LBO Budget Footnotes

A monthly newsletter of the Legislative Budget Office of LSC

Volume: Fiscal Year 2026 **Issue: September 2025**

Highlights

– Russ Keller, Chief Economist

The Office of Budget and Management (OBM) released their FY 2026 GRF revenue estimates earlier this month. Anticipated GRF tax revenues are $28.93 billion while overall GRF sources are expected to be $45.09 billion. Estimated program expenditures are $44.52 billion and overall GRF uses are $46.25 billion. In the first two months of FY 2026, GRF tax revenues were $52.1 million (1.1%) above the year-to-date (YTD) estimate while GRF program expenditures were $45.1 million (0.5%) below their YTD estimate. OBM's FY 2026 estimates for 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 5.0% in July. Ohio added 70,200 jobs over the past year, but the number of unemployed climbed by 41,000 over that same period. Recent reporting from the Cleveland Federal Reserve Bank described the regional economy as one in which both consumer spending and employment levels have been flat in recent weeks.

Through August 2025, GRF sources totaled $8.8 billion:

- Commercial activity tax (CAT) and personal income tax (PIT) receipts were above their YTD estimates by $63.0 million and $27.0 million, respectively.

Through August 2025, GRF uses totaled $10.35 billion:

- Transfers out totaled $950.2 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 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 8, 2025)

State Sources	Actual	Estimate*	Variance	Percent
Tax Revenue				
Auto Sales	$170,930	$189,137	-$18,207	-9.6%
Nonauto Sales and Use	$978,272	$977,355	$917	0.1%
Total Sales and Use	*$1,149,202*	*$1,166,492*	*-$17,290*	*-1.5%*
Personal Income	$823,520	$796,480	$27,039	3.4%
Commercial Activity Tax	$451,857	$388,890	$62,967	16.2%
Cigarette	$60,258	$63,001	-$2,743	-4.4%
Kilowatt-Hour Excise	$36,137	$36,871	-$734	-2.0%
Foreign Insurance	-$1	$25	-$25	-103.6%
Domestic Insurance	$170	$678	-$508	-74.9%
Financial Institution	-$393	$605	-$998	-165.0%
Public Utility	$25,085	$39,556	-$14,470	-36.6%
Natural Gas Consumption	$12,596	$12,051	$545	4.5%
Alcoholic Beverage	$4,793	$5,765	-$973	-16.9%
Liquor Gallonage	$4,632	$4,820	-$188	-3.9%
Adult Use Cannabis	$4,359	$4,900	-$541	-11.0%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$0	-$13	$14	103.3%
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,572,216**	**$2,520,120**	**$52,095**	**2.1%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$5,135	$8,408	-$3,273	-38.9%
Other Revenue	$1,700	$1,215	$485	39.9%
Total Nontax Revenue	**$6,835**	**$9,623**	**-$2,788**	**-29.0%**
Transfers In	**$13,963**	**$13,876**	**$87**	**0.6%**
Total State Sources	**$2,593,014**	**$2,543,620**	**$49,394**	**1.9%**
Federal Grants	**$1,532,755**	**$1,552,646**	**-$19,890**	**-1.3%**
Total GRF Sources	**$4,125,769**	**$4,096,265**	**$29,504**	**0.7%**

*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 2026 as of August 31, 2025
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 8, 2025)

State Sources	Actual	Estimate*	Variance	Percent	FY 2025**	Percent
Tax Revenue						
Auto Sales	$357,293	$375,500	-$18,207	-4.8%	$348,347	2.6%
Nonauto Sales and Use	$2,030,917	$2,030,000	$917	0.0%	$1,958,073	3.7%
Total Sales and Use	*$2,388,210*	*$2,405,500*	*-$17,290*	*-0.7%*	*$2,306,419*	*3.5%*
Personal Income	$1,716,839	$1,689,800	$27,039	1.6%	$1,569,628	9.4%
Commercial Activity Tax	$572,167	$509,200	$62,967	12.4%	$540,654	5.8%
Cigarette	$91,957	$94,700	-$2,743	-2.9%	$95,167	-3.4%
Kilowatt-Hour Excise	$59,766	$60,500	-$734	-1.2%	$58,082	2.9%
Foreign Insurance	$275	$300	-$25	-8.5%	$23	1084.4%
Domestic Insurance	$192	$700	-$508	-72.6%	$810	-76.3%
Financial Institution	-$98	$900	-$998	-110.8%	$844	-111.6%
Public Utility	$25,330	$39,800	-$14,470	-36.4%	$44,364	-42.9%
Natural Gas Consumption	$14,545	$14,000	$545	3.9%	$11,941	21.8%
Alcoholic Beverage	$13,828	$14,800	-$973	-6.6%	$13,282	4.1%
Liquor Gallonage	$9,012	$9,200	-$188	-2.0%	$9,326	-3.4%
Adult Use Cannabis	$4,359	$4,900	-$541	-11.0%	$0	---
Petroleum Activity Tax	$0	$0	$0	---	$0	---
Corporate Franchise	$14	$0	$14	---	$19	-25.7%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$3	-100.0%
Total Tax Revenue	**$4,896,395**	**$4,844,300**	**$52,095**	**1.1%**	**$4,650,560**	**5.3%**
Nontax Revenue						
Earnings on Investments	$0	$0	$0	---	$0	-94.0%
Licenses and Fees	$5,497	$8,770	-$3,273	-37.3%	$8,481	-35.2%
Other Revenue	$3,498	$3,012	$485	16.1%	$104,558	-96.7%
Total Nontax Revenue	**$8,995**	**$11,783**	**-$2,788**	**-23.7%**	**$113,039**	**-92.0%**
Transfers In	**$358,503**	**$358,416**	**$87**	**0.0%**	**$97**	**368860.6%**
Total State Sources	**$5,263,893**	**$5,214,499**	**$49,394**	**0.9%**	**$4,763,696**	**10.5%**
Federal Grants	**$3,536,921**	**$3,556,811**	**-$19,890**	**-0.6%**	**$3,122,445**	**13.3%**
Total GRF SOURCES	**$8,800,814**	**$8,771,310**	**$29,504**	**0.3%**	**$7,886,141**	**11.6%**

*Estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2025.
Detail may not sum to total due to rounding.

Revenues[1]

– Kyuhan Choi, Economist

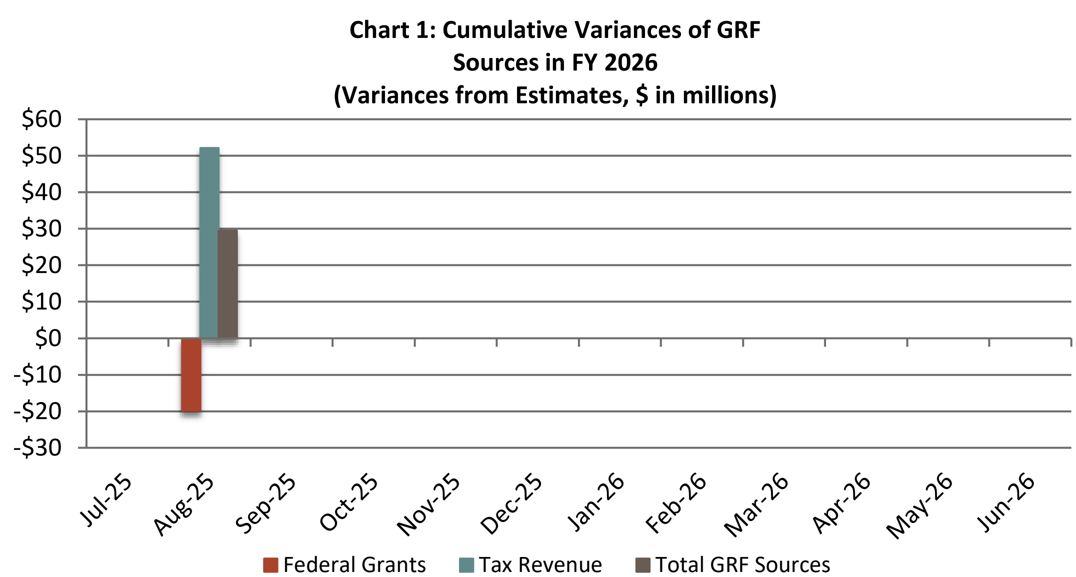
Overview

August GRF total tax revenue was above OBM's estimate by $52.1 million (2.1%). Revenues exceeded the estimate from the PIT by $27.0 million and the CAT by $63.0 million. Revenues were below estimate from the sales and use tax by $17.3 million and the public utility excise tax by $14.5 million. Federal grants were below estimate by $19.9 million, and total GRF sources for August were above estimate by $29.5 million. OBM's estimates for GRF sources are summarized at the end of this section.

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 year-to-date (YTD) compared to both estimates and FY 2025 revenue.

GRF tax receipts in the first two months of FY 2026 were $4.90 billion, $52.1 million (1.1%) 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 were $29.5 million (0.3%) higher than OBM's estimate.

Chart 1 below shows cumulative FY 2026 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 2026 GRF tax revenue in July and August was higher than in FY 2025 by $245.8 million (5.3%). The increase was driven primarily by PIT, which increased by $147.2 million (9.4%); the sales and use tax, which increased by $81.8 million (3.5%); and CAT, which increased by $31.5 million (5.8%). Partially offsetting these gains, public utility excise tax receipts decreased by $19.0 million (42.9%) from a year earlier.

YTD nontax revenue to the GRF in FY 2026 was lower than a year earlier by $104.0 million, reflecting a $101.1 million (96.7%) decline in other revenue. Total state-source revenue was higher than a year earlier by $500.2 million (10.5%). GRF revenue from federal grants was higher than in the year-earlier period by $414.5 million (13.3%).

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 2026, revenue from the tax was $2.39 billion. Both were $17.3 million 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 for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases.

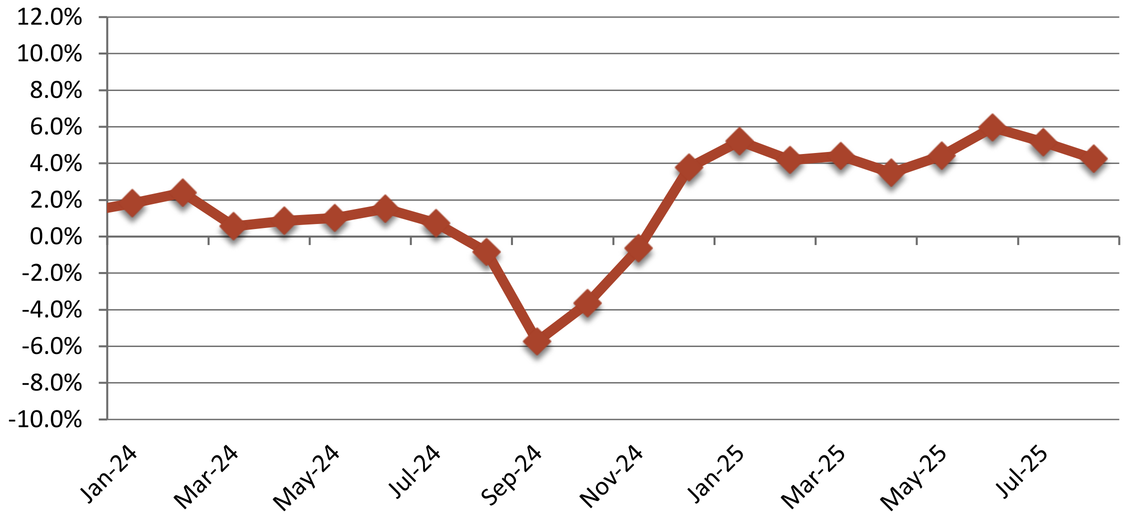
Nonauto Sales and Use Tax

August GRF receipts of $978.3 million were $0.9 million (0.1%) above the OBM estimate and $26.1 million (2.7%) above revenue in August 2024. YTD revenues were $2.03 billion, $0.9 million (0.0%) above estimate and $72.8 million (3.7%) higher than receipts a year earlier.

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

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

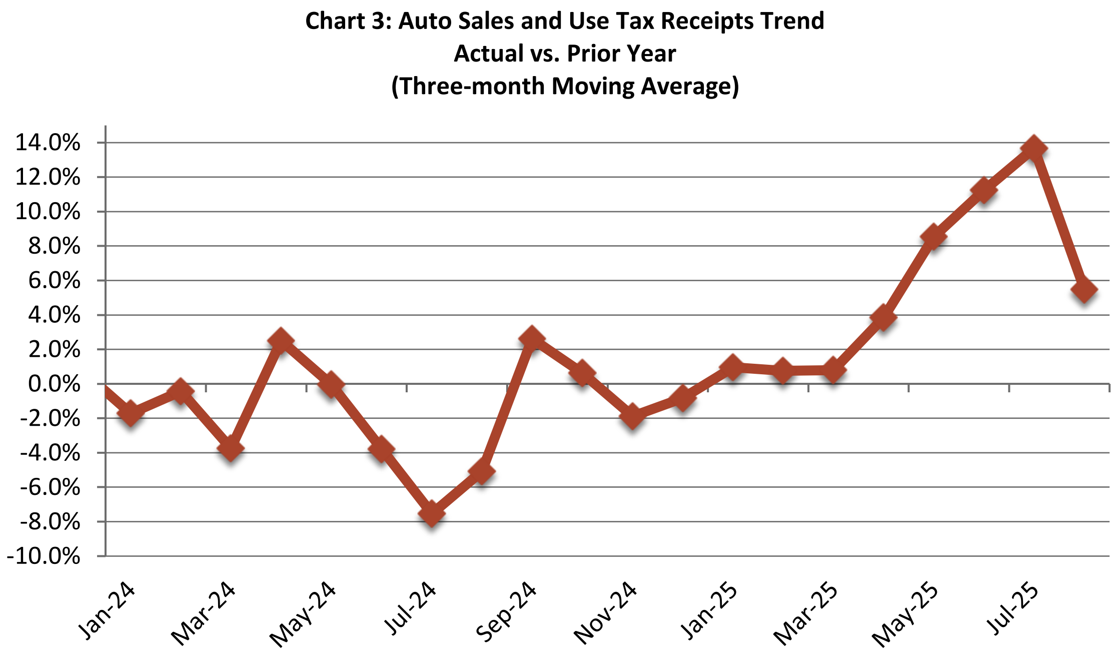
Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Auto Sales and Use Tax

August receipts from the auto component of the sales and use tax were $170.9 million, $18.2 million (9.6%) below estimate and $22.2 million (11.5%) below receipts in August 2024. Tax receipts in the first two months of FY 2026 totaling $357.3 million were below the estimate by $18.2 million (4.8%) but above year-earlier revenues by $8.9 million (2.6%). 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 2025 by 4.5%.

Chart 3, below, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since January 2024. Auto sales and use tax receipts are volatile from one month to the next, and subject to pronounced seasonal swings. Beginning in spring, the pace of vehicle purchases increased, although it slowed slightly in August. This recent purchasing trend was likely boosted by anticipated trade tariffs, as buyers sought to secure vehicles before potential price increases.



Personal Income Tax

August GRF revenue from the PIT of $823.5 million was $27.0 million (3.4%) above estimate. GRF revenue received in the first two months of this fiscal year totaled $1.72 billion, $27.0 million (1.6%) above estimate and $147.2 million (9.4%) higher than a year earlier. Gross PIT tax collections include withholding payments, pass-through-entity (PTE) annual returns and estimated payments, IT-1040 estimated payments[3], payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross collections, and a portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue.

The table below provides details on revenue from PIT components in July and August relative to OBM estimates and year-earlier revenues. Gross collections were $21.0 million (1.1%) above anticipated revenue, and $63.6 million (3.4%) above year-earlier revenues. Withholding, the largest category, was $20.8 million (1.2%) above anticipated revenue, and $63.2 million (3.7%) above a year earlier, likely reflecting continued employment and wage growth, as withholding rates have been unchanged. Refunds were lower than in the year-earlier period ($94.0 million, 43.2%), whereas LGF distributions were higher ($10.4 million, 12.2%).

[3] 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.

July-August 2025 Personal Income Tax Revenue Variance and Annual Change by Component				
Category	Variance from Estimate		Change from FY 2025	
	Amount ($ in millions)	Percent (%)	Amount ($ in millions)	Percent (%)
Withholding	$20.8	1.2%	$63.2	3.7%
PTE Annual Returns	-$2.5	-14.3%	-$6.1	-29.3%
PTE Estimated Payments	$1.7	2.4%	$5.9	9.1%
IT-1040 Estimated Payments	$0.6	2.5%	$0.0*	-0.2%
Annual Return Payments	$0.5	1.8%	$3.9	16.9%
Trust Payments	$0.0*	1.3%	-$1.2	-37.4%
Miscellaneous Payments	$0.0*	-0.3%	-$2.0	-12.2%
Gross Collections	**$21.0**	**1.1%**	**$63.6**	**3.4%**
Less Refunds	-$5.7	-4.4%	-$94.0	-43.2%
Less LGF Distribution	-$0.3	-0.3%	$10.4	12.2%
GRF PIT Revenue	**$27.0**	**1.6%**	**$147.2**	**9.4%**

* Denotes a dollar value less than $50,000 that is subject to rounding.

Commercial Activity Tax

August GRF CAT receipts were $451.9 million, $63.0 million (16.2%) above estimate. For July and August GRF revenues were $572.2 million, $63.0 million (12.4%) 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 $31.5 million (5.8%) higher than a year earlier. H.B. 33 of the 135th General Assembly reduced the CAT tax base by exempting businesses with taxable gross receipts of $3 million or less in calendar year (CY) 2024, increasing to $6 million in CY 2025 and beyond. Although the exclusion reduced small taxpayers, YTD receipts exceeded estimates. Since CAT payments are based on prior-quarter activity, receipts can fluctuate if large taxpayers' activity differs from forecast, realizing the effect of the $6 million exclusion later.

Cigarette and Other Tobacco Products Tax

August revenue from the cigarette and other tobacco product (OTP) tax totaling $60.3 million was below estimate by $2.7 million (4.4%). Revenue in the first two months of FY 2026 from the tax was $92.0 million, $2.7 million (2.9%) below estimate. The fiscal YTD total included $68.5 million from cigarette sales and $23.5 million from OTP.

FY 2026 YTD revenue was $3.2 million (3.4%) lower than in the first two months of FY 2025. OTP sales increased by $1.9 million (8.7%) while receipts from cigarette sales decreased by $5.1 million (6.9%). The increase in OTP revenue may be due in part to rising OTP prices, as 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. More recently, tobacco manufacturers have commented on substitution in their quarterly financial statements. Specifically, they observed preferences of some consumers shifting away from cigarettes in favor of smokeless tobacco (e.g., vapor products).

Summary of OBM Estimates for GRF Sources for FY 2026

Estimated revenue by GRF source for the full fiscal year is shown in the table below. GRF sources are estimated to total $45.09 billion in FY 2026. 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 2026. Transfers In are estimated to be $986.4 million, which includes a December transfer of $231.4 million that reimburses the GRF for losses arising from the expanded sales tax holiday.

OBM Estimate for GRF Sources for FY 2026 ($ in millions)		
Revenue Source	**Estimate**	**As a % of Total Source**
Sales and Use Tax	$14,307.5	31.7%
Individual Income Tax	$10,020.2	22.2%
Commercial Activity Tax	$2,148.0	4.8%
Cigarette & Other Tobacco Products Tax	$688.3	1.5%
Domestic and Foreign Insurance Taxes	$802.5	1.8%
Utility Taxes	$577.9	1.3%
Other Taxes	$386.7	0.9%
Subtotal – GRF Taxes	**$28,931.1**	**64.2%**
Nontax Revenue	$661.4	1.5%
Transfers In	$986.4	2.2%
Federal Grants	$14,508.9	32.2%
Total GRF Sources	**$45,087.8**	**100.0%**

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of August 2025
($ in thousands)
(Actual based on OAKS reports run September 8, 2025)

Program Category	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$918,233	$926,593	-$8,360	-0.9%
Higher Education	$193,510	$251,834	-$58,325	-23.2%
Other Education	$14,884	$20,508	-$5,624	-27.4%
Total Education	**$1,126,627**	**$1,198,935**	**-$72,308**	**-6.0%**
Medicaid	$2,275,267	$2,344,244	-$68,977	-2.9%
Health and Human Services	$202,706	$203,163	-$458	-0.2%
Total Health and Human Services	**$2,477,973**	**$2,547,408**	**-$69,435**	**-2.7%**
Justice and Public Protection	$324,905	$343,232	-$18,326	-5.3%
General Government	$51,449	$64,525	-$13,076	-20.3%
Total Government Operations	**$376,354**	**$407,756**	**-$31,402**	**-7.7%**
Property Tax Reimbursements	$134,574	$128,783	$5,792	4.5%
Debt Service	$283,560	$161,293	$122,267	75.8%
Total Other Expenditures	**$418,134**	**$290,076**	**$128,059**	**44.1%**
Total Program Expenditures	**$4,399,088**	**$4,444,174**	**-$45,086**	**-1.0%**
Transfers Out	**$1,097**	**$0**	**$1,097**	**---**
Total GRF Uses	**$4,400,185**	**$4,444,174**	**-$43,989**	**-1.0%**

*September 2025 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 2026 as of August 31, 2025
($ in thousands)
(Actual based on OAKS reports run September 8, 2025)

Program Category	Actual	Estimate*	Variance	Percent	FY 2025**	Percent
Primary and Secondary Education	$1,835,250	$1,843,609	-$8,360	-0.5%	$1,849,134	-0.8%
Higher Education	$387,544	$445,869	-$58,325	-13.1%	$445,758	-13.1%
Other Education	$29,396	$35,020	-$5,624	-16.1%	$30,993	-5.2%
Total Education	**$2,252,190**	**$2,324,498**	**-$72,308**	**-3.1%**	**$2,325,885**	**-3.2%**
Medicaid	$5,335,718	$5,404,695	-$68,977	-1.3%	$4,903,881	8.8%
Health and Human Services	$450,147	$450,605	-$458	-0.1%	$337,657	33.3%
Total Health and Human Services	**$5,785,865**	**$5,855,300**	**-$69,435**	**-1.2%**	**$5,241,538**	**10.4%**
Justice and Public Protection	$681,898	$700,225	-$18,326	-2.6%	$600,708	13.5%
General Government	$106,531	$119,607	-$13,076	-10.9%	$135,483	-21.4%
Total Government Operations	**$788,429**	**$819,832**	**-$31,402**	**-3.8%**	**$736,191**	**7.1%**
Property Tax Reimbursements	$134,386	$128,594	$5,792	4.5%	$123,876	8.5%
Debt Service	$438,936	$316,669	$122,267	38.6%	$524,928	-16.4%
Total Other Expenditures	**$573,322**	**$445,263**	**$128,059**	**28.8%**	**$648,804**	**-11.6%**
Total Program Expenditures	**$9,399,807**	**$9,444,893**	**-$45,086**	**-0.5%**	**$8,952,418**	**5.0%**
Transfers Out	**$950,230**	**$949,133**	**$1,097**	**0.1%**	**$727,115**	**30.7%**
Total GRF Uses	**$10,350,037**	**$10,394,026**	**-$43,989**	**-0.4%**	**$9,679,533**	**6.9%**

*September 2025 estimates of the Office of Budget and Management.
**Cumulative totals through the same month in FY 2025.
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 8, 2025)

	Month of August 2025				Year to Date through August 2025			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid								
GRF	$2,164,693	$2,230,715	-$66,023	-3.0%	$5,121,490	$5,187,512	-$66,023	-1.3%
Non-GRF	$1,044,540	$635,571	$408,969	64.3%	$1,076,096	$667,126	$408,969	61.3%
All Funds	$3,209,233	$2,866,286	$342,947	12.0%	$6,197,585	$5,854,639	$342,947	5.9%
Developmental Disabilities								
GRF	$97,497	$99,289	-$1,792	-1.8%	$190,792	$192,584	-$1,792	-0.9%
Non-GRF	$320,388	$312,311	$8,077	2.6%	$685,510	$677,433	$8,077	1.2%
All Funds	$417,885	$411,599	$6,285	1.5%	$876,302	$870,017	$6,285	0.7%
Job and Family Services								
GRF	$11,751	$12,779	-$1,027	-8.0%	$21,190	$22,217	-$1,027	-4.6%
Non-GRF	$18,184	$18,922	-$737	-3.9%	$32,566	$33,303	-$737	-2.2%
All Funds	$29,936	$31,700	-$1,765	-5.6%	$53,756	$55,520	-$1,765	-3.2%
Other								
GRF	$1,326	$1,462	-$135	-9.3%	$2,246	$2,382	-$135	-5.7%
Non-GRF	$8,962	$7,857	$1,106	14.1%	$10,988	$9,882	$1,106	11.2%
All Funds	$10,289	$9,319	$970	10.4%	$13,234	$12,264	$970	7.9%
All Departments:								
GRF	**$2,275,267**	**$2,344,244**	**-$68,977**	**-2.9%**	**$5,335,718**	**$5,404,695**	**-$68,977**	**-1.3%**
Non-GRF	**$1,392,074**	**$974,660**	**$417,415**	**42.8%**	**$1,805,159**	**$1,387,745**	**$417,415**	**30.1%**
All Funds	**$3,667,342**	**$3,318,904**	**$348,438**	**10.5%**	**$7,140,878**	**$6,792,440**	**$348,438**	**5.1%**

*September 2025 estimates from the Department of Medicaid
Detail may not sum to total due to rounding.

Expenditures[4]

– Melaney Carter, Director

– Brandon Minster, Senior Economist

Overview

For the first two months of FY 2026, GRF program expenditures totaled $9.40 billion. These expenditures were $45.1 million (0.5%) below OBM's estimates. GRF uses also include transfers out, which totaled $950.2 million and were about $1.0 million above estimate for the year-to-date (YTD). Total GRF uses for these two months, therefore, totaled $10.35 billion, which was $44.0 million (0.4%) under the 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 ($122.3 million, 38.6%). Property Tax Reimbursements was the only other category with a positive YTD variance ($5.8 million, 4.5%). The remaining categories had negative variances. The largest of these was Medicaid with a negative YTD variance of $69.0 million (1.3%) followed by Higher Education with a negative YTD variance of $58.3 million (13.1%). Other categories with negative variances include Justice and Public Protection ($18.3 million, 2.6%), General Government ($13.1 million, 10.9%), Primary and Secondary Education ($8.4 million, 0.5%), Other Education ($5.6 million, 16.1%), and Health and Human Services ($0.5 million, 0.1%). Medicaid's GRF and non-GRF variances and the positive GRF variance in Debt Service are discussed below, as well as a summary of the major transfers out.

Medicaid[5]

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 below their monthly estimate in August by $69.0 million (2.9%). July estimates match actual July expenditures, so the YTD variance dollar amounts equal the August variance dollar amounts, although the percentages are different since the total estimate for the YTD includes both the July and August estimate. Thus, the YTD variance for GRF Medicaid expenditures is a negative $69.0 million (1.3%). This negative GRF variance is primarily due to delays in managed care and Medicare Part D payments.

Unlike GRF expenditures, non-GRF Medicaid expenditures were above their monthly estimate by $417.4 million (42.8%) and above their yearly estimate by the same amount (30.1%). This positive variance can be attributed primarily to hospital payments of $429.2 million

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[4] 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.

[5] Previous issues of Budget Footnotes included a Table 6 that compares actual spending to estimate by Medicaid spending category. LSC is still working on creating Table 6 for FY 2026 and plans to include it in future issues.

happening ahead of their forecasted September payment. Including both the GRF and non-GRF, all funds Medicaid expenditures were $348.4 million (10.5%) above estimate in August and above the FY 2026 estimate by the same amount (5.1%).

Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and seven 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 most of the variances in Medicaid expenditures. ODM had an all-funds positive variance in August of $342.9 million (12.0%), and a FY 2026 all-funds positive variance of the same amount (5.9%). DODD had an August all-funds positive variance of $6.3 million (1.5%) and a FY 2026 all-funds positive variance of the same amount (0.7%). The other seven "sister" agencies – Job and Family Services (ODJFS), Ohio Department of Health (ODH), Aging (ODA), Behavioral Health (DBH), State Board of Pharmacy, Education and Workforce (DEW), and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the seven "sister" agencies incur only administrative spending.

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 the monthly estimate by $122.3 million (75.8%). 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 $122.7 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 $122.7 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.

Transfers Out

Most FY 2026 transfers out of the GRF are required by Section 512.10 of H.B. 96 and most were performed in July. The table below summarizes the July transfers out. An additional transfer out of $1.0 million was made to in August to correct an accounting error, which resulted in the YTD variance for transfers out.

FY 2026 July Transfers out of GRF ($ millions)		
Fund	**Fund Name**	**Transfer**
5VS0	Foundation Funding – All Students Fund	$600.0
6H20	H2Ohio Fund	$165.0
5CT1	Residential Development Revolving Loan Program Fund	$100.0

FY 2026 July Transfers out of GRF ($ millions)		
Fund	**Fund Name**	**Transfer**
5MJ0	State Marketing Office Fund	$22.0
5TZ0	Targeted Addiction Program Fund	$12.5
5C20	MARCS Administration Fund	$10.5
5QT0	Ohio Maritime Assistance Program Fund	$10.0
5SY0	Medical Marijuana Control Fund	$10.0
5V80	Property Tax Administration Fund	$5.4
5VV0	Transcranial Magnetic Stimulation Fund	$5.0
5YD0	Second Chance Grant Pilot Program Fund	$4.0
5ZD0	Rural Practice Incentive Fund	$3.0
5AZ1	eWarrant Local Integration Fund	$0.8
2080	Underground Parking Garage Fund	$0.5
7015	Wildlife Fund	$0.5
	Total	**$949.2**

Summary of OBM Estimates for GRF Uses

The table below shows OBM's estimates for GRF uses for FY 2026. The program categories are ordered from largest to smallest annual estimate. Altogether, GRF program expenditures are estimated to total $44.52 billion in FY 2026. Of this amount, $22.24 billion (50.0%) will go to Medicaid and $9.97 billion (22.4%) 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 2026.

In addition to program expenditures, OBM estimates that $953.4 million will be transferred out of the GRF. Most of these estimated transfers out ($949.2 million) already happened in the first month of the fiscal year. The remaining transfers out are estimated to occur in September ($1.0 million) and June ($3.3 million).

OBM also estimates that $774.2 million of FY 2026 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 2026 are $46.25 billion.

OBM Estimates for GRF Uses for FY 2026 by Program Category ($ in thousands)		
Program Categories	**Expenditures**	**As a % of Total Program Expenditures**
Medicaid	$22,239,284	50.0%
Primary and Secondary Education	$9,970,645	22.4%
Justice and Public Protection	$3,335,022	7.5%
Higher Education	$2,783,180	6.3%
Health and Human Services	$2,247,094	5.0%
Property Tax Reimbursements	$2,029,930	4.6%
Debt Service	$1,104,044	2.5%
General Government	$691,798	1.6%
Other Education	$121,357	0.3%
Total Program Expenditures	**$44,522,353**	**100.0%**
Transfers Out	$953,383	---
Year-end Encumbrances	$774,157	---
Total GRF Uses	**$46,249,893**	**---**

Issue Updates

ODHE Awards Over $22.6 Million in Governor's Merit Scholarships to Approximately 4,500 Students in FY 2025

– Jason Glover, Senior Budget Analyst

In FY 2025, the Ohio Department of Higher Education (ODHE) awarded more than $22.6 million to approximately 4,500 eligible students under the first year of the Governor's Merit Scholarship (GMS) program. Under the program in FY 2025, ODHE provided individual scholarships of $5,000 per academic year to eligible students determined to be in the top 5% of each public or chartered nonpublic high school's graduating class, as determined by ODHE in consultation with the DEW. Each eligible student receives an award for up to the equivalent of four academic years at a public or private, nonprofit college or university, contingent on satisfactory academic progress. ODHE and DEW also determine the eligibility for home-schooled high school graduates to provide them with access to the scholarship. GMS was supported with an appropriation of $22.7 million in FY 2025 from GRF ALI 235530, Governor's Merit Scholarship.

According to Ohio Checkbook, the approximately 4,500 students who received a GMS scholarship in FY 2025 attended 82 Ohio public and private institutions of higher education. Ohio State University had the most GMS recipients, accounting for $7.8 million (34.4%) of the total awards in FY 2025, while several institutions received $5,000 for one GMS recipient. The table below summarizes the institutions attended by GMS recipients and total award amounts by institutional sector-type for FY 2025. As the table shows, ODHE awarded 76.2% of the funds, or $17.3 million, to students at 13 public universities. Students at 47 private universities and colleges received approximately $4.5 million (19.9%), followed by students at 22 public community colleges that received approximately $870,000 (3.9%).

Governor's Merit Scholarship Awards, FY 2025			
Sector	**Number of Institutions**	**Total Scholarship Awards**	**Awards %**
Public Universities	13	$17,250,367	76.2%
Private Colleges and Universities	47	$4,506,393	19.9%
Public Community Colleges	22	$873,240	3.9%
Total	**82**	**$22,630,000**	**100.0%**

H.B. 96 continues GMS, with some changes, for the FY 2026-FY 2027 biennium. Beginning in FY 2026, H.B. 96 expands GMS eligibility to nonchartered nonpublic students who meet the other criteria for GMS. It also requires eligible students to be determined to be in the top 5% of their public or nonpublic high school graduating class at the end of their junior years, as determined by each high school using criteria established by ODHE and DEW. GMS receives appropriations of $47.0 million in FY 2026 and $70.0 million in FY 2027 from ALI 235530. At these appropriation levels, the program will provide approximately 9,400 scholarships in FY 2026 and 14,000 scholarships in FY 2027.

ODJFS Receives $1.6 Million Grant to Expand the Registered Apprenticeship Program

– Jacob Graffius, Budget Analyst

On June 30, 2025, the ODJFS received a $1.6 million federal grant to create new, or expand existing, Registered Apprenticeship Programs (RAP).[6] One of the main goals of these programs is to develop apprenticeships as a workforce development strategy and post-secondary education career pathway. Programs combine on-the-job learning and related classroom instruction to increase workers' skillsets. RAPs are designed to benefit both employers and apprentices. Under the program, workforce partners, educators, and participating employers develop and apply industry standards to training programs to increase the skills and quality of the workforce, which reduces turnover costs and improves productivity. In return, apprentices develop skills, avoid student debt, receive pay increases with program progression, and obtain nationally recognized credentials. Grant funds are used to create apprenticeships in both traditional and emerging industries, such as artificial intelligence, advanced manufacturing, transportation, building trades, technology, and construction.

The RAP grant, which is administered by the U.S. Department of Labor, allocated $84 million to programs throughout the United States. The grant awards consisted of both base and competitive funding allocations. In total, about $41.4 million was distributed as base funding allocations to entities in 50 states and territories, including Ohio. The remaining $43.2 million was distributed to entities in nine states as competitive awards. Base award allocations ranged from $75,000 to $2.8 million. The amounts distributed were partially based on each state and territory's relative share of registered apprentices. In Ohio, there are currently about 23,000 active apprentices in 188 occupations. Currently, the following occupations have the most apprentices: plumbers, pipefitters, and steamfitters; electricians; roofers; sheet metal workers; tool and die makers.

$5.1 Million Transferred from the Attorney General Court Order and Settlement Fund since January 2025

– Jessica Murphy, Senior Budget Analyst

Beginning in January 2025, H.B. 101 of the 135th General Assembly requires all money collected or received by the Attorney General on behalf of the state from court orders and settlements to be deposited into the Attorney General Court Order and Settlement Fund (Fund QG19). For amounts of $5.0 million or more, the OBM Director must subsequently transfer the cash to the Large Settlement and Awards Fund. For amounts under $5.0 million, the OBM Director, in consultation with the Attorney General, must transfer the cash to one or more appropriate funds. The Attorney General is required to notify LSC of each transfer.

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[6] Ohio's RAP is referred to as ApprenticeOhio.

LSC received the first notifications in March 2025. Through August 19, it received a total of 19 such notifications. All these settlements were under the $5.0 million threshold. In total they resulted in $5.1 million transferred to various funds used by the Department of Medicaid (MCD), Attorney General (AGO), Department of Natural Resources (DNR), and Environmental Protection Agency (EPA) as shown in the table below.

Transfers from Attorney General Court Order and Settlement Fund January 1, 2025, through August 19, 2025		
Agency	**Settlement/Fund**	**Amount**
QOL Medical (3/19/2025)		**$531,390**
AGO	Attorney General Reimbursement Fund (Fund 1060)	$265,695
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$265,695
Biohaven (3/20/2025)		**$790,851**
AGO	General Reimbursement Fund (Fund 1060)	$395,426
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$395,426
Liberator Medical Holdings (3/27/2025)		**$8,216**
AGO	Attorney General Reimbursement Fund (Fund 1060)	$4,108
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$4,108
Collinwood Bioenergy, LLC, et al. (4/3/2025)		**$30,000**
EPA	Environmental Education Fund (Fund 6A10)	$15,000
EPA	Water Pollution Control Administration fund (Fund 6990)	$15,000
Walgreens/Boots Alliance-921 (4/7/2025)		**$50,514**
AGO	General Reimbursement Fund (Fund 1060)	$50,514
Admera Health (5/1/2025)		**$5,401**
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$5,401
Gabrail Cancer Center (5/15/2025)		**$44,992**
AGO	Attorney General Reimbursement Fund (Fund 1060)	$22,496
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$22,496
KAV Health Group (5/20/2025)		**$2,060,536**

Transfers from Attorney General Court Order and Settlement Fund January 1, 2025, through August 19, 2025		
Agency	**Settlement/Fund**	**Amount**
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$1,373,691
AGO	General Holding Fund (Fund R004)	$470,062
AGO	Attorney General Reimbursement Fund (Fund 1060)	$216,784
Kassem Obed, et al. (5/30/2025)		**$4,000**
COM	Underground Storage Tank Administration Fund (Fund 6530)	$4,000
CCU Coal and Construction, LLC (6/5/2025)		**$1,123,444**
DNR	Mining Regulation and Safety Fund (Fund 5290)	$1,123,444
Fraternal Order Eagles #685 (6/11/2025)		**$10,000**
AGO	Charitable Law Fund (Fund 4180)	$10,000
Dr. Brian Leve (6/18/2025)		**$127,604**
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$127,604
Jason Rocha and Good Measure Contracting, LLC (6/25/2025)		**$16,685**
AGO	Consumer Frauds Fund (Fund R018)	$12,685
AGO	Consumer Protection Enforcement (Fund 6310)	$4,000
Joseph Slye et al. (6/25/2025)		**$178**
AGO	Consumer Frauds Fund (Fund R018)	$178
Russell Miller / Decks and Beyond (6/25/2025)		**$5,000**
AGO	Consumer Frauds Fund (Fund R018)	$5,000
Veterans of Foreign Wars No. 5645 (7/30/2025)		**$2,000**
AGO	Charitable Law Fund (Fund 4180)	$2,000
Derek Barkley and Barkley Construction, LLC (7/31/2025)		**$1,500**
AGO	Consumer Frauds Fund (Fund R018)	$1,500
Charak Center for Health and Wellness (8/6/2025)		**$37,197**

Transfers from Attorney General Court Order and Settlement Fund January 1, 2025, through August 19, 2025		
Agency	**Settlement/Fund**	**Amount**
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$37,197
Mallinckrodt-881 (8/7/2025)		**$287,132**
MCD	Health Care/Medicaid Support and Recoveries Fund (Fund 5DL0)	$287,132
	MCD Total	**$2,518,750**
	AGO Total	**$1,460,447**
	DNR Total	**$1,123,444**
	EPA Total	**$30,000**
	COM Total	**$4,000**
	Grand Total	**$5,136,641**

Over 115,000 Educators Completed Required Science of Reading Professional Development Course

– Patrick Campbell, Budget Analyst

As of the end of FY 2025, over 106,000 public school teachers and over 9,000 administrators completed the professional development course in the science of reading required by H.B. 33 of the 135th General Assembly. H.B. 33 generally required teachers and administrators to complete at least one of the seven professional development pathways on the science of reading by the end of June 2025. These pathways range from seven to 22 hours in length. Each pathway is designed to cater to each educator's specific grade band, primary role, and their previously completed trainings. Any teacher or administrator who had previously completed similar training, as determined by DEW, was not required to complete the course. H.B. 96 requires DEW to maintain the introductory Science of Reading professional development course and to develop a competency-based refresher course, which educators are required to complete every five years.

Teachers of grades pre-kindergarten through 5, English language arts teachers of grades 6 through 12, intervention specialists, English learner teachers, reading specialists, and instructional coaches received stipends of $1,200 for completing the course. Non-English language arts teachers for grades 6 through 12 received $400 stipends. Administrators were not eligible for a stipend, nor were teachers that were exempt from the requirement. DEW reimburses district and school costs for the stipends, including the employer portion of retirement and Medicare contributions that raised the total payment for a completed course to $1,385 and $462, respectively. To date, DEW has paid about $83 million in stipend reimbursements, out of a total of $86 million that H.B. 33 appropriated for that purpose in the FY 2024-FY 2025 biennium. DEW pays reimbursement claims from Fund 5AQ1 ALI 2006A4, Literacy Improvement, which is supported mainly by a cash transfer from the FY 2023 GRF ending balance.

DEW Awards $45.9 Million to Public Schools from Federal Comprehensive Literacy State Development Grant

– Ryan Brown, Senior Budget Analyst

In July 2025, DEW awarded $45.9 million in federal Comprehensive Literacy State Development (CLSD) grants to 30 school districts and three community schools. These funds are part of a five-year, $60 million grant Ohio received from the U.S. Department of Education in 2024. This grant builds on the previous five-year, $42 million CLSD grant Ohio received in 2019. The subgrant funds awarded in July will fund K-12 literacy activities. According to DEW's January 2025 Plan to Raise Literacy Achievement, local education agencies (LEAs) will use the grant awards to enhance literacy instruction through leadership training, coaching, curriculum-based professional development, student support systems, and family engagement. Funds were awarded to LEAs through a competitive process, with certain portions of the subgrants allocated to programs supporting children in specified grade bands (grades K-5, 6-8, and 9-12). As shown in the table below, grades K-5 programs received the largest share of the allocations, at about 52%. Individual awards ranged from $3.0 million (Euclid City School District in Cuyahoga County) to $400,000 (Rittman Exempted Village School District in Wayne County). For the list of districts and schools awarded funds, see DEW's Comprehensive Literacy State Development Grant 2025 K-12 Awardees (PDF), which may be accessed by conducting a keyword "comprehensive literacy grant" search on the DEW website: education.ohio.gov.

Comprehensive Literacy State Development K-12 Grant Funds Awarded ($ in millions) by Grade Band		
Grades	**Awards**	**Share of Total**
K-5	$23.8	51.9%
6-8	$14.8	32.3%
9-12	$7.3	15.8%
Total	**$45.9**	**100%**

Later in 2025, DEW will launch the application process for the remaining portion of the subgrants, which will support pre-kindergarten literacy activities. Early childhood education programs will use their awards to provide high-quality staff training and collaborate with families and schools to support literacy and smooth transitions into kindergarten. Overall, 95% of Ohio's award will be distributed as subgrants to LEAs and early childhood education programs. DEW will use the remaining 5% of the grant to provide technical assistance and develop additional training for school leaders.

Department of Commerce Awards $50,000 for Financial Literacy Programs

– Gavin Enseleit, LSC Fellow

On July 7, 2025, the Ohio Department of Commerce (COM) announced $50,000 in Financial Literacy Grant Awards for eight youth-oriented programs designed to equip participants with the fundamentals of managing their personal finances and preparing them for success in their careers. All but one of the grant recipients are nonprofit organizations. The table below shows the organizations which were awarded grants and summarizes how they will use the funding.

Financial Literacy Grant Awards for FY 2026		
Recipient	**Purpose**	**Amount**
DoverPhila Federal Credit Union (Tuscarawas)	To offer financial education workshops for students, families, and educators	$13,000
Columbus Urban League (Franklin)	To launch a summer financial literacy series for teens, focusing on budgeting, savings, and investment basics	$7,000
Junior Achievement of North Central Ohio, Eastern Ohio, and OKI Partners (Multiple)	To expand access to financial literacy programs across a 47-county footprint	$7,000
Alpaugh Family Economic Center (Hamilton)	To educate students in financial decision-making through programs like the Stock Market Game	$6,850
Kiducation Community Center (Columbiana)	To support financial literacy and youth entrepreneurship programs, including a youth-led farmers market	$6,150
Breadwinners Academy (Cuyahoga)	To support semester-long financial literacy programs to students at John F. Kennedy High School	$5,000
Toledo Zoo and Aquarium (Lucas)	To provide classes on money management for teens with disabilities	$2,500
BBB Marketplace Education Initiative (Summit)	To educate teens on scam prevention and financial safety through the TeenSmart program	$2,500
	Total	**$50,000**

COM's Financial Literacy Grant program is funded through a quarterly cash transfer into the Financial Literacy Education Fund (Fund 5FW0) equaling 5% of charges, penalties, and forfeitures deposited into the Consumer Finance Fund (Fund 5530) collected by the Division of

Financial Institutions from consumer loan companies, pawnbrokers, precious metals dealers, check-cashing businesses, mortgage brokers, loan officers, and credit service organizations.

ODOT Launches $150.0 Million Truck Parking Expansion Plan

– Terry Steele, Senior Budget Analyst

On July 29, 2026, the Department of Transportation (ODOT) announced details of a $150.0 million Commercial Truck Parking Plan to address the shortage of commercial-truck parking in Ohio by adding over 1,400 new parking spaces at rest areas, weigh stations, and other available areas across the state. Overall, ODOT identified 33 sites across 20 counties where long-term truck parking lots will be created or expanded, more than doubling such capacity at ODOT-maintained sites. According to ODOT data for calendar year (CY) 2023, commercial trucks logged 27.5 million miles on Ohio roads. ODOT projects that truck freight volume will increase 26% by 2045. The regions and number of sites where truck parking will be added are summarized in the table below.

Truck Parking Expansion Sites by Region		
Region	Counties	New Sites
Northwest	5	9
Northeast	6	9
Southwest	4	7
Southeast	5	8
Total	**20**	**33**

Funding for the plan is from the Highway Operating Fund (Fund 7002). ODOT intends to complete these projects by the end of 2027. For additional details, see the Truck Parking Expansion Plan available on ODOT's website at: transportation.ohio.gov.

Supreme Court Task Force on Juvenile Diversion Releases Final Report and Recommendations

– Robert Meeker, Senior Budget Analyst

In June 2025, the Supreme Court of Ohio Task Force on Juvenile Diversion released its final report and recommendations. The 21-member task force was formed in June 2024 and was charged with ensuring courts have transparent and effective juvenile diversion programs, which are informal alternatives that redirect youth from involvement in the juvenile justice system. The task force also reviewed court procedures for Marsy's Law[7] victim notification, opportunity to participate, and restitution within the context of juvenile diversion. Members included juvenile justice system stakeholders, judges, law enforcement officers, prosecutors, public defenders, legislators, law school professors, and juvenile justice experts.

According to the report, 84.6% of respondent counties (66 of 78) report using pre-trial appearance diversion, which is defined as "the redirection of a youth to intervention services prior to an initial appearance before a judge or magistrate" in at least some cases. Of the responding judges, 57.5% report always using diversion for status offenses (e.g., curfew, tobacco, truancy) and 73.6% report never using diversion for felony equivalent offenses of violence.

The full report (PDF), which is available online at the Supreme Court of Ohio's website at supremecourt.ohio.gov, outlines the following ten recommendations:

- Courts should adopt a local rule outlining their practices and procedures for using pre-initial appearance diversion;
- Courts using pre-initial appearance diversion should develop written guidelines for eligibility and process;
- Courts should use data maintained on pre-initial appearance diversion to develop their guidelines. This data should be regularly reviewed and shared with the community partners;
- Courts should make pre-initial appearance diversion statistics publicly available in the court's annual report or any other manner as provided by the court;
- Courts should train staff on Marsy's Law compliance, including procedures for victim notification, handling objections from victims to diversion, and restitution;
- The Supreme Court should adopt a rule requiring courts that engage in pre-initial appearance diversion to adopt a local rule, develop written guidelines as recommended above, and notify the Supreme Court if their diversion program has been terminated;
- The Supreme Court, in conjunction with the Ohio Department of Youth Services (DYS) and other appropriate juvenile justice stakeholders, should identify best practices regarding (1) pre-initial appearance diversion interventions, (2) evidence-based diversion screening and assessment tools, (3) effective use of assessment centers and other diversionary tools, and (4) data collection in pre-initial appearance diversion programs;
- The Supreme Court should provide education and resources to courts on pre-initial appearance diversion best practices and Marsy's Law compliance including procedures for victim notification, handling objections from victims, and restitution;
- DYS is encouraged to continue funding pre-initial appearance diversion programs and resource and assessment centers in local communities and providing technical assistance on these efforts to courts; and

[7] "Marsy's Law" was a constitutional amendment approved by voters in 2017 to guarantee certain rights to victims of criminal offenses. The rights were codified in state law by H.B. 343 of the 134th General Assembly in 2023.

- The Ohio General Assembly is encouraged to continue providing funding, through DYS, for resource and assessment centers and other pre-initial appearance diversion efforts for local communities.

PACE Expands into Franklin and Summit Counties

– Ryan Sherrock, Senior Economist

On July 7, 2025, the Ohio Department of Aging (ODA) announced that Ohioans 55 years and older in Franklin and Summit counties can now receive services through the Program of All-Inclusive Care for the Elderly (PACE). PACE is a managed care program that provides eligible individuals with a variety of services including primary and specialty care, adult day health services, personal care services, counseling, meal delivery, home health, inpatient hospital care, prescription drugs, and occupational and physical therapies. Additionally, families of participants may also receive respite care. The goal of the program is to allow individuals to remain in their homes and communities for as long as possible. Prior to this expansion, PACE services were only available in Cuyahoga and Lorain counties. However, services are expected to expand into Ashtabula, Hamilton, Lucas, Mahoning, Montgomery, and Trumbull counties by early 2026.

Eligibility requirements include that an individual be 55 years or older, require a nursing facility level of care (e.g., need help with activities of daily living), and live in a PACE service area. A licensed professional must also conduct an assessment to determine that an individual can live safely in his or her home. Most PACE participants are Medicare and/or Medicaid eligible. However, some participants privately pay for services.

H.B. 45 of the 134th General Assembly required ODA to expand PACE and appropriated $50.0 million in FY 2023 to do so. To be eligible for approval to become a PACE organization, an entity had to: conduct a feasibility study of the entity's proposed service area; have a valid Medicaid provider agreement or be eligible to enter into a provider agreement; meet all federal requirements applicable to PACE providers; and have a facility suitable to be a PACE center, or plans to acquire, build, or expand a suitable facility.

Tracking the Economy

– Russ Keller, Chief Economist

Overview

The U.S. economy grew in the second quarter of 2025, and employment continued to grow through August, but the labor market showed signs of gradually cooling. Inflation adjusted gross domestic product (real GDP) grew at a 3.3% annual rate in this year's second quarter after decreasing at a 0.5% annual rate in the first quarter. Imports (which subtract from GDP growth) had an outsized impact in both quarters, as imports previously surged ahead of anticipated tariffs and retreated in the second quarter. Consumer spending is still contributing to growth in real GDP, but to a smaller degree than it was last year. Payroll employment rose by just 22,000 in August, and monthly job growth is now averaging just 27,000 over the last four months.

U.S. officials implemented new tariffs for dozens of countries or territories that failed to secure a trade deal or formal exemption under the International Emergency Economic Powers Act (IEEPA) program. All goods sent prior to August 7 that arrive to the U.S. prior to October 5 will be allowed to enter under the former tariff rate. The October 5 deadline provides enough time for most December holiday retail items to enter the U.S. under the old tariff rate as long as they are shipped prior to August 7. Although deals have been announced with the European Union, Japan and South Korea, negotiations have yet to be concluded with mainland China, Canada, or Mexico.

Inflation cooled in the second calendar quarter, but tariff effects have begun to emerge in the price data for June and July. In general, consumer prices have edged up more slowly. Businesses have said they are largely absorbing the costs of tariffs for now, but some have increased their prices to pass on their costs to consumers.

The Federal Open Market Committee (FOMC) of the Federal Reserve, the nation's central bank, will meet on September 16-17. For the first time in nine months, the FOMC is expected[8] to cut its federal funds rate[9] target by 0.25 percentage point, to 4.00%-4.25%. The potential interest rate cut reflects how the FOMC balances its dual mandate to support the goals of maximum employment and stable prices. Federal Reserve (Fed) Chairman Jerome Powell, in his August 22 speech for the Jackson Hole Symposium, offered his perspective on the current economic climate: "The effects of tariffs on consumer prices are now clearly visible. We expect those effects to accumulate over coming months, with high uncertainty about timing and amounts. The question that matters for monetary policy is whether these price increases are likely to materially raise the risk of an ongoing inflation problem. A reasonable base case is that the effects will be relatively short lived – a one-time shift in the price level. Of course, "one-time" does not mean "all at once." It will continue to take time for tariff increases to work

[8] Expectations of future FOMC activity are sourced from "CME Fed Watch"

[9] The federal funds rate is a short-term (generally overnight) interest rate at which banks lend reserves to each other. Though it is a market-determined rate, the Federal Reserve has substantial influence over it by way of its ability to increase or decrease available bank reserves.

their way through supply chains and distribution networks. Moreover, tariff rates continue to evolve, potentially prolonging the adjustment process."

Ohio's unemployment rate in July increased to 5.0%, its highest level since July 2021. Ohio's total nonfarm payroll employment rose by 5,400 in July, growth of 0.1% for the month and of 1.2% from the preceding July. The regional economy, according to a survey conducted by the Cleveland Federal Reserve, displayed flat employment levels and flat consumer spending in recent weeks.

The National Economy

In August, the U.S. economy added 22,000 jobs and the national unemployment rate rose to 4.3%. Unemployment rates fluctuated in a narrow range between 4.0% and 4.2% nationally from May 2024 through July this year so the August result, while still low, broke out from that range.

Job growth over the past four months (May through August) averaged nearly 27,000 per month, which is lower than the average monthly gain of 123,000 jobs over the first four months of this calendar year. While the pace of job gains slowed, the unemployment rate has modestly increased. The circumstances spurred some policymakers, such as the Federal Reserve Bank of New York President, John Williams, to comment about "breakeven" employment growth. The breakeven growth number equals how many new jobs the American economy must add each month to be consistent with a specific target unemployment rate. In an interview with the Wall Street Journal, Williams said "immigration flows have increased the break-even number for a number of years and now, [the flows] are clearly reducing it. And the challenge from a practical point of view is in real time, it's very hard to understand how much labor supply is changing because it is not something that we can directly measure through."[10]

The number of job openings declined to 7.2 million in July, from 7.4 million in June. Job openings have averaged about 7.5 million per month over the past year. The number of job openings decreased in health care and social assistance (181,000); arts, entertainment, and recreation (62,000); as well as mining and logging (13,000). For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) were described by Bureau of Labor Statistics (BLS) as unchanged compared to the previous month. The number of people choosing to quit was 3.2 million, a rate of 2.0% in July, with the largest share of quits occurring among professional and business services employees. In general, employees are more likely to quit jobs if they are confident they can find other or better positions.

[10] The U.S. Census Bureau directly collects and publishes survey data on the characteristics of foreign-born residents of the United States, such as country of birth, U.S. citizenship status, and year of entry into the United States. However, the Census Bureau does not directly collect data on the legal status of the foreign born on its surveys. Data is collected from all foreign born who participate in censuses and surveys, regardless of legal status. Thus, unauthorized migrants are implicitly included in the Census Bureau's annual estimates of the total foreign-born population. For these and other reasons, immigration flows are difficult to estimate with precision. Consequently, the impact of immigration on the labor supply is also difficult to estimate, especially on a month-to-month basis.

U.S. real GDP grew at a 3.3% annual rate in the second quarter of 2025 according to the second estimate published by the U.S. Bureau of Economic Analysis (BEA). The second quarter growth marks a rebound from the first quarter, in which economic growth declined at a 0.5% annual rate. Compared to the first quarter, the upturn in real GDP in the second quarter primarily reflected a downturn in imports and an acceleration in consumer spending that were partly offset by a downturn in investment.

Inflation increased in July, but much more so for producers than for consumers. The consumer price index (CPI) increased 0.2% in July, seasonally adjusted, following a 0.3% increase in June. Compared to a year ago, the CPI increased 2.7% before seasonal adjustment. The increase in July was in large part due to increases in prices for medical care, airline fares, recreation, household furnishings and operations, as well as used cars and trucks. The producer price index for final demand (PPI) increased 0.9% in July, seasonally adjusted, after a 0.0% increase in June and an increase of 0.4% in May. The monthly increase was the largest such change in three years. Since July of last year, the index for final demand rose 3.3% before seasonal adjustment. The increase in July suggests wholesalers are passing cost increases along to retailers. Producer prices often foreshadow consumer prices, but the PPI is more volatile than the CPI.

Over 2.9 million units of light motor vehicles, automobiles and light trucks (including SUVs), were sold during the two months of July and August, a seasonally adjusted annual rate exceeding 16 million units. Unit sales for the first two months of FY 2026 were 4.5% higher than the 2.8 million units sold in the corresponding months of 2024.

Mortgage rates decreased to their lowest level of the year. The average rate on the standard 30-year fixed mortgage declined to 6.50%, according to a survey of lenders by mortgage-finance firm Freddie Mac. That was a low not seen since October 2024 and down from 6.56% a week earlier. The lower mortgage rates incrementally improved housing affordability for prospective buyers. Existing home sales increased by 2.0% in July, according to the National Association of Realtors (NAR). The median existing-home price was $422,400 in July, which is up just 0.2% from one year ago. NAR's chief economist commented that "near-zero growth in home prices suggests that roughly half the country is experiencing price reductions. The market's health is supported by a cumulative 49% home price appreciation for a typical American homeowner from pre-COVID July 2019 to July this year."

The Ohio Economy

In July, Ohio's total nonfarm payroll employment increased by 5,400, but the unemployment rate also increased to 5.0%, up from 4.9% in June. Over the past 12 months, nonfarm payroll employment increased 70,200, but over that same period, the unemployment rate increased from 4.3% to 5.0%. Job gains over the past year were most prominent in private educational and health services (21,000); construction (13,600); professional and business services (9,000); as well as trade, transportation, and utilities (8,800).

Among Ohio metropolitan areas, payroll employment growth in the year ended in July was strongest in Toledo, at 2.4%. Payroll employment growth in the latest 12 months in both Columbus (1.7%) and Lima (1.5%), exceeded that in most other areas of the state. The areas with the weakest annual employment change were Springfield, where the number of payroll jobs fell 2.2% in the latest 12 months, as well as Mansfield and Weirton-Steubenville where employment was stagnant. The remaining metro areas saw their annual payroll growth range between 0.9% and 1.2%.

The number of existing homes sold in Ohio increased by 2.2% compared to July of last year, according to the Ohio Realtors. The statewide sales price of homes sold in July 2025 averaged $275,000, or 6.1% higher than the corresponding period a year ago. According to the Ohio Realtors' report, "Ohio recorded 3.56 months of housing supply[11] in July, an 11% increase from last year. While inventory is improving, the market remains tilted toward sellers, with six months considered balanced."

Business activity in the Cleveland Federal Reserve District[12] increased slightly in the weeks leading up to August 25, according to the Federal Reserve's Beige Book.[13] Consumer spending was flat, with retailers noting continued affordability concerns among consumers. Manufacturers also reported flat demand for goods, citing trade policy uncertainty as the main driver. Overall, "nonlabor input costs continued to rise at a robust pace in recent weeks. Across sectors, many contacts cited tariff-related cost increases." Those contacted by the Cleveland Fed reported that their selling prices grew modestly in recent weeks to offset higher materials costs, continuing the trend since the start of 2025.

[11] The months' supply is the ratio of houses for sale to houses sold. This statistic provides an indication of the size of the for-sale inventory in relation to the number of houses currently being sold. The months' supply indicates how long the current for-sale inventory would last given the current sales pace.

[12] The Cleveland Federal Reserve District includes all of Ohio, plus parts of Pennsylvania, West Virginia, and Kentucky.

[13] The Beige Book is the Federal Reserve's compilation of reports from contacts outside the Federal Reserve system itself, primarily in business.