved courses and providers and updating it annually. H.B. 33 did not allocate state funds for the program. According to DEW, each school or district is responsible for arranging payments to the approved providers for participating students.

Approved Courses and Providers for the Ohio Computer Science Promise Program, 2024-2025 School Year

Course	Approved Providers	Virtual Offering?
Website Development	Academy for Technologists Extraordinaire, Fairfield County Educational Service Center	Yes
Networking	Fairfield County Educational Service Center	Yes
Computer Service	Academy for Technologists Extraordinaire	Yes
Computer Programming	Academy for Technologists Extraordinaire, Fairfield County Educational Service Center, Mainline Education Foundation, Outlier by Savvas, YaizY	Yes
Cybersecurity/Artificial Intelligence	YaizY	Yes

Ohio Supreme Court Awards $2.9 Million in Court Technology Grants

– Robert Meeker, Senior Budget Analyst

On June 6, 2024, the Supreme Court announced the award of court technology grants totaling $2.9 million to 34 courts in 24 counties (20 common pleas, 12 municipal, and 2 county courts). Court technology grants can be used for projects to modernize court operations, increase safety, and make court services more accessible to the public. Individual grants range from as low as $9,500 to as high as $150,000 (eight courts received this amount). The average award totals $82,500. Cuyahoga County received the most funding with $356,458 in project grants. However, this amount was split across five different courts.

The table below summarizes the grant award amounts by county. Multiple counties received grants for more than one court. Summit County Court of Common Pleas was the only court to receive more than one project grant: $15,516 to the general division, and $9,500 to the domestic relations division. A full list of awardees (PDF) can be found by conducting a keyword "2024 technology grants" search on the Ohio Supreme Court's website at www.supremecourt.ohio.gov.

2024 Court Technology Award Amounts by County					
County	Total Awards	County	Total Awards	County	Total Awards
Adams	$104,860	Hocking	$124,812	Ottawa	$150,000
Brown (2)	$270,000	Jefferson	$90,388	Pickaway	$150,000
Champaign	$150,000	Lorain	$149,925	Richland (2)	$68,189
Clinton	$70,340	Lucas (2)	$52,797	Ross	$93,938
Cuyahoga (5)	$356,458	Madison	$26,838	Summit (3)	$126,716
Gallia	$26,920	Mahoning (2)	$95,896	Trumbull (2)	$77,105
Greene	$150,000	Monroe	$99,945	Vinton	$17,671
Hancock	$150,000	Montgomery	$134,845	Williams	$150,000

*The numbers noted beside the county name indicate if more than one court received a project grant.

A committee consisting of judges, court administrators, clerks of court, information technology professionals, security experts, and local court personnel from across the state generally scores the grant applications using a formula which assigns weights to project priorities and considered factors such as geographical impact and the poverty index. Including this year, about $36.4 million in GRF-backed grants have been awarded to appellate, common pleas, municipal, and county courts for more than 770 projects since 2015.

Attorney General Distributes New Fingerprint Scanners to Improve Criminal Records Reporting

– Jessica Murphy, Senior Budget Analyst

On July 2, 2024, the Ohio Attorney General announced that 77 fingerprint scanners, called LiveScan devices, will be distributed to a mix of courts, police departments, sheriff offices, and jails in 42 counties under a grant program designed to enhance the accuracy and completeness of the state's Computerized Criminal History (CCH) repository. The primary purpose of the grant program is to ensure that defendants not arrested in connection with a criminal case are fingerprinted before the case disposition is submitted for inclusion in the CCH system, which is maintained by the Ohio Bureau of Criminal Investigation (BCI).

Records in the CCH system are queried when an individual undergoes a background check, buys a firearm, has contact with law enforcement, or is sentenced on criminal charges. However, BCI receives thousands of records annually that cannot be included in the CCH system because they lack fingerprints. The fingerprint allows the record to be indexed to the appropriate individual. Historically, fingerprints have been primarily collected at the time of arrest. However, with an increasing number of individuals facing charges without being arrested, this method has become less effective. Although many courts order defendants to appear at the local sheriff's office to be fingerprinted in connection with their cases, it can be challenging to ensure that a defendant complies with this order. The LiveScan devices will allow courts to capture fingerprints onsite at the time of disposition, reducing the likelihood of missed or incomplete records.

The Attorney General purchased the LiveScan devices, at a cost of $898,450, using a portion of its National Criminal History Improvement Program (NCHIP) grant funding, which is awarded by the U.S. Department of Justice. Agencies awarded a device will also receive a laptop, and onsite setup and training from the vendor. Awardees will be required to use the device to capture and submit fingerprints in connection with specified offenses and pay for maintenance of the device after the first year. Ongoing maintenance costs are estimated at less than $3,000 per year and may be an eligible expense under the Supreme Court Technology Grant, which is typically offered annually. A complete list of awardees (PDF) is available on the Attorney General's website under Media: ohioattorneygeneral.gov.

Controlling Board approves $3.0 Million in funding for new Fireworks Training Program

– Terry Steele, Senior Budget Analyst

On July 8, the Controlling Board approved $3.0 million in funding for the newly established Firefighter Fireworks Training Program administered by the State Fire Marshal's Office (SFM) within the Department of Commerce (COM). The program is paid through the Fireworks Fee Receipts Fund (Fund 5BG1), which was established under H.B. 172 of the 134th General Assembly. The program conducts fireworks training, including the regulation of the fireworks industry. SFM estimates that approximately $1.5 million of this funding will be used for staffing costs, including the hiring of additional staff. The remainder of the funding will be used for supplies and maintenance, consisting of instructional materials, classrooms, and props, such as live fire installations.

H.B. 172 of the 134th General Assembly imposed a 4% fee on the gross receipts of retail sales of consumer (1.4g) fireworks. The bill specified that ⅞ of the receipts collected be used to carry out firefighter training programs, with the remainder to be used for administrative costs pertaining to the Fireworks Law. To cover the cost of its responsibilities under the program, the SFM estimates that it needs to hire three fire safety inspectors and one assistant fire chief. During FY 2024, Fund 5BG1 collected just under $2.4 million in fireworks fees. Of this amount, slightly less than $2.2 million came from the fee on gross receipts of the 52 licensed fireworks wholesalers and manufacturers, and nearly $191,000 was collected from the 701 licensed fireworks fountain device retailers.

Controlling Board Approves $4.66 Million Cash Transfer to State Board of Education to Close Projected Budget Gap

– Ryan Brown, Budget Analyst

On August 19, 2024, the Ohio Controlling Board approved a request from the State Board of Education (SBE) to transfer $4.66 million from the Controlling Board Emergency Purposes Fund (Fund 5KM0) to the State Board of Education Licensure Fund (Fund 4L20). Fund 4L20, which supports SBE's educator licensure and disciplinary activities, costs for continuous criminal record monitoring of educators through the Retained Applicant Fingerprint Database (RAPBACK), and other SBE operating expenses, operated on a $2.6 million deficit in FY 2024 and was projected by SBE to exhaust its cash balance in FY 2025 unless it received outside funds or SBE raised teacher licensure fees. The cash transfer ensures that SBE can operate through FY 2025 without raising fees.

Fund 4L20's expenditures generally have exceeded its revenues each year since FY 2015. License fees were last increased in 2008. As shown in the table below, the fund's finances were impacted significantly by H.B. 33, which separated SBE from DEW. Under H.B. 33, the fund, which operates solely through fee revenue, began to support expenses that were previously covered by the GRF, such as rent, IT costs, and salaries and benefits for the Superintendent of Public Instruction and support staff. As a result, Fund 4L20 expenditures increased from $12.8 million in FY 2023 to $14.8 million in FY 2024. In the Controlling Board request, SBE stated that they are working to review operations and find efficiencies to decrease FY 2025 operating costs.

State Board of Education Licensure Fund (Fund 4L20) Cash Balance, FY 2022 to FY 2024

Category	FY 2022	FY 2023	FY 2024
Revenue	$10,692,996	$12,441,146	$12,250,929
Expenses	$12,227,102	$12,768,475	$14,805,143
Revenue Less Expenses	($1,534,106)	($327,329)	($2,554,214)
Year End Cash Balance	**$5,954,842**	**$5,627,512**	**$3,073,299**

Tracking the Economy

– Craig Kerr, Senior Economist

Overview

The U.S. economy expanded at an annual rate of 3.0% in the second quarter of 2024, following a rate of 1.4% in the first quarter. The labor force increased by 120,000 workers in August, while the rate of unemployment decreased from 4.3% of the labor force in July to 4.2%. Nonfarm employment increased by 142,000 jobs. The federal funds effective interest rate remained at 5.33% as inflation continued to decelerate from 3.0% in June to 2.9% in July.

Ohio's economic growth shrank slightly in the first quarter of 2024, but the state personal income grew. In July, Ohio's unemployment rate rose to 4.5%, the highest level since October 2021. However, this was partially due to more residents actively looking for work. The state's labor force participation rate was 62.3%, the highest level since March 2020. Ohio nonfarm payroll increased by 2,200 jobs to reach its highest level on record for the fifth consecutive month.

The National Economy

Nonfarm payroll employment increased nationwide by 142,000 jobs on a seasonally adjusted basis in August according to preliminary estimates from the Bureau of Labor Statistics (BLS). The increase was most pronounced in the construction industry (34,000) while the healthcare industry continued its trend of significant gains (30,900) and the manufacturing industry shed 24,000 jobs. Previously released estimates for June and July were revised lower by 29% across the two months, from a preliminary total of 293,000 jobs to a revised 207,000 jobs. Current estimates of U.S. and Ohio employment over the last ten years are displayed in Chart 4.

The official national unemployment rate (U-3) decreased slightly from 4.3% in July to 4.2% in August on a seasonally adjusted basis but was 0.4 percentage points higher than in August 2023. The labor force increased by 120,000 workers, while the number employed increased by 168,000 and the number unemployed decreased by 48,000. The broadest measure of joblessness (U-6) additionally includes workers who desire employment but have not actively searched recently and those employed part time for economic reasons. By this measure, 7.9% of the labor force was underutilized in August on a seasonally adjusted basis, an increase of 0.1% points from July and 0.8% points from August 2023. Both U.S. and Ohio official unemployment rates are presented in Chart 5.

Preliminary estimates indicate that the number of nationwide job openings fell slightly in July on a seasonally adjusted basis (237,000) while more workers were laid off or discharged (202,000) and the number of those voluntarily quitting their jobs increased slightly (63,000). Hiring also picked up slightly, increasing from 5.2 million hires in June to 5.5 million (200,000). Over the year, all measures have continued to follow their respective trends with job openings falling sharply from their post-pandemic highs, hires and quits falling at a slower pace, and layoffs and discharges increasing slightly over time. The time trend for each figure over the last half decade is displayed in Chart 7.

Inflation-adjusted gross domestic product (U.S. real GDP) growth for the second quarter of 2024 rose at a 3.0% annual rate according to the Bureau of Economic Analysis' (BEA) second estimate, more than double the rate in the first quarter (1.4%). The overall increase was largely due to increases in consumer services, inventories, and business investment. The U.S. total industrial production index was largely unchanged, decreasing by only 0.6% in July on a seasonally adjusted basis and was only 0.2% lower than the previous year. The most noticeable change was in utilities, which decreased production by 3.7% in July but was only down 0.1% since July 2023. The other two component parts of the total index, manufacturing and mining, were also mostly unchanged on the month, decreasing by 0.3% and less than 0.1% respectively.

Disposable personal income (net of taxes) rose 0.3% in July on a seasonally adjusted basis according to preliminary estimates, following a downward revised 0.1% increase in June. The rise in income was driven by increases in wages and salaries, particularly in the service-producing industries. Relative to July 2023, disposable personal income was up 3.6% while personal consumption expenditures were up 5.3%. Personal savings as a rate of disposable income continued to decline from its pandemic highs, dropping to 2.9% in July, its lowest level since June 2022.

Year-over-year inflation as measured by the consumer price index for all urban consumers (CPI-U) bounced around the 2.9% to 3.7% range over the previous year. Most recently, inflation fell from 3.0% in June to 2.9% in July. This means that prices for the goods and services purchased by the typical urban consumer were 2.9% more expensive than they were a year ago in July 2023. An alternative interpretation is that all dollars held over the year lost 2.9% of their value. The biggest driver of the increase in the cost of living was shelter, which was 5.1% more expensive in July 2024. Costs associated with travel were down with airline fares (2.8%), gasoline (2.2%), and used cars and trucks (10.9%) all experiencing a drop in price. However, travelers and commuters who own motor vehicles experienced an 18.6% increase in the price of their insurance compared to a year ago.

As measured by the core CPI (excluding volatile food and energy prices), inflation continued its relatively steady 22-month decline, falling from 3.3% in June to 3.2% in July. The energy index increased 1.1% year-over-year and the index for food increased by 2.2%. Chart 6 displays the seasonally adjusted year-over-year measures of inflation calculated from the CPI and core CPI. The former peaked at 9.1% in June 2022 whereas the latter peaked at 6.6% in September 2022. Both measures have trended downward since.

The Ohio Economy

Ohio's official unemployment rate increased slightly in July to 4.5% from 4.4% on a seasonally adjusted basis according to preliminary estimates. The last time the rate was at this level was October 2021. The increase is partially due to the labor force adding 21,300 workers on a net basis, 11,900 of which were employed and 9,400 of which were unemployed. The labor force participation rate was up to 62.3% from 62.1% in June. Ohio's employment population ratio also edged up slightly by 0.1% points to reach 59.5%.

Total nonfarm payroll employment in the state increased slightly by a seasonally adjusted 2,200 jobs in July. The health and social services industry added jobs for the 26th consecutive month, increasing by 2,200 to reach a high of 859,200. Over the last 12 months, the increase in health and social services jobs (35,000) accounted for 79% of the statewide total net increase (44,000). The largest gains in July were in construction (2,300) while the other services (1,600) and wholesale trade (1,000) industries also posted increases that were relatively large for the industries. These gains were partially offset by losses in the professional and business services (2,800), financial (1,400), and government (1,200) industries. The financial industry has lost the most jobs over the past 12 months (13,800) for the state with July being the 10th consecutive month of losses.

Ohio's real GDP shrank at a seasonally adjusted annual rate of 0.3% in the first quarter of 2024, a contrast from the fourth quarter of 2023 when the state economy expanded at a 2.8% annual rate. Eight U.S. states had economies that contracted more than Ohio's in the first quarter and all of Ohio's neighboring states experienced growth. Manufacturing and agriculture were the leading drags on the state economy, which was offset somewhat by growth in finance and healthcare.

Ohio's personal income grew at a seasonally adjusted annual rate of 6.0% in the first quarter of 2024, an increase from the 3.2% growth in the fourth quarter of 2023, but lower than nationwide growth in personal income of 7.0%. Slightly more than half of the gain in income was due to increases in transfer receipts (e.g., social security).

Existing home unit sales were 6.9% higher in July than in July 2023 and the average sale price was $304,802, or 6.4% greater than a year ago, according to the Ohio Realtors. Through the first seven months of 2024, the number of existing homes sold was up 1.6% from the same period in 2023, and the average sale price was $290,236, or 7.8% greater.

Chart 4: U.S. and Ohio Nonfarm Payroll Employment (in millions, seasonally adjusted)

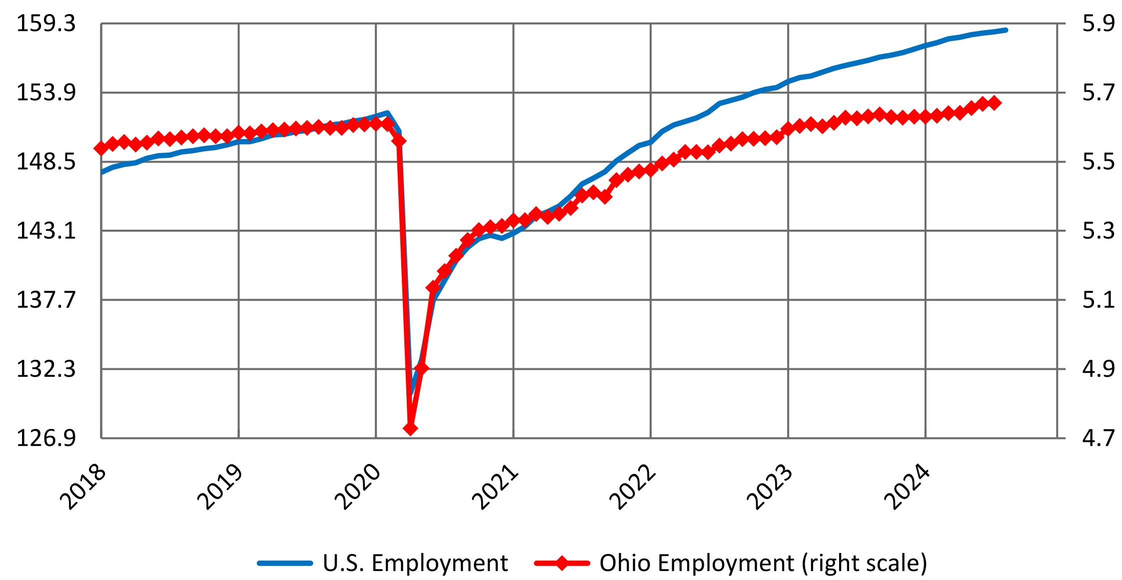

Chart 5: U.S. and Ohio Unemployment Rates
% of Labor Force (seasonally adjusted)

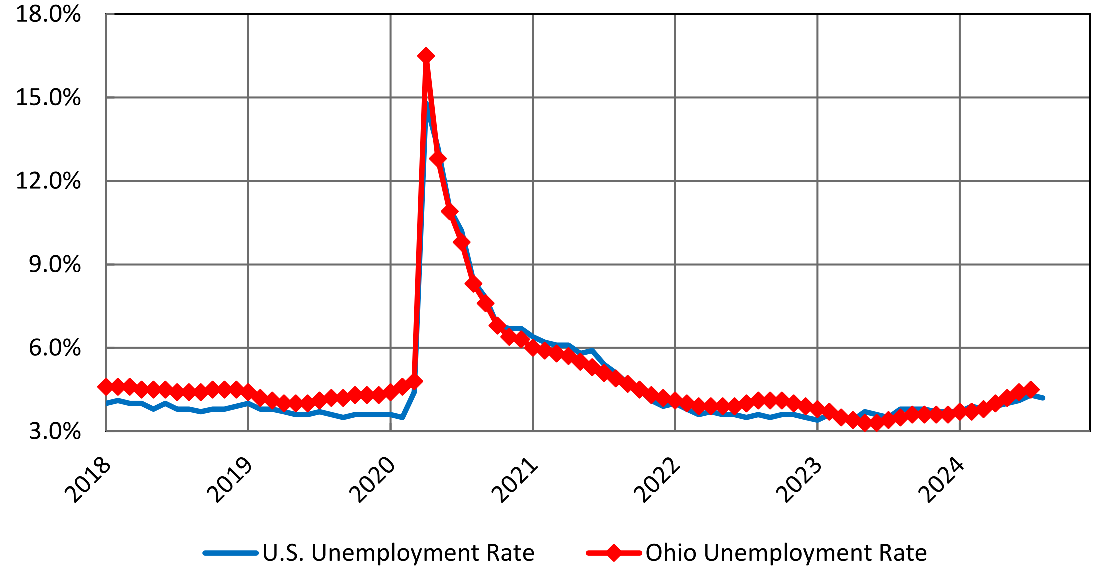

Chart 6: Consumer Prices

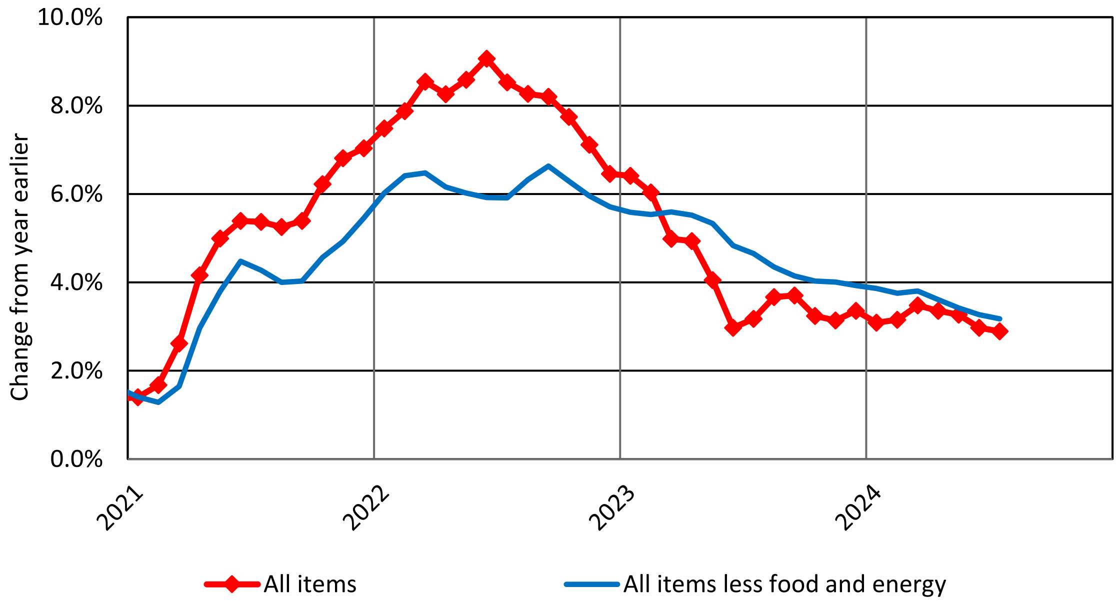

Chart 7: U.S. Job Openings and Labor Turnover
(in thousands, seasonally adjusted)