Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE BUDGET OFFICE — JUNE, 2000

FISCAL OVERVIEW

— Doris Mahaffey

The word for May was "overage," as in "a surplus or excess, as in goods," according to Webster's dictionary. Revenues were over estimate for both the month and the year-to-date. And, for the first time this year, disbursements, as well as most disbursement categories, were over estimate for the month and the year-to-date. Led by a strong showing in the personal income tax, May revenues were over estimate by a whopping $344 million. Disbursements were over estimate by an even larger margin - $416 million. Even so, both the ending cash balance and the unobligated cash balance increased by roughly $170 million as of May 30th. (See Table 1.)

Year-to-date total revenues (including federal reimbursements and transfer payments) are $532.4 million over estimate. Taxes account for $423.7 million of this overage with the personal income tax contributing $300.7 million toward the overage and the combined sales taxes adding another $187.8 million. (The $89.7 million shortfall in the corporate franchise tax offsets part of this overage.)

Year-to-date disbursements (including transfers) are $56.2 million over estimate; while program payments are nearly on-target at $10 million over estimate. Given the $69 million shortfall in property tax relief, this "on-target" spending actually portends over-estimate spending for the year, since the bulk of the property tax relief appropriation is expected to be disbursed to the awaiting local governments and school districts before the end of the fiscal year. (It should be noted that the "estimates" used here still refer to the August 1999 estimates of the Office of Budget and Management. In several cases a program's appropriation may have increased since then. The appropriation for Temporary Aid to Needy Families (TANF) discussed below is a case in point. The estimates do not reflect these changes.)

Compared to a year ago, total revenues (including federal reimbursements and transfer payments) are up 6.5 percent. Total taxes are up 8.7 percent. Total disbursements are up 5.6 percent over last year; and total program payments are up 8.2 percent.

On the revenue side, the big story for May is the personal income tax, which was $258.7 million over estimate for the month. On the disbursement side, the big stories are primary and secondary education ($166 million over for the month; $54 million over for the year-to-

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STATUS OF THE GRF

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Budget Footnotes examines the fiscal position of the state GRF on a monthly basis. Each issue also contains summaries of Controlling Board actions that have policy implications, and articles on fiscal issues of current interest.

For questions or comments regarding specific sections:

GRF Revenue:
Doris Mahaffey 644-7762

GRF Spending:
Jeff Golon 644-8751

Other Articles:
Barbara Riley 644-9097

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Legislative Budget Office
77 South High Street, 8th Floor
Columbus, Ohio 43266-0347

Telephone: 614/466-8734

E-mail:
BudgetOffice@lbo.state.oh.us

Table 1
General Revenue Fund
Simplified Cash Statement
($ in millions)

	Month of May	Fiscal Year 2000 to Date	Last Year	Difference
Beginning Cash Balance	$656.4	$1,512.5		
Revenue + Transfers	$2,206.0	$18,170.8		
Available Resources	$2,862.4	$19,683.3		
Disbursements + Transfers	$2,038.3	$18,859.2		
Ending Cash Balances	**$824.1**	**$824.1**	**$842.0**	**($17.9)**
Encumbrances and Accts. Payable		$417.3	$446.2	($28.9)
Unobligated Balance		**$406.8**	**$395.8**	**$11.0**
BSF Balance		$953.3	$906.9	
Combined GRF and BSF Balance		**$1,360.1**	**$1,302.7**	**$57.4**

date), Medicaid ($56.9 million over for the month, $89.0 million over for the year), and TANF - $43.8 million over for the month; $39.8 million over for the year. Not surprisingly the overages in Medicaid and TANF are “matched” on the revenue side by a $45 million overage for the month in federal reimbursements. In particular, the increase in TANF spending was made possible by a March Controlling Board increase in appropriation authority in the TANF federal line. The money is to be used to fund advances to the counties. The increase in appropriation authority will be fully covered by federal reimbursements (although some of the federal receipts will most likely fall into FY 2001).

The only revenue sources with significant year-to-date shortfalls are the corporate franchise tax ($79.3 million or 8.1 percent under estimate), the domestic insurance tax ($3.3 million or 3.8 percent under), earnings on investment ($6.1 million or 7.1 percent under), and licenses and fees ($3.9 million or 10.8 percent under). The only programs with significant underages are property tax relief (7.2 percent under estimate), other welfare ($46.6 million or 9.2 percent under), other human services ($34.3 or 3.1 percent under), transportation ($10.2 million or 21.3 percent under) and other government ($33.9 million or 8.8 percent under). The “other human services” category includes spending by the Departments of Mental Health, Mental Retardation and Developmental Disabilities, and Aging, among others. For the most part the variance in this category results from the timing of subsidy payments to community mental health centers and community residential service providers. As in the case of property tax relief, the money is expected to be disbursed by the end of the fiscal year. ❑

TRACKING THE ECONOMY – MAY, 2000

— Allan Lundell

The slowdown appears to have started. Income growth and consumer spending slowed and for the third consecutive month the growth in consumer spending was less than the growth in personal income. Retail sales declined for the second straight month. The housing market softened. Even though sales in existing homes unexpectedly increased, both sales of new homes and housing starts decreased. The labor market seems to have softened a bit, but the apparent softening may only be due to seasonal adjustment and survey timing.

Consumers

Income growth slowed, falling slightly to 0.4 percent in May. The growth rate for April was revised down from 0.7 percent to 0.6 percent. Wages and salaries increased marginally, by 0.04 percent. Dividends and interest both increased by 0.5 percent while transfer payments increased by 2.1 percent. The large increase in transfer payments was due to a very large increase in Social Security payments related to the elimination of the retirement earnings test. Disposable income grew by 0.4 percent. On a year-over-year basis, personal income is up by 6.6 percent. Wages and salaries are up by 6.5 percent, dividends are up by 6.6 percent, interest is up by 8.4 percent, and transfers are up by 6.2 percent. Disposable income is up by 6.0 percent.

Consumer spending grew by just 0.2 percent in May. Spending on durable goods fell for the third straight month, falling by 1.0 percent to a seasonally adjusted annual rate of $808 billion. Spending on non-durables grew by 0.2 percent and spending on services grew by 0.5 percent. On a year-over-year basis, consumer spending is up 8.0 percent. Spending on durable goods is up 7.4 percent, spending on non-durables is up 8.5 percent, and spending on services is up 7.8 percent. Spending on durable goods accounts for 12 percent of consumer spending, spending on non-durables account for 30 percent, and spending on services accounts for 58 percent.

Advanced estimates indicate a 0.3 percent decline in seasonally adjusted retail sales in May. Additionally, the initial 0.2 percent April decline was revised to 0.6 percent. May marked the first back-to-back decline in retail sales since the summer of 1998. It appears that the slowdown in consumer spending has finally started. The decline was lead by sales of interest sensitive items. Sales of durable goods fell by 1.0 percent. Sales of building materials, hardware, garden supply, and mobile home dealers fell by 1.6 percent. Sales of automotive dealers fell by 1.3 percent. Sales of furniture, home furnishings, and equipment stores fell by 0.3 percent. Sales of non-durable goods increased by 0.2 percent. Sales of general merchandise stores increased by 1.2 percent, sales of apparel and accessory stores increased by 1.1 percent, sales of drug and proprietary stores increased by 0.7 percent, and sales of gasoline service stations increased by 0.3 percent. Sales of food stores fell by 0.5 percent, as did sales of eating and drinking places.

Even though retail sales have declined for the last two months, total sales are still up 7.4 percent compared to May 1999. Sales of durable goods are up 5.9 percent and sales of non-durable goods are up 8.6 percent.

Consumer confidence soared higher in May. The Conference Board's index of consumer confidence rose by 5.1 percent to 144.7 equaling the record level reached in January of this year. The assessment of the current situation increased by 2.1 percent (to 183.6) and the index of expectations grew by 8.2 percent (to 118.7). On a year-over-year basis, the index of consumer confidence is up 5.1 percent, the assessment of the current situation is up 3.6 percent, and the index of expectations is up 6.6 percent.

Sales of existing homes rose 4.3 percent in May to a seasonally adjusted annualized rate of 5.09 million, up 1.0 percent from May 1999. The increase, which followed a 6.2 percent decrease in April, was unexpected. Sales in the Midwest increased by 7.5 percent to 1.15 million SAAR, up 2.7 percent from May 1999. Midwest sales had fallen by 5.3 percent in April to 1.07 million SAAR. The increase may have been in anticipation of future increases in mortgage rates.

Sales of newly-built one-family houses fell in May to 875,000 SAAR, down 2.3 percent from May 1999. Sales in the Midwest increased by 7.4 percent to 159,000 SAAR, down 8.1 percent from May 1999. Through May of this year, there were 405,000 houses sold nationwide compared with 402,000 sold during the first five months of 1999. In the Midwest, 72,000 new houses have been sold through May of this year compared with 74,000 for the same period last year.

Housing starts fell by 3.9 percent in May to 1.59 million SAAR. Housing starts are down 3.5 percent in a year-over-year comparison. Single family starts fell by 5.4 percent in May to 1.25 million and are down 8.6 percent in a year-over-year comparison of SAAR. Housing permits fell by 4.3 percent in May to 1.49 million SAAR. Housing permits are down 6.2 percent in a year-over-year comparison. Single family permits fell by 2.1 percent in May to 1.14 million SAAR and are down 8.3 percent in a year-over-year comparison of SAAR.

Prices

The seasonally adjusted Consumer Price Index (CPI) increased by 0.1 percent in May. This slight increase comes after no change in April. The core CPI (excluding food and energy) increased by 0.2 percent. The index for food rose by 0.5 percent. The energy index fell by 1.9 percent in May for the second month in a row. The 1.9 percent declines in the energy index in April and May followed increases of 4.6 percent in February and 4.9 percent in March. A year-over-year comparison of unadjusted indices reveals that the CPI is up by 3.1 percent, the core CPI is up by 2.4 percent, the index for food is up by 2.2 percent, and the energy index is up by 14.6 percent.

The seasonally adjusted Producer Price Index (PPI) for finished goods did not change in May. The core PPI increased by 0.2 percent. The index for food decreased by 0.2 percent and the index for energy decreased by 0.5 percent. The index for intermediate goods decreased by 0.1 percent and the crude goods index increased by 3.2 percent. On a year-over-year basis, the PPI is up by 3.9 percent. The core PPI is up by 1.5 percent; the index for intermediate goods is up by 5.0 percent; and the crude goods index is up by 18.5 percent.

Production

Industrial production increased by 0.4 percent in May. April's increase was revised slightly downward from 0.9 percent to 0.7 percent. Manufacturing output increased 0.3 percent and the output of utilities increased by 1.4 percent. Industrial production is 5.8 percent greater than a year ago. Overall capacity utilization remained at 82.1 percent, but capacity utilization in manufacturing fell slightly from 81.3 percent to 81.2 percent.

Seasonally adjusted new orders for manufactured durable goods increased 6.0 percent in May to $218.9 billion. This is the largest increase since December 1999 and follows a 5.7 percent decrease in

April. Year-to-date, new orders are 8.4 percent above the same period a year ago. The largest increase was for electronic and electrical equipment, which increased by 26.0 percent to $46.5 billion. This increase was largely due to orders for electronic components. Orders for transportation equipment increased by 3.5 percent to $46.9 billion. This increase was largely due to orders for motor vehicles and parts and shipbuilding and tanks.

Seasonally adjusted shipments of durable goods increased 2.2 percent in May to $213.9 billion. Year-to-date, shipments are 6.8 percent above the same period a year ago. The largest increase in shipments was for transportation equipment, which increased by 6.2 percent to $49.5 billion. This increase was largely due to shipments of aircraft and parts and motor vehicles and parts. Shipments of electronic and electrical equipment increased for the sixth time in the past seven months, growing by 2.6 percent to $40.0 billion.

Employment

The seasonally adjusted national unemployment rate rose to 4.1 percent in May. Private sector payroll employment fell by 116,000 but the hiring of 357,000 temporary workers to help with the Census 2000 helped total nonfarm employment grow by 231,000. However, unadjusted private sector employment was up 687,000. May has a large seasonal adjustment because of graduating seniors and students seeking summer employment. The increase in employment was less than normal. This may have been due to the survey week coming early in the month, before graduation and the end of classes. Additionally, April employment was up by 1.14 million before adjustment (414,000 after adjustment), suggesting that summer hiring started earlier than usual.

The Ohio unemployment rate increased to 4.0 percent in May, up from 3.9 percent for April. Nonagricultural wage and salary employment fell by 5,100. Employment in goods producing industries decreased by 5,500 jobs to 1,327,100 and employment in service producing industries increased by 300 jobs to 4,269,600. Federal government employment in Ohio increased by 11,800 due largely to the hiring of large numbers of census workers. Compared to May 1999, Ohio's unemployment rate is down from 4.3 percent, employment has increased by 172,000 and the number unemployed has decreased by 13,000.

Nationally, average hourly earnings for workers in manufacturing fell by $0.01 to $14.28. Average hourly earnings for workers in construction increased by $0.05 to $17.70 and average hourly earnings for workers in trade fell by $0.09 to $10.99. Compared to May 1999, average hourly earnings are up by 3.1 percent for workers in manufacturing, up by 3.7 percent for workers in construction, and up by 3.5 percent for workers in trade.

In Ohio, average hourly earnings for workers in manufacturing increased by 0.1 percent in May to $16.62. Average hourly earnings for workers in construction increased by 1.0 percent to $20.29. Average hourly earnings for workers in trade decreased by 0.5 percent to $10.89. A year-over-year comparison shows that average hourly earnings are up 2.6 percent for manufacturing, 5.8 percent for construction, and 4.1 percent for trade.

Ohio average weekly earnings for workers in manufacturing fell by 0.9 percent in May to $712.99. Average weekly earnings for workers in construction grew by 1.0 percent to $805.51. Average weekly earnings for workers in trade increased by 0.2 percent to $332.14. In a year-over-year comparison, average weekly earnings are up 3.1 percent for manufacturing, 4.2 percent for construction, and 2.8 percent for trade.

Status of the General Revenue Fund

REVENUES

—Doris Mahaffey

Strong income tax revenues in May dominated the revenue picture for the month, registering a $258.7 million overage for the month. This effectively offset the April shortfall in this tax and then some. The sales tax also registered a sizeable overage, as did the corporate franchise tax (!). The major taxes combined were $310 million over estimate. (See Table 2 for details.) The cigarette tax chipped in an additional $6.2 million overage; while the estate tax and the domestic insurance tax fell short of the monthly estimate by $19.4 million and $4.4 million, respectively; so that total tax revenues ended up $295 million over estimate. The non-tax revenue components added another $48.8 million to the overage, mainly due to federal reimbursements, which came in $45 million over estimate.

Personal Income Tax

The strong showing in the personal income tax was due primarily to annual returns. The total annual returns component (including the local government fund share, as well as the GRF share) was over estimate by $240.9 million. Quarterly estimated payments were also over estimate (by $33.5 million). Withholding was under estimate by $2.7 million and refunds were under estimate by $19.6 million. On a year-to-date basis, withholding is over estimate by $74.1 million, estimated payments are over estimate by $113.7 million, annual returns are over estimate by $102.1 million, and refunds are under estimate by $54.2 million.

Much of the overage in annual returns was a carry over from April, when the total returns component was under estimate by $173.5 million. Annual returns for April and May combined were $67.4 million over estimate. The strong showing of this component is a reflection of the strong performance of the economy in 1998 and 1999 – especially 1999, when the gross domestic product (GDP) grew at a rate of 5.7 percent and personal income grew at a rate of 5.9 percent. In particular, non-farm proprietors' incomes grew at a rate of 8.0 percent in 1999 (compared to 5.8 percent in 1998).

The strength of quarterly estimated payments reflects the strong performance of the economy in 1999 and 2000. (Roughly, payments through January are based on 1999 income and payments since then are based on estimated calendar year 2000 income.) In particular, the overage reflects the strong stock market through March and April of this year. Since the stock market has somewhat stalled, this is unlikely to be such a strong source of growth in personal income tax revenues after this year; although sales will continue to result in capital gains. Accordingly, WEFA, speaking of Federal coffers, projects that:

> [T]he recent boost to the budget from capital gains receipts may also fade. [Revenues from capital gains] are estimated by CBO at $100 billion in 1999, and may be higher this year. There may be major take-profit selling even with the stock market down. For next year and beyond, these receipts could fall by perhaps one third on further stock market and IPO developments.[1]

[1] Andrew Hodge and Genio Staranczak, "June 2000 US Outlook, Executive Summary," p.7, WEFA, 2000.

Table 2
General Revenue Fund Income
Actual vs. Estimate
Month of May 2000
($ in thousands)

REVENUE SOURCE	Actual	Estimate*	Variance
TAX INCOME			
Auto Sales	$69,835	$68,400	$1,435
Non-Auto Sales & Use	$451,423	$420,325	$31,098
Total Sales	$521,258	$488,725	$32,533
Personal Income	$935,185	$676,462	$258,723
Corporate Franchise	$220,450	$198,764	$21,686
Public Utility	$4,566	$7,245	($2,679)
Total Major Taxes	**$1,681,458**	**$1,371,196**	**$310,262**
Foreign Insurance	($1,167)	($2,541)	$1,374
Domestic Insurance	$81,127	$85,500	($4,373)
Business & Property	$6,961	$6,160	$801
Cigarette	$37,108	$30,910	$6,198
Soft Drink	$0	$0	$0
Alcoholic Beverage	$5,083	$4,638	$445
Liquor Gallonage	$2,204	$2,240	($36)
Estate	$6,513	$25,900	($19,387)
Racing	$0	$0	$0
Total Other Taxes	$137,830	$152,807	($14,977)
Total Taxes	**$1,819,288**	**$1,524,003**	**$295,285**
NON-TAX INCOME			
Earnings on Investments	$0	$0	$0
Licenses and Fees	$638	$1,540	($902)
Other Income	$7,135	$12,520	($5,385)
Non-Tax Receipts	$7,773	$14,060	($6,287)
TRANSFERS			
Liquor Transfers	$7,000	$7,000	$0
Budget Stabilization	$0	$0	$0
Other Transfers In	$24,979	$15,000	$9,979
Total Transfers In	$31,979	$22,000	$9,979
TOTAL INCOME less Federal Grants	**$1,859,040**	**$1,560,063**	**$298,977**
Federal Grants	$346,981	$301,916	$45,065
TOTAL GRF INCOME	**$2,206,021**	**$1,861,979**	**$344,042**

* July, 1999 estimates of the Office of Budget and Management.

Detail may not add to total due to rounding.

Strong as they are, the performance of the annual returns component and the quarterly estimated payments component of the income tax are small potatoes compared to the monthly withholding component. In 1999 monthly withholding comprised 74 percent of total income tax receipts (excluding refunds), compared to 18 percent for estimated payments and 7 percent for annual returns. (The percentages for withholding were somewhat high and the numbers for the annual returns were correspondingly low because of the relatively high income tax cut that year – 9.34 percent. The tax cut does not affect withholding; it is therefore reflected in lower annual returns and higher refunds.) Even so, the percentages are not too far off. As of the end of

May 2000, withholding accounted for 73 percent of this year's total income tax receipts; while quarterly estimated payments accounted for 17 percent, and annual returns accounted for 10 percent.

And withholding has not been doing so well – at least, compared to the other two major components. Although it accounts for a healthy 26 percent of the year-to-date variance (compared to 39 percent for estimated payments and 35 percent for annual returns), withholding has come in either under estimate or no more than $2.5 million over estimate since February. Prior months boasted much more substantial overages.

May's low withholding number appears to reflect the month's somewhat disappointing employment situation. Nationwide, unemployment rose slightly in May (from 3.9 percent to 4.1 percent); at the same time the increase in payroll employment was much less than expected. On a seasonally adjusted basis the number of jobs rose by 231,000 (compared to 414,000 in April).[2] Since the Census Bureau hired 357,000 workers, that means that private employment actually fell. The average workweek also declined in May – by one-tenth of an hour in payroll employment overall and by eight-tenths of an hour in manufacturing. This would surely have had an impact on withholding. In addition, average hourly earnings barely budged, leaving little room for growth from that source.

Sales and Use Tax

The sales and use tax was $32.5 million over estimate for the month, largely due to the non-auto portion ($31.1 million over) but with a weak assist from the auto portion ($1.4 million over).

The strong performance in the non-auto tax was somewhat surprising, as nationwide retail sales fell 0.6 percent in April – mainly due to interest-sensitive goods. And May automobile sales were the weakest since November. On the other hand, chain store sales were up 7.9 percent on a year-over-year comparison with comparable stores. And automotive sales remain at a historic high.

These mixed signals are expressed in the Federal Reserve's *Beige Book*, which articulated in May, "Retail sales were generally strong and in line with merchants' expectations." At the same time, retailers in the Cleveland District reported "modest sales growth in March and April." More recently, the *Beige Book* reported, "The strong retail activity in most districts earlier in the year showed almost no signs of easing in April and May, as consumers remained upbeat about the economy."

The strong non-auto sales tax numbers for May most likely include some spillover from April. Taken together the $31.1 million overage covers April's $11.6 million underage and then some. Furthermore, even though sales may be slowing, their performance has improved greatly since last year, as the chain store sales numbers demonstrate. And with respect to the auto sales tax, vehicle sales may have fallen from February's record high rate of 19 million units a year (seasonally adjusted), but the current rate of 17.0 million units per year still exceeds last year's average of 16.8 million.

Corporate Franchise Tax

Corporate franchise tax revenues were $21.7 million over estimate for the month. For the year they are $79.3 million under estimate.

The third payment of the corporate franchise tax was due on May 31 (a Wednesday). Given such a due date, the monthly estimate is rarely met, even when revenues are pretty much on

[2] Since the Tax Department takes seasonality into consideration in developing their estimates of the various components of income tax returns, seasonally adjusted variables are relevant for analysis purposes. On the other hand, since taxes are based on actual dollars paid (or earned) rather than dollars adjusted for inflation, the relevant variables for GDP and personal income are the "nominal" variables rather than the "real."

target. Thus the 11 percent variance is not surprising. What is surprising is its positive sign. May is the first month since December that the corporate franchise tax has come in over estimate. Moreover, the first payment (received in January and February) was $51 million under estimate and the second (received in March and April) was $58 million under estimate. The third payment is typically 84 percent of the first or second, although in FY 1998 the third payment was over 93 percent of the first and 91 percent of the second. If the third payment is on target this year – which looks likely, it will echo 1998's payments pattern. Even so, the corporate franchise tax will end the year approximately $100 million under estimate – a decline of 10 percent from last year. (That certainly was *not* the case in FY 1998, when actual receipts exceeded estimates by $36 million.) By contrast, WEFA reports that April 2000 federal corporate tax receipts for tax year 1999 exceeded tax year 1998 receipts by 27.6 percent.

Year-to-date

As of the end of May, the state's revenues were up 6.5 percent over last year. Taxes were up 8.7 percent; and the major taxes were up 9.4 percent. The most dramatic performances were contributed by business and property taxes (up 33.95 percent), the personal income tax (up 12.89 percent), and federal grants (up 11 percent). On the negative side "other transfers in" was down 50.5 percent and earnings on investment was down 10.3 percent. (See Table 3 for details.) For various reasons, these numbers are all somewhat deceptive.

The personal income tax is largely responsible for the high growth rate in tax revenues. However, its growth is somewhat overstated due to the impact of the FY 1999 and FY 2000 temporary income tax cuts. Granted, the personal income tax has been strong and has outperformed expectations this year. However, the 12.9 percent growth rate arises, in part, due to the lower tax cut received this year (3.63 percent on 1999 taxable income) than in FY 1999 (9.64 percent on 1998 taxable income). Due in part to last year's tax cut, FY 1999 personal income taxes increased by only 3.29 percent.

By the same token, the "other transfers in" category is responsible for dampening the overall revenue growth rate. This, too, is due to relative tax cuts and the operation of the tax cut mechanism in fiscal years 1999 and 2000. In FY 1999 the "other transfers in" category was up 142.2 percent over FY 1998. That was due to the $627 million transfer from the income tax reduction fund (ITRF) to the GRF in February of last year to pay for the GRF portion of the tax cut. By comparison, the corresponding transfer to the GRF this year was only $262 million, dampening the rate of growth of the non-tax revenue category. The impact of the transfer therefore reduces total revenue growth closer to what it would have been if the income tax rate were the same in both 1999 and 2000. However, the two effects are not completely offsetting. Because personal income taxes grew faster in 1999 than expected, the amount of revenue lost due to the tax cut was not totally offset by the transfer in from the ITRF. In other words, had the growth in the personal income tax been accurately predicted, the FY 2000 tax cut would have been smaller.

The other revenue categories mentioned above have interesting stories but will ultimately have little impact on the ending fund balance.

First, the *increase* in federal grants is linked to the increases in Medicaid and TANF spending, which, on the disbursement side are up, respectively, 8.2 and 12.1 percent over last year (see Table 5, below). Since federal reimbursements generally "follow" spending, revenue increases in this category do not ultimately affect the fund balance.

The *decrease* in "earnings on investments" results from a combination of factors. First, it reflects a change in policy at the state level. H.B. 283 directed the first $12 million in investment income from the Budget Stabilization Fund in FY 2000 and 2001 to the Low and Moderate Income Housing Trust Fund (LMIHTF). Previ-

Table 3
General Revenue Fund Income
Actual vs. Estimate
Fiscal Year-to-Date 2000
($ in thousands)

REVENUE SOURCE					
TAX INCOME	**Actual**	**Estimate***	**Variance**	**FY 1999**	**Percent Change**
Auto Sales	$744,672	$685,895	$58,777	$685,808	8.58%
Non-Auto Sales & Use	$4,628,886	$4,499,820	$129,066	$4,344,788	6.54%
Total Sales	$5,373,558	$5,185,715	$187,843	$5,030,597	6.82%
Personal Income	$6,578,071	$6,277,413	$300,658	$5,826,925	12.89%
Corporate Franchise	$893,459	$972,728	($79,269)	$854,897	4.51%
Public Utility	$430,313	$425,250	$5,063	$426,736	0.84%
Total Major Taxes	**$13,275,401**	**$12,861,106**	**$414,295**	**$12,139,155**	**9.36%**
Foreign Insurance	$252,072	$253,088	($1,016)	$269,802	-6.57%
Domestic Insurance	$82,294	$85,559	($3,265)	$77,363	6.37%
Business & Property	$8,170	$6,943	$1,227	$6,100	33.95%
Cigarette	$261,918	$255,709	$6,209	$263,983	-0.78%
Soft Drink	$0	$0	$0	$0	#N/A
Alcoholic Beverage	$49,993	$47,956	$2,037	$48,669	2.72%
Liquor Gallonage	$26,079	$25,642	$437	$25,378	2.76%
Estate	$138,220	$134,400	$3,820	$136,497	1.26%
Racing	$0	$0	$0	$0	—
Total Other Taxes	$818,747	$809,297	$9,450	$827,793	-1.09%
Total Taxes	**$14,094,148**	**$13,670,403**	**$423,745**	**$12,966,948**	**8.69%**
NON-TAX INCOME					
Earnings on Investments	$80,397	$86,505	($6,108)	$108,801	-26.11%
Licenses and Fees	$32,639	$36,575	($3,936)	$34,105	-4.30%
Other Income	$97,889	$90,391	$7,498	$88,713	10.34%
Non-Tax Receipts	$210,925	$213,471	($2,546)	$231,618	-8.93%
TRANSFERS					
Liquor Transfers	$85,000	$81,000	$4,000	$81,000	4.94%
Budget Stabilization	$0	$0	$0	$0	#N/A
Other Transfers In	$336,918	$277,400	$59,518	$680,078	-50.46%
Total Transfers In	$421,918	$358,400	$63,518	$761,078	-44.56%
TOTAL INCOME less Federal Grants	**$14,726,990**	**$14,242,274**	**$484,716**	**$13,959,644**	**5.50%**
Federal Grants	$3,443,781	$3,396,059	$47,722	$3,101,667	11.03%
TOTAL GRF INCOME	**$18,170,772**	**$17,638,333**	**$532,439**	**$17,061,310**	**6.50%**

* July, 1999 estimates of the Office of Budget and Management.

Detail may not add to total due to rounding.

ously, the GRF had received all such income. Secondly, it reflects the lower balance in the ITRF in FY 2000 vis-à-vis FY 1999. In July 1998, $701.4 million was transferred to the ITRF, as compared to $293.3 million in July 1999. Earnings on the fund are deposited in the state GRF.

Third, the difference reflects the lower interest rates in the beginning of FY 2000 compared to FY 1999. Due to the Fed's action in lowering the interest rate throughout FY 1999 and raising it throughout FY 2000, the return on investment was relatively greater at the beginning of FY 1999 than in FY 2000. As the rates have increased in FY 2000 the second and third payments have reduced the "shortfall." With the more recent rate increases, the final payment for FY 2000 is expected to exceed that for FY 1999. Revenues for the year, however, are still likely to fall short of last year's due to the diversion of revenue to the LMIHTF and the lower revenues in the ITRF.

Finally, the business and property tax category refers to state receipts from the dealers in intangibles tax. This revenue source is always highly variable in percentage terms. FY 2000 receipts increased by $1.2 million or 34 percent over FY 1999 receipts. The tax is paid by "dealers in intangibles" – that is stockbrokers, mortgage brokers, securities dealers, and finance and loan companies other than banks and savings and loans. The tax is calculated on the basis of the fair value of the Ohio proportion of a company's invested capital and the GRF receives 3/8ths of the receipts. The remainder goes to the counties. The 34 percent increase in the state's receipts from these firms can be linked to the growth of various types of financial intermediaries, in conjunction with a bullish stock market and a strong housing market. ❑

DISBURSEMENTS

*— Jeffrey E. Golon with Steve Mansfield**

In just one month's time, the state's pre-existing $400-plus million year-to-date underage was wiped out and replaced by a $10.0 million year-to-date overage, as May roared through with a principally timing-driven $415.5 million positive disbursement variance. Although the year-to-date overage left after May's disbursement carnage was really pretty small at $10.0 million, it actually masked opposing sets of overages and underages, both in excess of $200 million. The rather provocative aspect of this disbursement picture was that the dominant factor in the set of overages was changed programmatic realities and not timing, while the key factor in the set of underages was timing and not changed programmatic realities. So, with but one month to go in FY 2000, timing issues have clearly emerged as a critical variable in determining not only the direction (overage versus underage) but the size of the state's year-end disbursement variance.

This article takes three different looks at the state's FY 2000 disbursement activity. First, we examine the most notable departmental budgets and programs that came to bear on May's monthly disbursement variance. Second, we undertake a similar examination with respect to the state's year-to-date disbursement variance. Third, we close with an outline of the state's disbursement dynamics as they have unfolded over the course of the last eleven months (July 1999 through May 2000).

I. May

Excluding transfers, the state closed May with a spectacular $415.5 million overage, beyond the estimated monthly spending of $1.6 billion by a stunning 25.6 percent. The two largest pieces in the May overage were: 1) the Department of Education ($164.9 million); and 2) the Welfare & Human Services program category ($151.2 million), with the Department of Human Services' budget alone tossing $112.3 million worth of overspending into the monthly disbursement mix. The primary fuel in all of the month's overages was timing, which meant that their effects on the state's cash balance was somewhat transitory. Roughly one-quarter of the May overage, a little over $100.0 million, primarily located in the Temporary Assistance to Needy Families (TANF) and Medicaid programs, was not caused by timing. Those overages reflected changed programmatic realities that tend to have more long-term fiscal effects.

Our discussion of the principal departmental budgets and programs that produced the May disbursement variance appears immediately below. The overage components, arranged in order of the magnitude of their contribution, are discussed first, followed by comments on the lone notable monthly underage. The reader is directed as well to Table 4, which provides a more detailed picture of May's disbursement variances by program category.

Education. The Department of Education dominated May disbursements with a huge overage of $164.9 million, in excess of the $380.8 million monthly estimate by 43.3 percent. Although some spending adjustments to prior underages were certainly anticipated, the size of the monthly overage was large enough to initially take one's breath away. The key to the department's May spending was its basic support program that posted June foundation SF-3 formula funding to school districts a little earlier than was originally scheduled. In order for school districts to receive that funding in early June as planned, foundation payments had to be processed by the Office of State Accounting in late May. As a result, monthly overages were reported in base cost funding ($92.8 million), pupil transportation ($31.9 million), disadvantaged pupil impact aid/DPIA ($23.7 million), and special education enhancements ($5.7 mil-

Table 4
General Revenue Fund Disbursements
Actual vs. Estimate
Month of May 2000
($ in thousands)

USE OF FUNDS

PROGRAM	Actual	Estimate*	Variance
Primary & Secondary Education (1)	$575,485	$409,031	$166,454
Higher Education	$233,399	$243,481	($10,082)
Total Education	$808,884	$652,513	$156,372
Health Care/Medicaid	$557,862	$500,929	$56,933
Temporary Assistance to Needy Families (TANF)	$66,794	$23,040	$43,753
General/Disability Assistance	$6,161	$5,695	$465
Other Welfare (2)	$31,465	$20,268	$11,197
Human Services (3)	$122,477	$83,636	$38,841
Total Welfare & Human Services	$784,758	$633,568	$151,190
Justice & Corrections	$150,969	$108,624	$42,345
Environment & Natural Resources	$11,934	$14,426	($2,492)
Transportation	$5,824	$5,347	$477
Development	$9,311	$6,730	$2,580
Other Government (4)	$24,045	$19,650	$4,395
Capital	$828	$650	$178
Total Government Operations	$202,911	$155,428	$47,483
Property Tax Relief (5)	$240,981	$180,493	$60,488
Debt Service	$0	$0	$0
Total Program Payments	**$2,037,534**	**$1,622,002**	**$415,533**
TRANSFERS			
Local Govt Distribution	$0	$0	$0
Budget Stabilization	$0	$0	$0
Other Transfers Out	$764	$0	$764
Total Transfers Out	$764	$0	$764
TOTAL GRF USES	**$2,038,298**	**$1,622,002**	**$416,297**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Human Services, exclusive of Medicaid, TANF, and General/Disability Assistance.
(3) Includes Mental Health, Mental Retardation and Developmental Disabilities, and Other Human Services.
(4) Includes Regulatory and Nonregulatory agencies, Pension Subsidies, and Reissued Warrants.
(5) Includes property tax rollbacks, homestead exemption, and tangible property tax exemption.

* August, 1999 estimates of the Office of Budget and Management.

Detail may not add to total due to rounding.

lion). Thus, in June, we should witness monthly underages in these SF-3 formula funding pieces of roughly the same magnitude. Also in the monthly disbursement mix was the department's desegregation program with an overage of $8.9 million, reflecting a prior delay relative to the expected release date of funding earmarked for the Dayton City Schools. There was no doubt that driving the department's May disbursement variance was timing.

Property Tax Relief. The Property Tax Relief program threw a $60.5 million overage into May's disbursement mix, an expected, but partial, correction to prior underages posted in March and April that totaled $115.0 million. This meant that the program should experience yet another overage, one of around $54.5 million, in June. These large wild swings in the last few months of the fiscal year were not in the least bit troublesome, as they simply indicated

Table 5

General Revenue Fund Disbursements
Actual vs. Estimate
Fiscal Year-to-Date 2000
($ in thousands)

USE OF FUNDS PROGRAM	**Actual**	**Estimate***	**Variance**	**FY 1999**	**Percent Change**
Primary & Secondary Education (1)	$4,918,645	$4,863,805	$54,840	$4,504,439	9.20%
Higher Education	$2,271,871	$2,268,139	$3,731	$2,150,861	5.63%
Total Education	$7,190,516	$7,131,944	$58,572	$6,655,300	8.04%
Health Care/Medicaid	$5,127,185	$5,038,171	$89,014	$4,738,784	8.20%
Temporary Assistance to Needy Families (TANF)	$828,800	$789,029	$39,771	$739,380	12.09%
General/Disability Assistance	$57,160	$54,285	$2,875	$53,283	7.28%
Other Welfare (2)	$435,087	$481,730	($46,643)	$375,309	15.93%
Human Services (3)	$1,079,535	$1,113,873	($34,338)	$1,040,745	3.73%
Total Welfare & Human Services	$7,527,767	$7,477,088	$50,679	$6,947,500	8.35%
Justice & Corrections	$1,638,563	$1,643,091	($4,529)	$1,479,284	10.77%
Environment & Natural Resources	$130,246	$121,803	$8,443	$117,885	10.49%
Transportation	$37,499	$47,671	($10,172)	$34,502	8.69%
Development	$126,642	$127,581	($938)	$110,218	14.90%
Other Government (4)	$349,798	$383,683	($33,885)	$333,437	4.91%
Capital	$17,213	$12,069	$5,144	$2,671	544.45%
Total Government Operations	$2,299,961	$2,335,898	($35,937)	$2,077,997	10.68%
Property Tax Relief (5)	$894,392	$963,530	($69,138)	$878,355	1.83%
Debt Service	$133,315	$127,527	$5,788	$124,511	7.07%
Total Program Payments	**$18,045,950**	**$18,035,987**	**$9,963**	**$16,683,663**	**8.17%**
TRANSFERS					
Capital Reserve	$0	$0	$0	$0	—
Budget Stabilization	$46,400	$46,400	$0	$44,184	5.02%
Other Transfers Out	$766,863	$720,569	$46,294	$1,140,411	-32.76%
Total Transfers Out	$813,263	$766,969	$46,294	$1,184,595	-31.35%
TOTAL GRF USES	**$18,859,213**	**$18,802,956**	**$56,257**	**$17,868,258**	**5.55%**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Human Services, exclusive of Medicaid, TANF, and General/Disability Assistance.
(3) Includes Mental Health, Mental Retardation and Developmental Disabilities, and Other Human Services.
(4) Includes Regulatory and Nonregulatory agencies, Pension Subsidies, and Reissued Warrants.
(5) Includes property tax rollbacks, homestead exemption, and tangible property tax exemption.

* August, 1999 estimates of the Office of Budget and Management.

Detail may not add to total due to rounding.

that the distribution of real property tax credits/exemptions funding by the departments of Education and Taxation back to school districts, counties, municipalities, townships, and other special taxing districts was slightly off schedule.

A close look at the disbursement variance showed that the Department of Education, which was originally forecast to release $129.2 million of real property tax credits/exemptions funding back to school districts in May, distributed

Table 6
Medicaid (400-525) Spending in FY 2000

	May '00				Year-to Date Spending			
Service Category	**Actual**	**Estimate**	**Variance**	**Percent Variance**	**Actual** ** **thru' May**	**Estimate** ** **thru' May**	**Variance**	**Percent Variance**
Nursing Homes	$176,517,608	$177,225,605	($707,997)	-0.4%	$1,929,982,003	$1,984,702,905	($54,720,902)	-2.8%
ICF/MR	$28,922,158	$29,091,631	($169,473)	-0.6%	$322,391,446	$326,046,056	($3,654,610)	-1.1%
Hospitals	$134,842,612	$117,294,465	$17,548,147	15.0%	$1,181,986,278	$1,115,869,001	$66,117,277	5.9%
Inpatient Hospitals	$98,910,448	$90,599,801	$8,310,647	9.2%	$881,959,293	$859,604,649	$22,354,644	2.6%
Outpatient Hospitals	$35,932,165	$26,694,664	$9,237,501	34.6%	$300,026,985	$256,264,352	$43,762,633	17.1%
Physicians	$39,515,155	$31,132,620	$8,382,535	26.9%	$300,260,417	$276,218,368	$24,042,049	8.7%
Prescription Drugs	$82,857,399	$65,945,459	$16,911,940	25.6%	$606,157,719	$603,235,153	$2,922,566	0.5%
Payments	$87,670,580	$83,071,231	$4,599,349	5.5%	$773,413,542	$759,787,093	$13,626,449	1.8%
Rebates	$4,813,182	$17,125,772	($12,312,590)	-71.9%	$167,255,823	$156,551,940	$10,703,883	6.8%
HMO[2]	$29,208,036	$24,020,060	$5,187,976	21.6%	$299,565,942	$206,368,736	$93,197,206	45.2%
Medicare Buy-In	$9,886,222	$11,164,093	($1,277,871)	-11.4%	$111,174,248	$120,386,705	($9,212,457)	-7.7%
All Other***	$64,834,520	$45,054,980	$19,779,540	43.9%	$489,290,497	$405,343,870	$83,946,627	20.7%
TOTAL[3]	$557,861,839	$500,928,913	$56,932,926	11.4%	$5,127,184,718	$5,038,170,794	$89,013,924	1.8%
CAS	$557,861,839		$56,932,926	11.4%	$5,127,184,718		$89,013,924	1.8%
Est. Federal Share	$325,422,009	$292,210,870	$33,211,139		$2,990,881,679	$2,938,956,474	$51,925,205	
Est. State Share	$232,439,830	$208,718,043	$23,721,787	11.4%	$2,136,303,040	$2,099,214,320	$37,088,720	1.8%

* This table only includes Medicaid spending through Human Services' 400-525 line item.

** Includes spending from prior year encumbrances in the All Other category.

*** All Other, includes all other health services funded by 400-525.

2. HMO payment made in January is $29,184,196. No GRF funds were budgeted due to GRF offsets with IMD/DSH monies. Year-to-date HMO service payments = $328.8 million.

3. Please note that, for FY 2000, including the month of May, details do not add to the total, since the IMD/DSH offset of $8,721,871 is applied to the bottom line & not HMO payments as planned.

Source: BOMC 8300-R001 Reports, Ohio Department of Human Services.

roughly 20 percent more than was forecast ($159.1 million). The Department of Taxation released $81.9 million in real property tax credits/exemptions funding to various counties, municipalities, townships, and other special taxing districts; whereas the anticipated disbursement amount for the month of May was $51.3 million.

Medicaid. The state's $5-plus billion Medicaid program continued to defy FY 2000 expectations in May by closing with a $56.9 million monthly overage, in excess of the estimate by 11.4 percent. The key elements in the monthly overage included the All Other ($19.8 million), Hospitals ($17.5 million), and Prescription Drugs ($16.9 million) service categories. Of these three service category overages, only Prescription Drugs was readily explainable. Just one month before, the state collected $16.2 million in drug rebate revenue sooner than was expected, which led us to anticipate a May correction (underage) of roughly the same magnitude, and that was in fact what occurred. In the case of the Hospitals service category, at least a portion of its May overage was most likely influenced by reimbursement rate increases implemented in February. The monthly overage in the All Other service category continued to escape careful analysis because the data necessary to support such an investigation was not readily available.

May also marked the fourth consecutive month in which the Department of Human Services complicated the Medicaid spending story by veering from its original disbursement plan relative to how HMO service category payments would be covered. The department had planned to use $9.4 million of its non-GRF Institutions for Mental Diseases/Disproportionate Share Hospital (IMD/DSH) funding to cover HMO service payments in May. As it similarly did in February, March, and April, the department opted instead to credit IMD/DSH funding against line item 400-525's total monthly spending, rather than specifically using IMD/DSH funds to cover HMO service category spending as expected (see footnote 3 in Table 6). The amount of IMD/DSH funding actually transferred to line item 400-525's bottom line in May was $8.7 million, $700,000 less the estimate. Thus, the HMO overage ($5.2 million) was in essence largely an artifact of accounting.

We've provided a more detailed visual picture of Medicaid's May disbursement activity in Table 6.

TANF. May's disbursements in the Temporary Assistance to Needy Families (TANF) program were $43.8 million, or 189.9 percent, above the monthly estimate of $23.0 million. Hidden within this substantial monthly overage was a $23.1 million underage registered by line item 400-410, TANF State, which resulted from cash assistance to recipients being paid from line item 400-411, TANF Federal Block Grant, and non-GRF line item 400-658, Child Support Collections, rather than from line item 400-410, as scheduled. Such a shift was made necessary in part by a departure from the department's FY 2000 spending plan witnessed last September when some unscheduled spending took place in line item 400-410, rather than in line item 400-411 as was forecast.

Table 7
FY 2000 to FY 1999 Comparison* of Year-to-Date Spending

Service Category	FY 2000[1] Yr.-to-Date as of May '00	FY 1999[2] Yr.-to-Date as of May '99	Variance	Percent Variance
Nursing Homes	$1,929,982,003	$1,807,932,839	$122,049,164	6.8%
ICF/MR	$322,391,446	$314,526,610	$7,864,835	2.5%
Hospitals	$1,181,986,278	$1,082,894,527	$99,091,751	9.2%
Inpatient Hospitals	$881,959,293	$823,663,776	$58,295,516	7.1%
Outpatient Hospitals	$300,026,985	$259,230,750	$40,796,235	15.7%
Physicians	$300,260,417	$264,677,344	$35,583,072	13.4%
Prescription Drugs	$606,157,719	$527,492,361	$78,665,358	14.9%
Payments	$773,413,542	$664,817,702	$108,595,840	16.3%
Rebates	$167,255,823	$137,325,341	$29,930,482	21.8%
HMO[3]	$299,565,942	$269,137,865	$30,428,077	11.3%
Medicare Buy-In	$111,174,248	$112,308,378	($1,134,129)	-1.0%
All Other***	$489,290,497	$359,813,313	$129,477,184	36.0%
TOTAL	$5,127,184,718	$4,738,783,237	$388,401,481	8.2%
Est. Federal Share	$2,990,881,679	$2,768,634,106	$222,247,573	8.0%
Est. State Share	$2,136,303,040	$1,970,149,131	$166,153,909	8.4%

* This table only includes Medicaid spending through Human Services' 400-525 line item.

*** All Other, includes all other health services funded by 400-525.

1. Includes spending from prior year encumbrances in the All Other category.
2. Includes FY 1998 encumbrances of $54 million.
3. $57.4 million in HMO payments were made from IMD/DSH funds in FY 1999 (in April & May) therefore, total program payments for HMO coverage of eligibles in FY 1999 = $356.94 million.

Line item 400-410's May underage, however, was out powered by TANF's two other GRF components — line items 400-411, TANF Federal Block Grant, and 400-413, Day Care Match/MOE — which posted monthly overages of $59.7 million and $7.1 million, respectively.

The first of these positive disbursement variances — TANF Federal Block Grant spending — was made possible by a $156.8 million increase in line item 400-411's FY 2000 appropriation that was approved by the state's Controlling Board in March. The second of these positive disbursement variances — Day Care Match/MOE spending — was made possible by a $7.4 million increase in line item 400-413's FY 2000 appropriation. This appropriation increase was accomplished under a temporary law provision in the current biennial budget that authorized the Office of Budget and Management during FY 2000 to transfer up to $37.9 million in cash receipts from the Department of Human Services' Fund 5C9, Medicaid Program Support, to the state's GRF for various enumerated purposes, including computer projects, child care, food banks, and child nutrition services.

The May TANF overage itself had nothing to do with any change in the caseload in Ohio's cash assistance program, known as Ohio Works First (OWF). OWF experienced a caseload decline in May of nearly 870 assistance groups, composed of slightly more than 3,700 recipients. This caseload reduction produced a small decline in cash assistance from the previous month. Because the OWF caseload, however, still remained at a point higher than was expected, OWF cash payments for May were about

$1.0 million more than what was forecast for the month.

Mental Health. For May, the Department of Mental Health posted a positive disbursement variance of $30.2 million, exceeding the monthly estimate by 79.8 percent. Virtually all of the monthly overage was traceable to the department's three largest GRF line items, all of which essentially provide subsidy payments to county mental health boards. Disbursements from those three line items — 334-408, Community & Hospital Mental Health Services, 335-502, Community Mental Health Programs, and 335-508, Services for Severely Mentally Disabled — were $20.7 million, $3.8 million, and $4.7 million over their monthly estimates, respectively. Estimated monthly disbursements for these line items were frontloaded in FY 2000 to allow county boards to draw down funds faster than in previous years in response to changes made in the electronic Medicaid billing system. Only a few county boards, however, took advantage of this option, the practical effect of which was to produce the monthly underages that we witnessed for much of the year. The May overages in these line items were expected adjustments to those prior underages.

Rehabilitation & Correction. The available evidence suggests that the Department of Rehabilitation & Correction's early June payroll posted sooner than was expected, which caused it to generate a large positive May disbursement variance of $29.4 million, over the estimate by 37.3 percent. Given the number of GRF-funded state employees paid by the department every two weeks — in excess of 14,700 — the size of the overage, created by the timing of a payroll being thrown off, was not surprising. As a result, a June payroll correction would not be surprising either.

Human Services. In May, disbursements from the Department of Human Services' operating expenses and subsidy programs — exclusive of Medicaid, TANF, and General/Disability Assistance — landed $11.2 million, or 55.2 percent, over the monthly estimate. The core of the overage was attributable to line item 400-416, Computer Projects, which exceeded the monthly estimate by $13.0 million. This outcome was traceable to a $20.0 million increase in the line item's FY 2000 appropriation that was accomplished under a temporary law provision in the current biennial budget. That provision authorized the Office of Budget and Management to transfer that amount in cash receipts from the department's Fund 5C9, Medicaid Program Support, to the state's GRF for computer projects. The transfer of that $20.0 million was not built into the line item's FY 2000 disbursement estimates.

A secondary contributor to the monthly overage was line item 400-528, Adoption Services, which exceeded its May estimate by $4.1 million. This disbursement variance reflected a prior delay in the release of post adoption support services (PASS) program subsidy funding to counties. This delay was brought about by the need for the department and the Office of Budget and Management to tighten up the program's cost reimbursement system, a fiscal problem previously discussed in our January 2000 issue.

Partially offsetting these monthly overages was a $5.9 million, timing-based underage in non-TANF county administration.

Judiciary/Supreme Court. The Judiciary/Supreme Court, which serves as the budgetary umbrella for $94.1 million in funding principally used to pay the state's share of judges' salaries and other expenses of the courts and the state's judicial system, landed over the monthly estimate in May by $5.4 million, or 153.1 percent. This monthly overage was entirely traceable to the timing of payroll. The estimate assumed that only one pay period would be posted in May; the reality was that three pay periods were posted in May. As a result, one less pay period will post in June, which would lead one to expect a monthly underage of around $3 million.

Youth Services. Largely as a result of overspending in its RECLAIM Ohio program, which funds institutional operations and provides subsidies to counties for sanctioning juvenile offenders locally, the Department of Youth Services registered a $4.3 million positive disbursement variance for the month of May, over the estimate by 28.0 percent. The source of this overage was the posting of a June payroll in late May, contrary to the estimate. This timing-based payroll event also victimized several other justice and corrections agencies at the close of May, including, as previously noted, the Department of Rehabilitation & Correction and The Judiciary/Supreme Court.

Notable Underages. The lone monthly underage of note, in what was a sea otherwise filled with departmental and programmatic overages, is commented on below.

Regents. For the month of May, the Board of Regents' disbursements landed under the estimate by $10.1 million, short of the mark by 4.1 percent. There were two notable contributors to the underage: 1) family practice and primary care medical subsidies, the release of which was temporarily delayed by the need to verify certain data ($4.8 million); and 2) student financial aid, with less than was forecast being disbursed in the form of Ohio Instructional Grants (OIGs) because some campuses had not submitted the necessary data in a timely manner ($2.7 million). Further in the background were the line items that funnel state subsidies to the Dayton Area Graduate Studies Institute (DAGSI) and the Air Force Institute of Technology (AFIT), with monthly underages of $941,458 and $875,000, respectively, attributable to the fact that all of their FY 2000 funding was disbursed months ahead of their estimates.

II. Year-to-Date

Excluding transfers, the state closed May with a $10.0 million positive year-to-date disbursement variance, over estimated spending of $18.0 billion by a barely visible .06 percent. This was quite a drastic reversal of fiscal fortunes from April. Essentially, in just one month, the state's pre-existing FY 2000 underage, which peaked at $405.6 million in April, had just been obliterated by a monster, largely timing-based May overage of $415.5 million. In its place were now two sets of opposing disbursement groups (year-to-date overages and underges) of roughly similar magnitudes.

Leading the slightly more dominant force of year-to-date overages, totaling close to $220 million, was the Medicaid program ($89.0 million), the Department of Education ($62.4 million), and the Temporary Assistance to Needy Families (TANF) program ($39.8 million). While the Department of Education's year-to-date overage was a product of timing, the overages in the Medicaid and TANF programs signaled very real changes in reality relative to when the disbursement estimates where built in the summer of 1999.

The underage forces, totaling over $206 million, were led by the Property Tax Relief program ($69.1 million) and a portion of the Department of Human Services' budget tracked as Other Welfare ($46.6 million). At least 60 percent of the underage forces' year-to-date total was a function of timing, with a portion of the remainder related to changed program realities and excess appropriations.

Our discussion of the departmental budgets and programs, arranged in order of the magnitude of their contribution to the state's late budding, but smallish year-to-date overage follows. It is followed by a discussion of an almost equally lengthy group of year-to-date underages. The reader's attention is also directed to Table 5, which provides a more detailed picture of year-to-date disbursement variances by program category.

Medicaid. With just one month left in FY 2000, the state's Medicaid program was over its year-to-date estimated spending of $5-plus billion by $89.0 million, or 1.8 percent. The key overage elements in the year-to-date disbursement variance included the HMO ($93.2 million), All Other ($83.9 million), and Hospitals ($66.1 million) service categories.

Last month's year-to-date report on Medicaid's overages still held true in May. The HMO overage was principally a result of four months of payments (February through May) that were posted against Medicaid's GRF line item 400-525, contrary to the original disbursement plan that called for those payments to be covered by non-GRF funding. The All Other overage, however, remained an enigma, as the ongoing absence of good data continued to make any reasonable analysis very problematic. The forces potentially at work in building the Hospitals overage were more readily discernible, though difficult to disentangle, and included: 1) reimbursement rate increases implemented in February; 2) one-time payments related to the effective date of the reimbursement rate increases; and 3) a timing gap between the rendering and payment of services.

As mentioned in our two previous issues, two aspects of Medicaid's disbursements continued to work against the collective power of these three service category overages. First, there was the unexpected fiscal tactic undertaken by the Department of Human Services that involved the crediting of $113.3 million in non-GRF Institutions for Mental Diseases/Disproportionate Share Hospital (IMD/DSH) funds against line item 400-525's total spending for the months of February, March, April, and May. As we've noted in several recent disbursement reports, this maneuver was contrary to the part of the department's original FY 2000 Medicaid spending plan in which these IMD/DSH funds were to be credited specifically against HMO service category spending. Despite this accounting change, the department has stuck with the more significant aspect of the plan that called for the transfer of $142.8 million in IMD/DSH funds to the GRF over the last five months as an offset against Medicaid spending. Second, the Nursing Homes service category was running a $54.7 million underage, most likely rooted in declining bed utilization. It should be noted though, that the disbursements picture in the Nursing Homes service category has taken a dramatically different trajectory in the last two months, raising the possibility that not only has the decline in bed utilization stabilized, but that bed usage may have actually started rising.

A more detailed visual picture of Medicaid's year-to-date disbursement activity, as well as a spending comparison with FY 1999, is contained in Tables 6 and 7, respectively.

Education. The Department of Education's year-to-date disbursement variance underwent a dramatic transformation in May as a result of a $164.9 million timing-based monthly overage. Just one month before, the department was holding a $102.5 million negative year-to-date disbursement variance, under the estimate by 2.4 percent. At May's end that disbursement variance had taken a huge U-turn and the department was now in possession of a $62.4 million overage, in excess of estimated spending by 1.3 percent. The core elements of the overage involved two components of the department's basic support program that are part of the foundation SF-3 formula funding distributed to school districts: base cost funding ($90.2 million) and pupil transportation ($14.1 million). Both components were clearly affected by the early posting of subsidy payments scheduled for distribution in June.

Working to partially reduce the overall size of the year-to-date overage was $24.2 million in subsidy and contractual payment underages related to disadvantaged pupil impact aid/DPIA ($5.0 million), teacher incentive grants ($4.9 million), vocational education enhancements ($4.6 million), student proficiency ($3.3 million), charge-off supplement ($3.2 million), and technical systems development ($3.2 million). Two factors seemed to be at play here. First, some of the associated line items appeared to be carrying excess FY 2000 appropriations, meaning they were funded at a level that has in retrospect turned out to be more than was actually needed. Second, the implementation of some new programs moved slower than the disbursement estimates assumed would be the case. Also of note here was that around 60 percent ($13.8 million) of this $24.2 million in underages will have been transferred at year's end either by action of the state's Controlling Board or pursuant to temporary law contained in Am. Sub. H.B. 640, the recently passed capital appropriations and budget modifications legislation.

TANF. The pre-existing year-to-date underage in the Temporary Assistance to Needy Families (TANF) program was finally wiped out in May. At the close of February, TANF's year-to-date underage hit its peak — $57.3 million — reflecting the effects of the program having posted negative disbursement variances in every month with the exception of December. Since that time, TANF has thrown in three consecutive months of overages totaling $97.1 million, the result of which was, at May's end, the program's year-to-date underage had been replaced by a $39.8 million year-to-date overage, in excess of the estimate by 5.0 percent. This development reflected the FY 2000 appropriation increases in two of TANF's GRF components — line items 400-411, TANF Federal Block Grant, and 400-413, Day Care Match/MOE — that we noted in our discussion of May's disbursements. As a result, the two line items were able to overshoot their year-to-date estimates by $36.8 million and $7.0 million, respectively. These increased appropriations were made to provide additional funding for county advances and incentives, cash assistance, and day care.

Because the caseload in Ohio's cash assistance program (Ohio Works First/OWF) fell faster than expected during the first half of FY 2000, monthly cash assistance payments actually ran below the estimate through January. Although the fiscal effect of this faster than expected decline carried into January, the OWF caseload actually leveled off in October, and has since held steady, at around 100,000. The Department of Human Services' forecast, which was completed before certain policy changes were incorporated into the current biennial budget, had predicted that the OWF caseload would continue to decline over the course of the biennium. While cash assistance payments have exceeded the department's forecast for each of the last four months (February through May), year-to-date cash assistance payments were still $16.9 million below what the department expected would be the case prior to the start of the fiscal year.

Natural Resources. At May's end, the twin sources of the Department of Natural Resources' positive year-to-date disbursement variance, which stood at $6.6 million, or 6.6 percent, were essentially unchanged from our two last monthly reports: 1) operating expenses of the Division of Parks and Recreation ($3.7 million); and 2) subsidy funding for county soil and water conservation districts ($3.9 million). The operating expenses overage, which resulted from an error in estimating when the division's central support charges would be billed, continued to shrink and will have all but disappeared at the close of June. The subsidy overage resulted from $4.0 million in funding for local flood mitigation projects that was transferred from the Controlling Board's Disaster Services Fund and not built into the original FY 2000 disbursement estimates.

Debt Service. The Debt Service program category, which contains the general obligation debt financing for certain capital improvements programs (highway construction, parks, recreation, and natural resources projects, coal research and development, and local government infrastructure), closed May with a $5.8 million year-to-date overage, 4.5 percent past the estimate. The disbursement variance appeared to be timing-related, simply signaling that the Commissioners of the Sinking Fund and the Treasurer of State would carry forward smaller amounts (encumber) of their FY 2000 debt service funding than was originally assumed for possible use sometime into FY 2001.

Judiciary/Supreme Court. Year-to-date spending from The Judiciary/Supreme Court budget, which funds various portions of judicial salaries and other court expenses, registered $5.1 million, or 6.5 percent, over the estimate. This state of affairs was essentially traceable to the posting in May of two more pay periods than was forecast, setting us up for what should be a June correction in the form of a monthly underage that drives the year-to-date overage significantly back towards a zero disbursement variance.

Capital. Due to unanticipated spending by the Department of Administrative Services, the Capital program category of the state's GRF budget had built a $5.1 million year-to-date overage by May's end, past the estimate by 42.6 percent. As reported in last month's issue, a chunk of capital funding earmarked for various rural and urban community assistance projects was released earlier than expected by the state's Controlling Board; the original forecast assumed these capital earmarks would not be distributed until FY 2001.

Regents. At the end of May, the Board of Regents was holding a positive year-to-date disbursement variance of $3.8 million, over the estimate by a pretty small 0.2 percent. The elements behind the spending story looked remarkably similar to our last report, as the disbursement variance was principally traceable to $21.0 million worth of overages emanating from two line items. The lead element continued to be line item 235-590, 12th Grade Proficiency Stipend, which was created after the start of the fiscal year pursuant to budgetary language that required the transfer of $17.5 million in appropriation authority from the Department of Education in order to fund a financial aid program under which certain students would be eligible for a $500 scholarship. Since that student scholarship appropriation did not actually reside in the board's GRF budget at the outset of FY 2000, it was deliberately excluded from the original disbursement estimates, which guaranteed that the line item could produce nothing but overages. As a result, the line item was carrying a year-to-date overage of $12.3 million.

The second largest element in the year-to-date disbursement picture was line item 235-415, Jobs Challenge, which had disbursed its entire FY 2000 appropriation of $8.7 million during the months of November and December. The line item's original disbursement plan called for its entire appropriation to be distributed in June 2000, the last month of the fiscal year. This estimate was incorrect; the result was a year-to-date overage of $8.7 million. The Regents' intention all along was to distribute this Jobs Challenge funding, which assists state-assisted two-year college campuses in the provision of non-credit job-related training, as soon as possible. All of this funding was disbursed to the Lorain Community College, which was designated as its fiscal agent for FY 2000 and charged with actually distributing this funding to eligible campuses.

The effect of these two year-to-date overages was partially negated by the disbursement activity in a handful of the Regents' other funding sources, most notably: 1) family practice and primary care medical support subsidies, which were under their estimate by a total of $4.8 million due to May data processing delays; 2) line item 235-503, Ohio Instructional Grants, with a $3.9 million underage produced by a May delay in data processing ($2.8 million) and the cancellation of encumbered FY 1999 funding ($1.1 million); 3) line item 235-599, National Guard Tuition Grant Program, with a $3.6 million underage attributable to a lower than expected number of grant recipients and the length of time it takes to process funding applications; and 4) line item 235-404, College Readiness Initiatives, with a $2.0 million underage due to delays in implementing a new program aimed at increasing the percentage of Ohioans who enroll and succeed in higher education.

GA/DA. After nine consecutive monthly overages, the state's General/Disability Assistance program component was holding a $2.9 million positive year-to-date disbursement variance, over the estimate by 5.3 percent. The driving force in the disbursement variance was the Department of Human Services' $58-plus million Disability Assistance (DA) program, which totally dominates the program component and is a state- and county-funded effort that provides cash and/or medical assistance to persons ineligible for public assistance programs that are supported in whole or in part by federal funds. The ongoing contributor to the DA program's overage has been its cash assistance caseload, which has increased to the point where it was about 1,000 recipients above what was estimated for this point in the fiscal year. Around 200 cash assistance cases were added in May, taking the total cash assistance caseload up to where it stood in October 1998. In the last three months, the program's medical assistance caseload, which had been performing about as expected, also entered the overage picture, as it increased to about 700 cases above where it was expected to be at this point in the fiscal year.

With no sudden decline in the cash assistance caseload evident and a budget shortfall on the horizon, $2.1 million in supplemental GRF funding was added to the DA program via Am. Sub. H.B. 640, the recently passed capital appropriations and budget modifications legislation. This supplemental funding plus an available balance of $984,715 at the end of May meant the program entered the last month of the fiscal year with $3.1 million. It appeared that the program, however, might still be facing a FY 2000 funding shortfall of at least $2.1 million in light of the fact that its first eleven months of disbursements have averaged $5.2 million.

Notable Underages. Creating a strong counter current of $206.0 million in year-to-date underages was an assortment of departments and programs, eleven in all, which are discussed, in order of magnitude, below.

Property Tax Relief. Under the weight of a large May overage, the Property Tax Relief program's pre-existing negative year-to-date disbursement variance of $129.6 million was reduced to $69.1 million, short of the estimate by 7.2 percent. Almost 80 percent of the remaining negative disbursement variance ($54.5 million) represented the residue of a large timing-based underage that hit in April. In terms of the type of property tax relief distributed, the year-to-date underage was composed of $63.8 million in real property tax credits/exemptions funding and $5.3 million in tangible tax credits/exemptions funding. Although virtually all of the underage should evaporate in June, it appeared that roughly $14.6 million of that amount represented property tax relief funding that would not be needed in FY 2000, including $9.3 million of encumbered FY 1999 property tax relief funding that would lapse back into the state treasury.

Over the course of FY 2000, the state's Property Tax Relief program will disburse approximately $1 billion back to school districts, counties, municipalities, townships, and other special taxing districts as compensation for credits or exemptions provided to taxpayers under existing state law. The timing of the state's distribution of this funding depends heavily on how quickly the settlement process goes at the local level and when county auditors apply to the state for relief payments. As a result, large negative or positive disbursement variances in the Property Tax Relief program are not uncommon timing-based phenomena that come and go from one month to the next.

Human Services. Year-to-date, disbursements for the Department of Human Services' operating expenses and subsidy programs — exclusive of Medicaid, TANF, and General/Disability Assistance — were $46.6 million (or 9.7 percent) below the estimate. Around 43 percent of that underage ($20.2 million) was fueled essentially by delays in computer projects, most notably last fall's decision to cancel a planned contract for the building of the Statewide Automated Child Welfare Information System (SACWIS). This represented a significant change from last month when the computer projects' year-to-date underage registered $33.2 million, a $13.0 million drop that was attributable to unanticipated May spending.

More distant contributors to the year-to-date underage included, in order of magnitude: non-TANF county administration ($6.8 million), electronic benefits transfer ($5.4 million), children's health insurance ($4.3 million), adoption services ($3.0 million), child and family services ($2.8 million), state refugee services ($1.8 million), burial claims ($1.7 million), child support administration ($1.6 million), and adult protective services ($1.3 million). The largest factor in this collection of underages was the timing of various county subsidy payments (at least $15.5 million), with more limited effects coming from a lower than anticipated food stamp caseload, a delayed children's health insurance expansion, and the cancellation of some FY 1999 encumbrances.

Slightly counteracting the collective impact of these underages was: 1) a $2.5 million lump sum distribution earmarked to the Ohio Association of Second Harvest Food Banks that was not built into the FY 2000 disbursement estimates; and 2) a $1.1 million overage in maintenance spending, due to higher than anticipated payments to the Auditor of State for child welfare program audits.

Administrative Services. Year-to-date, the Department of Administrative Services posted a $22.1 million, or 14.6 percent, negative disbursement variance, the bulk of which developed in the first half of FY 2000 and has largely resisted erosion. Relative to our prior FY 2000 spending reports, the story behind the department's year-to-date disbursement was unchanged, as two components of the department's budget accounted for almost 90 percent of the underage: state support services ($11.5 million) and computer services ($8.2 million).

The state support services underage was composed almost entirely of line items that pay the rent and operating costs of state agencies that occupy space in various state office buildings, with the rent payments going to the Ohio Building Authority to retire the special obligation bonds it issues to finance the capital costs of certain state facilities. The primary factors in the underage were smaller than anticipated debt service payments to the Ohio Building Authority, attributable at least in part to delays in constructing the state's Multi-Agency Radio Communication System (MARCS), and lesser than expected renovation and relocation expenditures related to state agency moves that had not yet taken place.

The computer services underage included a half-dozen line items, most notably, in order of magnitude: 1) 100-417, Multi-Agency Radio Communication System/MARCS ($3.5 million); 2) 100-416, Strategic Technology Development Programs ($3.1 million); 3) 100-419, State of Ohio Synchronous Optical Network/Ohio SONET (around $890,000); and 4) 100-430, Year 2000 Assistance/Y2K (around $460,000). In terms of their contribution to the total computer services underage ($8.2 million), the key reasons, arrayed in order of importance, were programmatic snags, timing, and cancelled FY 1999 encumbrances.

Mental Retardation. The Department of Mental Retardation & Developmental Disabilities closed May with a $16.2 million negative year-to-date disbursement variance, under estimated spending of $342.6 million by 4.7 percent. The story behind that underage was not materially different from our last disbursements report, so we will repeat it. At the core of the underage was line item 322-413, Residential and Support Services ($15.8 million), which has dominated the department's disbursement story since January and carries funding to pay for services delivered to individuals with mental retardation or developmental disabilities. The line item's underspending appeared to be related to the difficulty of precisely predicting how long it will take the department to review and settle service provider payment requests, a process that in some instances can take up to three years. The remainder of the department's year-to-date underage was traceable to $1.1 million in unspent prior year funding related to the Sermak legal matter, a class action lawsuit involving the appropriateness of placing certain individuals in nursing facilities. The settlement of this legal matter has taken longer than expected.

One intriguing part of the department's year-to-date disbursement story was an overage of close to $1 million in line item 320-321, Central Administration, which covers central office operating expenses, including payroll. Earlier in the fiscal year, monthly overages and underages were explainable as timing-based phenomena.

Since February, however, the department has consistently overspent relative to the line item's monthly estimate. As a result, of the line item's $12.1 million FY 2000 appropriation, $11.7 million had been disbursed, leaving an available balance of around $400,000 to cover estimated June disbursements of $1.33 million. Crisis? No, as it appeared that the department will meet central office's June operating expenses, including payroll, by tapping into federal Fund 3A4, Administrative Support.

Rehabilitation & Correction. The Department of Rehabilitation & Correction's pre-existing year-to-date underage of $41.6 million was significantly reduced in May, apparently due to a June payroll posting a few days earlier than was forecast. As a result, the department's year-to-date underage was knocked all the way down to $12.2 million, short of the $1.2 billion in estimated disbursements by 1.0 percent. Virtually all of the remaining underage was traceable to lower than expected spending on daily prison operations.

Despite the dramatic one-month turn in the department's year-to-date disbursement variance, we were still left with the fact that, prior to May, its spending on daily prison operations was around $37 million less than the year-to-date forecast. We assumed, lacking any evidence to the contrary, that this was a timing-based creation. The only reason that spending on daily prison operations appeared to accelerate in May, and its year-to-date underage shrank, was the early posting of a June payroll. If, as a result, June payroll spending registers lower than was forecast, then the department's year-to-date underage may work its way back towards $50 million, leading us once again in the position of wondering how the underage got that large in the first place.

Health. Eighty percent ($9.0 million) of the Department of Health's negative year-to-date disbursement variance of $11.2 million, or 13.3 percent, can be traced to underspending in its family and community health services programs, most notably the Medically Handicapped Children program. Relative to the year-to-date estimate, this program, which pays for services provided to certain children with medical handicaps, had disbursed $3.0 million less than was forecast. As suggested in our prior reports, a strong force in the underspending appeared to lie in the program's caseload, which was lower than anticipated, perhaps due to the fact that some medically handicapped children were tapping into other programs for which they were also eligible. The remainder of the underspending in the department's family and community health services programs — $6.0 million — was driven by timing factors that slowed various grant distributions and vaccine and drug purchases.

Transportation. Underspending in its public transportation program, which directs capital and operating assistance funding to local transit systems, was still at the forefront of the $10.2 million negative year-to-date disbursement variance posted by the Department of Transportation at the end of May. Year-to-date, the department was expected to have disbursed $47.7 million, while actual year-to-date disbursements were less than that amount by 21.3 percent. The disbursement variance largely reflected how timing affects when local transit systems will draw on state financial assistance, thus leading one to believe that most of this unspent GRF funding will eventually be disbursed sometime after FY 2000 ends.

Auditor. As a result of posting underages in every month except November and the just finished May, the Auditor of State has built a negative year-to-date disbursement variance of $6.1 million, under estimated spending of $40.1 million by 15.2 percent. Two forces seemed to be at the forefront of this development: 1) lower than expected payroll costs, as a result of a decision to leave some budgeted staff positions unfilled; and 2) slower than anticipated spending on information technology improvements. All indications were that the bulk of this unspent funding would eventually be disbursed, if not in FY 2000, then early in FY 2001, on computer-related purchases.

Mental Health. Since its year-to-date overage peaked at $54.1 million in January, the Department of Mental Health has posted four straight monthly underages totaling $49.8 million. As a result, the department's negative year-to-date disbursement variance had been driven down to $4.3 million, off the estimate by only 0.9 percent, by the end of May. The key elements in the department's small remaining year-to-date underage were two of its three largest GRF line items: 1) 335-502, Community Mental Health Programs; and 2) 335-508, Services for Severely Mentally Disabled. These two line items, which were under their year-to-date estimates by $2.0 million and $1.9 million, respectively, had spent less than was forecast simply because some county mental health boards had not yet drawn down all of their FY 2000 state subsidy funding. The department expected to eventually disburse the state's entire FY 2000 subsidy funding for county mental health boards, but some of those distributions may in fact not occur until July or August.

Library Board. The State Library Board — an information and research services arm of state government — finished May short of the year-to-date disbursement estimate by $4.0 million, or 21.0 percent. The main source of the negative year-to-date disbursement variance was a $2.6 million underage in equipment and maintenance spending, primarily due to a delay in the board's planned relocation from the Ohio Department Building and an unanticipated decline in office space rental payments. The board expected to eventually spend the $1.8 million in equipment and maintenance funding earmarked for their move and were working on plans to request the transfer of unspent FY 2000 rental payment and payroll funding, perhaps totaling as much as $900,000 or more, into FY 2001.

As previously reported, another factor contributing to the underage was a savings of close to $1 million that had developed in the Ohio Public Library Information Network (OPLIN) budget through use of the federal government's E-rate discount program for technology purchases.

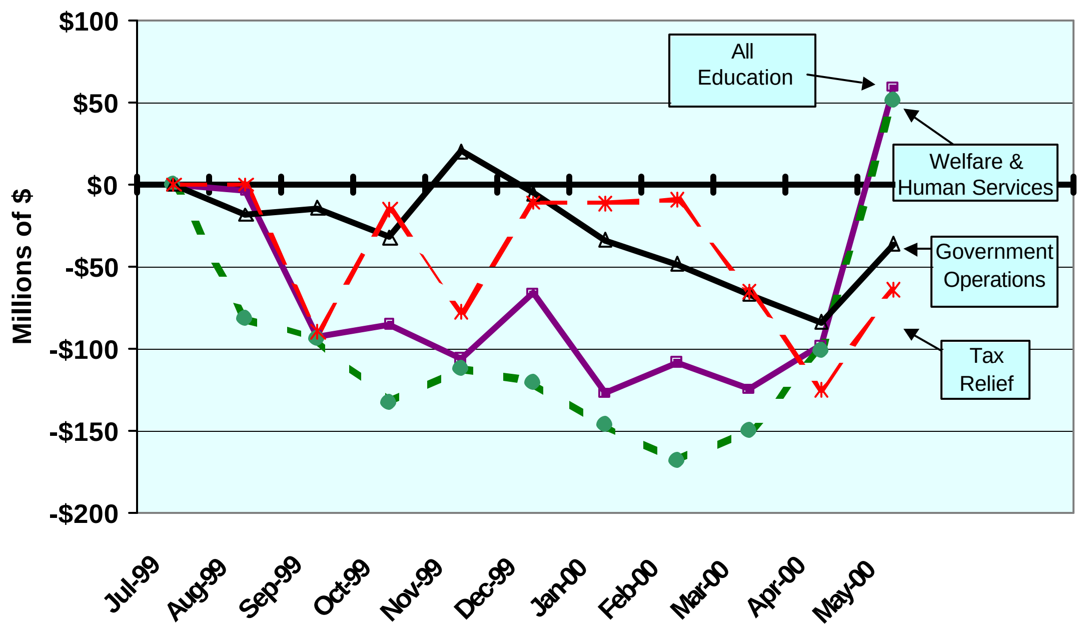
Also of note was the disappearance of the underage associated with NetWellness, the web-based health information and education service operated by the University of Cincinnati and other university partners. The release of $525,000 in subsidy funding for the web-based service had been delayed pending the submission of mandatory reports.

SchoolNet. The Ohio SchoolNet Commission — charged with administering many of Ohio's education technology programs — closed May with a negative year-to-date disbursement variance of $4.0 million, short of the estimate by 15.2 percent. The primary source of the disbursement variance, as noted in prior disbursement reports, was sluggish subsidy spending due to time spent by the commission earlier in the fiscal year honing their grant management skills. Specifically, line item 228-406, Technical & Instructional Professional Development, which carries $12.4 million in FY 2000 funding for promoting the use of educational technology by teachers and administrators in the state's 600-plus school districts, was holding an underage of $2.5 million. This underage was expected to disappear in June with the release of grant funding that supports summer teacher training programs. Another notable contributor to the commission's underage was its operating expenses line item with $1.4 million. As reported previously, this was attributable to the difficulty that the commission was experiencing in finding qualified job applicants, and, as a result 16 budgeted staff positions remained vacant.

III. Program Category Variances

In Chart 1, we've visually mapped from July through May the trajectory of the year-to-date variances of the state's four major GRF program categories. This is intended to help us see how the state built up a $405.6 million negative year-to-date disbursement variance by the close of April, only to reverse field in May by posting a massive $415.5 underage that drove disbursements over the year-to-date estimate by $10.0 million. In the narrative below, we've tried to distill the essence of the eleven-month dis-

Chart 1
Year-to-Date GRF Spending Variance by Program Category, FY 2000



bursement patterns exhibited by the four major program categories.

Education (+$58.6 million). The Education program category has cycled over and under the estimate throughout the fiscal year, led principally by large timing-based disbursement variances posted in various state subsidy programs administered by the Department of Education. The program category's pattern was dramatically broken by May's timing-based $156.4 million overage, with the Department of Education alone chipping in $164.9 million. Partially tempering the department's huge May overage was a $10.1 million timing-based underage posted by the Board of Regents. The effect of the eye-popping $150-plus million May swing was to drive the program category's year-to-date disbursement variance into positive territory ($58.6 million) for the first time in FY 2000.

Welfare/Human Services (+$50.7 million). In May, the Welfare & Human Services program category's spending — invigorated by a substantial increase in the Temporary Assistance to Needy Families (TANF) program's FY 2000 appropriation authority that combined with yet another Medicaid program overage — charged far into positive territory by posting disbursements that exceeded the May estimate by $151.2 million. As a result, the program category's pre-existing year-to-date underage of $100.5 million was left in the dust, replaced by a $50.7 million year-to-date overage. The $160-plus million increase in the TANF program's FY 2000 appropriation, pooled with the Medicaid program's unexpected overages, strongly suggested that June would produce another dramatic monthly overage in the program category.

Property Tax Relief (-$69.1 million). In March and April combined, the Property Tax Relief program underspent by a total of $115.0

million. May followed with a partial correction, a $60.5 million overage. Timing, which has produced wild swings over and under the estimate throughout the fiscal year, was at work in all three of those months, with another large correction in the form of an overage anticipated in June that should squeeze out a substantial chunk of the program's existing disbursement variance.

Government Operations (-$35.9 million). For the first six months of the fiscal year, disbursements in the Government Operations program category featured timing-based adjustments, with around a half-dozen or so state agencies moving in and out of the program category's spending story. Starting with January and running though April, the program category posted four consecutive monthly underages totaling $77.9 million, around $50.4 million of which was what appeared to be timing-based disbursement variances thrown in by the Department of Rehabilitation & Correction. In May, the program category made a mad dash back towards the year-to-date estimate with a $47.5 million overage, which cut its pre-existing year-to-date underage of $83.4 million by more than half. The program category's remaining underage included, in order of magnitude, the departments of Administrative Services, Rehabilitation & Correction, and Transportation built from a mix of timing and excess appropriations. ❑

**LBO colleagues who contributed to the development of this disbursement story included, in alphabetical order, Ogbe Aideyman, Laura Bickle, Amy Frankart, Sybil Haney, Alexander C. Heckman, Eric Karolak, Jeff Petry, Chuck Phillips, David Price, Jeffrey M. Rosa, John Ryan, and Wendy Zhan.*