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Budget Footnotes

A Newsletter of the Ohio Legislative Service Commission — November 2001, Number 2

Fiscal Overview

— *Doris Mahaffey*

It's official. The U.S. economy is in recession. In a decision released November 26, 2001, the National Bureau of Economic Research (NBER) announced that the latest economic expansion ended in March 2001.[1] The economy has been going downhill since then (even if GDP continued to expand through the second quarter). Ohio revenues bear this out.

Ohio personal income tax revenues were $23 million under estimate in October – largely due to a shortfall in withholding. Year-to-date personal income tax revenues are $125.8 million under estimate. While sales tax revenues actually came in over estimate for the month, year-to-date sales tax revenues are $76.6 million under. The non-auto portion alone is $97 million under.

The weak performance of the personal income tax and the sales tax, which together account for 66 percent of FY 2002 GRF revenue estimates, reflects the weakness in the national and state economies – a weakness that is not expected to disappear at any time soon, the October overage in the sales and use tax notwithstanding.

The deterioration in employment was especially alarming. October registered the largest one-month decline in employment nationwide since 1980. (See "Tracking the Economy," below.) Falling employment directly reduces personal income tax revenues (through withholding) and indirectly reduces sales tax revenues (through declining incomes and consumer confidence). The October employment numbers were the first to include the impact of the September 11 attacks and significant job losses were anticipated, but the decline in employment was much greater than had been expected. This decline essentially confirmed that the economy is indeed in recession and led to the NBER's determination noted above. The decline also increased concerns among many economists about the severity – if not the duration – of the recession. As DRI-WEFA says in its November forecast, "The shock to consumer spending from the September 11 attacks is being replaced by a shock from declining income growth. Worries about flying are giving way to worries about jobs and incomes."[2] While the "end of the recession" appears to be a moving target, the November DRI-WEFA forecast puts the end of the recession in the second quarter of 2002 (or the fourth quarter of FY 2002).

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Budget Footnotes examines the fiscal position of the state GRF on a periodic basis.

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

	Month of October	Fiscal Year 2002 to Date	Last Year	Difference
Beginning Cash Balance	($272.5)	$817.1		
Revenue + Transfers	$1,778.8	$6,311.4		
Available Resources	$1,506.3	$7,128.5		
Disbursements + Transfers	$2,321.5	$7,943.7		
Ending Cash Balances	($815.2)	($815.2)	($666.6)	($148.6)
Encumbrances and Accts. Payable		$862.2	$969.2	($106.9)
Unobligated Balance		**($1,677.4]**	**($1,635.7)**	**($41.7)**
BSF Balance		$1,010.6	$1,002.5	$8.1

In spite of the continued pessimism, total revenues in October were under estimate by only $8.6 million. Taxes were under estimate by $17.9 million. The personal income tax posted the largest shortfall, but all tax sources except the estate tax and the sales tax were either on target or under estimate. The $21.7 million overage in the estate tax and the $15.6 million overage in the sales tax offset much of the shortfall in the other tax sources. However, these overages were largely timing related – in one way or another. Thus, the small variance effectively camouflages how weak state revenues really are.

Disbursements were also below estimate for the month. The -$134.4 million variance increased the year-to-date variance to -$263.5 million, nearly doubling it.

Primary and secondary education posted the largest variance of all program categories. Disbursements for K-12 education were $156.3 million under estimate for the month and $180 million under estimate for the year. Temporary assistance for needy families (TANF) was $22 million under estimate – reducing the year-to-date overage to $10 million. Justice and corrections spending – at $31 million over estimate – recorded the largest overage and eliminated its year-to-date underage.

On a year-to-date basis at the end of October, all program categories except TANF, justice and corrections, transportation, and capital spending were under estimate. Most of the underages were due either to timing or to actual spending reductions in anticipation of statewide budget cuts. In fact, some subsidy payments were delayed (a timing issue) because the lines are expected to be subject to budget cuts, but the agencies are not sure how big the cuts will be. The Department of Education delayed its October disbursement from its Bus Purchase Allowance line in part for this reason. (See “Disbursements,” below.)

In anticipation of a growing revenue shortfall, on October 16, 2001, Governor Taft and the Office of Budget and Management issued revised revenue estimates for the biennium. Revenue estimates for FY 2002 were decreased by $709 million and revenue estimates for FY 2003 were decreased by $763 million. The Governor also proposed some measures to deal with the growing revenue deficit – including appropriation reductions, tax measures, and revenue transfers. The General Assembly is still considering how to deal with the budget imbalance, but state agencies are expecting any fix to include budget cuts and are spending cautiously. The month's disbursement variance of $134.4 million under estimate is, in part, a reflection of that caution.

As has been the case with past revisions of revenue and spending estimates, *Budget Footnotes* continues to track the revenue and disbursement variances vis-à-vis the original estimates.

At the end of October, year-to-date disbursements were $263.5 million under estimate – more than offsetting the year-to-date revenue shortfall of $224 million. Thus, the ending cash balance of -$815.2 million (see Table 1) was actually over estimate. More than half of disbursements (54 percent) are scheduled for the first half of the fiscal year, while more than half of state revenues (56 percent) are anticipated or due in the second half of the fiscal year. Thus, the fund balance is typically negative in the second and third quarters of the fiscal year. However, were it not for some timing-related delays in disbursements, the fund balance at the end of October would be much lower.

The state's ending cash balance is $148 million less than it was last year at this time. The difference is largely due to the 3 percent growth in disbursements for program payments over FY 2001. At the same time, year-to-date revenues are basically flat (-0.3 percent) compared to last year.

[1] The National Bureau of Economic Research, Inc., is a private nonprofit, nonpartisan, economic research organization. The NBER's research is conducted by over 600 university professors around the country, who are recognized as the leading scholars in their fields. The Business Cycle Dating Committee of the NBER has determined the dates of the country's business cycles since 1854.

[2] Nariman Behravesh, Andrew Hodge, and Cynthia Latta, "Goodbye to the Record Expansion," U.S. Executive Summary, DRI-WEFA, November 2001. DRI-WEFA is an economics forecasting firm that the State of Ohio contracts with.

TRACKING THE ECONOMY

— *Allan Lundell*

Economic news was mixed in October.

The Conference Board's index of coincident economic indicators for the national economy fell by 0.2 percent in October. The board reports that this decline "reinforces the economy's weakness and signals that we are in a mild recession." The index of leading economic indicators rose by 0.3 percent, but remains below its August level.

Industrial production fell by 1.1 percent in October and capacity utilization fell by 0.9 percent. Production is down 6.3 percent compared to a year ago and capacity utilization is 7.3 percentage points below its 1967-2000 average. Industrial production has declined for 13 straight months, the longest string of monthly declines since a 15-month string ended in July 1932.

The Conference Board's Consumer Confidence Index fell 11.5 points. The Present Situation Index fell 17.8 points and the Expectations Index fell 7.3 points. After four consecutive monthly declines, the combined index is at its lowest level since February 1994.

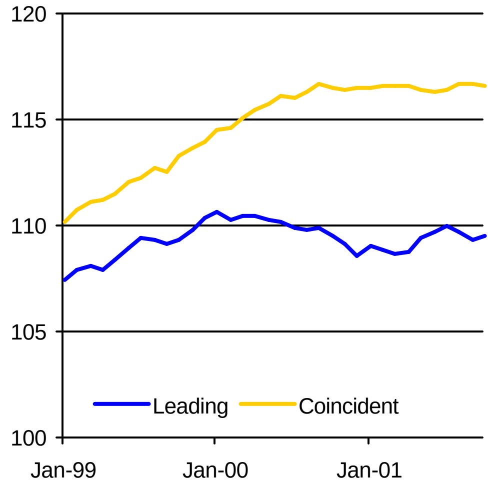
Retail sales increased 7.1 percent in October. This was the largest monthly increase on record and followed a 2.2 percent monthly decline in September. Sales of motor vehicle and parts dealers, driven by incentives such as zero-percent financing, were up 26.4 percent. Total sales excluding motor vehicle and parts dealers increased by just 1.0 percent in October. Compared to a year ago, retail sales excluding motor vehicle and parts dealers are up 1.6 percent. Although month-to-month changes are volatile, sales growth is slowing.

The seasonally adjusted Consumer Price Index for Urban Consumers (CPI-U) fell by 0.3 percent in October. The index for food rose by 0.5 percent, the index for energy fell by 6.3 percent, and the core CPI-U (excluding food and energy) rose by 0.2 percent. Compared to a year ago, the CPI is up 2.1 percent, the index for food is up 3.4 percent, the index for energy is down 5.6 percent, and the core CPI is up 2.6 percent. Inflation worries will not stand in the way of stimulative monetary and fiscal policy.

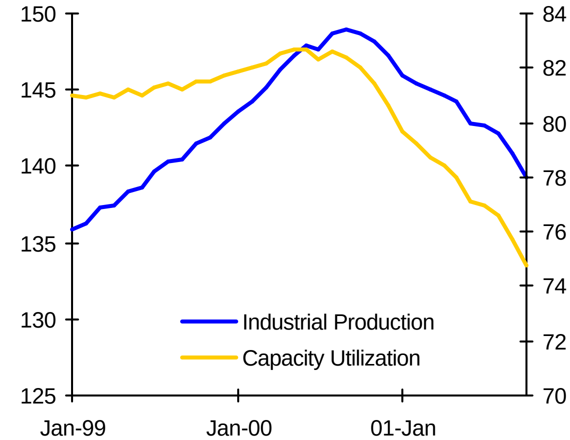
Nationally, nonfarm employment fell by 415,000 and the unemployment rate increased to 5.4 percent. The job losses were spread over most industry groups. The fall in employment was the worst monthly decrease since May 1980. The increase in the unemployment rate was the largest monthly jump since February 1986.

The Ohio unemployment rate was 4.4 percent in October, unchanged from the upwardly revised September level. The number of unemployed increased by 4,000 to 262,000. Ohio's number of unemployed is up 29,000 from a year ago. Seasonally adjusted nonfarm wage and salary employment was 5,635,500. This is up 2,000 from September but down 21,300 from a year ago.

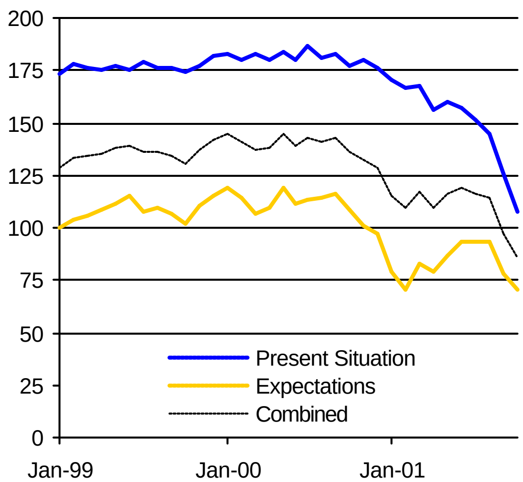
Indices of Economic Indicators



Industrial Production and Capacity Utilization

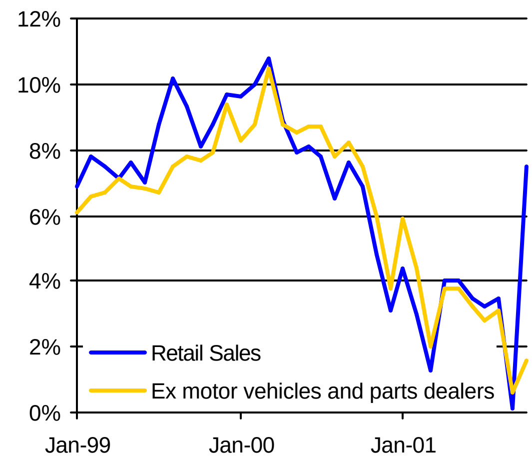


Consumer Confidence



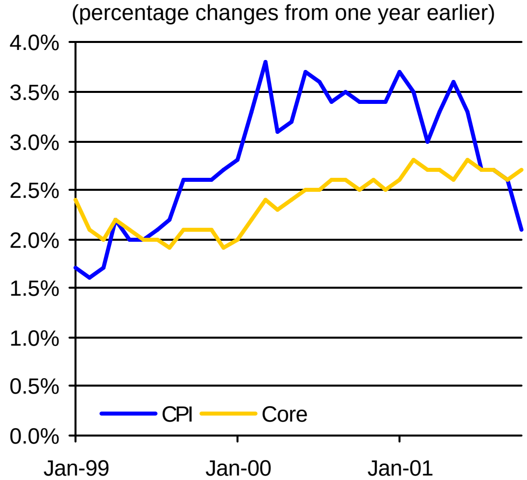
Retail Sales

(percentage changes from one year earlier)



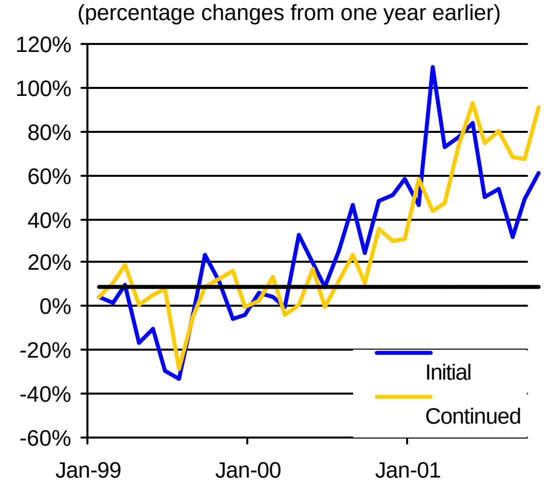
Consumer Price Indices

(percentage changes from one year earlier)



Ohio Unemployment Claims

(percentage changes from one year earlier)



Status of the General Revenue Fund

REVENUES

— *Doris Mahaffey*

October revenues were $17.9 million under estimate – the smallest shortfall thus far this year. Substantial overages in the sales tax (particularly the auto sales tax) and the estate tax mitigated much of the shortfall in the personal income tax, the corporate franchise tax, the foreign insurance tax, and the public utility excise tax, which were under by a combined $52 million for the month. (See Table 2, which shows in detail the variances for the month by revenue source.) The sales tax was the big surprise for the month with the auto component coming in at $13 million over estimate. The non-auto component even came in over estimate for the first time this fiscal year.

Total GRF income was under estimate by only $8.6 million, as total non-tax revenues were $9.3 million over estimate, due largely to "other income" sources – chiefly refunds and reimbursements.

For the year-to-date, total tax revenues are $207.5 million under estimate. The auto sales tax is an anomaly here. It is $20.4 million over estimate and nearly 10 percent above revenue from this time last year. The largest shortfall is in the personal income tax ($125.8 million under estimate), followed by the non-auto sales and use tax ($97.0 million under estimate), the corporate franchise tax ($29.2 million under), and the foreign insurance tax ($12.6 million under). Overages in the public utility excise tax ($27.6 million over), the estate tax ($12.7 million over), and the auto sales tax offset part of the shortfall.

Total GRF income is $224 million under estimate. Federal reimbursements account for $25 million of the underage, although year-to-date grants are roughly 5.7 percent higher than they were at this time last year. (See Table 3 for details about the year-to-date performance of the state's revenues by revenue source.)

Personal Income Tax Revenue

More than any other revenue source the personal income tax reflects the depressed condition of the state's economy. Personal income tax revenues are $23.4 million under estimate for the month of October. They are $125.8 million under estimate for the year – down more than one percent from this time last year.

The shortfall for the month was almost entirely due to withholding, which was $33.7 million under estimate. Quarterly estimated payments were actually $8.8 million over estimate; and refunds were another $1.4 million under estimate, offsetting part of the shortfall.

The shortfall in withholding reflects the continued erosion in employment. Nationwide, that erosion was significant in October. The decline of 415,000 jobs was the largest monthly decline since May 1980. Moreover, it followed a decline of 213,000 jobs in September. Employment was down in nearly every major industry. Only finance, insurance, and real estate and local government posted gains in employment. Manufacturing employment continued to be hit hard, falling by 142,000 in October. Employment in electrical equipment declined by 22,000 and employment in industrial machinery and automobile manufacturing each declined by 21,000.

Ohio employment was more stable than national employment in October, though it appears to have been hit harder in September. The October 24, 2001, *Beige Book* for the Cleveland Federal Reserve District, which provides a picture of the state economy at the end of September, observes:

> Contraction in the manufacturing sector continues, but conditions vary by type of manufacturer. Suppliers to automakers reported significant drop-offs in new orders and production, as did steel makers, aerospace equipment producers, and printing and publishing firms. Manufacturers of niche products related to safety and security noted that business has increased substantially since September 11.

Table 2
General Revenue Fund Income
Actual vs. Estimate
Month of October 2001
($ in thousands)

REVENUE SOURCE			
TAX INCOME	**Actual**	**Estimate***	**Variance**
Auto Sales	$85,191	$72,188	$13,003
Non-Auto Sales & Use	$452,265	$449,677	$2,588
Total Sales	$537,456	$521,865	$15,591
Personal Income	$570,292	$593,735	($23,443)
Corporate Franchise	$6,236	$25,175	($18,939)
Public Utility	$34,713	$37,800	($3,087)
Kilowatt Hour Excise Tax	$28,549	$29,600	($1,051)
Total Major Taxes	**$1,177,247**	**$1,208,175**	**($30,928)**
Foreign Insurance	$108,250	$115,000	($6,750)
Domestic Insurance	$0	$0	$0
Business & Property	$14	$83	($69)
Cigarette	$23,292	$25,200	($1,908)
Alcoholic Beverage	$4,385	$4,200	$185
Liquor Gallonage	$2,225	$2,320	($95)
Estate	$35,430	$13,750	$21,680
Total Other Taxes	$173,596	$160,553	$13,043
Total Taxes	**$1,350,843**	**$1,368,728**	**($17,885)**
NON-TAX INCOME			
Earnings on Investments	$1	$0	$1
Licenses and Fees	$2,815	$3,150	($335)
Other Income	$18,917	$8,910	$10,007
Non-Tax Receipts	$21,733	$12,060	$9,673
TRANSFERS			
Liquor Transfers	$10,000	$9,000	$1,000
Budget Stabilization	$0	$0	$0
Other Transfers In	$0	$0	$0
Total Transfers In	$10,000	$9,000	$1,000
TOTAL INCOME less Federal Grants	**$1,382,576**	**$1,389,788**	**($7,212)**
Federal Grants	$396,247	$397,629	($1,382)
TOTAL GRF INCOME	**$1,778,823**	**$1,787,417**	**($8,594)**

*July 2001 estimates of the Office of Budget and Management.
Totals may not add up due to rounding.

Declines in employment in September would still translate into lower withholding in October.

Another change in October in addition to reductions in the number of people employed was the shortening of the workweek for both the manufacturing and nonmanufacturing sectors. Moreover, with major concerns about job security, wage growth was minimal.

The year-to-date $125.8 million shortfall in personal income tax revenues is due mainly to withholding ($83.6 million under) and refunds ($35.3 million over). While withholding is under estimate, it is up 1.8 percent over last year's withholding. The estimates, however, assumed a 5.7 percent increase.

Table 3
General Revenue Fund Income
Actual vs. Estimate
Month of October 2001/Fiscal Year to Date 2002
($ in thousands)

REVENUE SOURCE *TAX INCOME*	Actual	Estimate*	Variance	FY 2001	Percent Change
Auto Sales	$317,371	$297,001	$20,370	$289,074	9.79%
Non-Auto Sales & Use	$1,704,465	$1,801,418	($96,953)	$1,713,113	-0.50%
Total Sales	$2,021,836	$2,098,419	($76,583)	$2,002,187	0.98%
Personal Income	$2,229,761	$2,355,515	($125,754)	$2,254,258	-1.09%
Corporate Franchise	-$1,541	$27,693	($29,234)	$17,424	-108.84%
Public Utility	$79,859	$52,300	$27,559	$178,369	-55.23%
Kilowatt Hour Excise Tax	$115,355	$119,720	($4,365)	$0	—
Total Major Taxes	**$4,445,271**	**$4,653,647**	**($208,376)**	**$4,452,237**	**-0.16%**
Foreign Insurance	$114,621	$127,190	($12,569)	$134,527	-14.80%
Domestic Insurance	$3,013	$2,300	$713	$1,366	120.55%
Business & Property	$427	$872	($445)	$543	-21.25%
Cigarette	$83,171	$82,600	$571	$83,797	-0.75%
Alcoholic Beverage	$19,006	$19,040	($34)	$18,270	4.03%
Liquor Gallonage	$9,562	$9,571	($9)	$9,679	-1.22%
Estate	$44,529	$31,875	$12,654	$40,005	11.30%
Total Other Taxes	$274,330	$273,448	$882	$288,187	-4.81%
Total Taxes	**$4,719,601**	**$4,927,095**	**($207,494)**	**$4,740,425**	**-0.44%**
NON-TAX INCOME					
Earnings on Investments	$35,620	$43,200	($7,580)	$44,189	-19.39%
Licenses and Fees	$11,594	$10,588	$1,006	$9,966	16.33%
Other Income	$51,419	$42,810	$8,609	$71,879	-28.46%
Non-Tax Receipts	$98,633	$96,598	$2,035	$126,035	-21.74%
TRANSFERS					
Liquor Transfers	$36,000	$31,000	$5,000	$32,000	12.50%
Budget Stabilization	$0	$0	$0	$0	—
Other Transfers In	$7,996	$6,237	$1,759	$61,844	-87.07%
Total Transfers In	$43,996	$37,237	$6,759	$93,844	-53.12%
TOTAL INCOME less Federal Grants	**$4,862,230**	**$5,060,930**	**($198,700)**	**$4,960,304**	**-1.98%**
Federal Grants	$1,449,169	$1,474,619	($25,450)	$1,371,153	5.69%
TOTAL GRF INCOME	**$6,311,399**	**$6,535,549**	**($224,150)**	**$6,331,457**	**-0.32%**

*July 2001 estimates of the Office of Budget and Management.
Totals may not add up due to rounding.

Quarterly estimated payments are only $5.1 million under estimate. The October recovery of the stock market (vis-à-vis the sharp decline in September) may account for the increased October payments. However, quarterly estimated payments are still 2 percent less than they were at this time last year.

Sales Tax Revenue

The Non-auto Sales and Use Tax. The non-auto sales and use tax posted a surprise in October, as revenues exceeded estimates by $2.6 million. This was the first month since April 2001 that revenues exceeded estimates. The October overage was doubly unexpected, since sales tax revenues generally track the prior month's retail sales; and September 2001 was not a good month for retail sales. Retail sales (excluding auto sales) fell by 1.6 percent from August, although chain store sales were up 0.8 percent from a year ago. (The increase was due mainly to strong sales at discount, grocery, and drug stores. Sales at department and apparel stores continued to flag.)

Even before the September 11 terrorist attacks, consumer spending was sluggish. Retail sales virtually halted for the first few days after September 11 but then returned to their preattack levels. However, the mix was somewhat different; it generally entailed lower spending on luxury items and more spending on home and security-related items.

Consequently, the overage in October was unexpected. Moreover, it followed on the heels of a month that posted a surprising revenue shortfall. (See the previous issue of *Budget Footnotes*.) It is possible that a good portion of September revenues spilled over into October. Since the last two days of September were on a weekend, this scenario is quite likely. Thus, actual September revenues for the non-auto sales tax – which were $52.7 million under estimate – were probably not that bad. And October revenues were probably substantially under estimate. In any case, the $97.0 million year-to-date shortfall in the non-auto sales and use tax is probably a good reflection of the current weakness of this revenue source.

The Auto Sales Tax. Auto sales tax revenues were $13 million over estimate in October. The month's revenues of $85.2 million were 10 percent greater than October 2000 revenues. This overage was not a great surprise, although the magnitude was. It was clear that sales were up in Ohio as well as the rest of the nation even before the month ended. Nationwide, light vehicle sales achieved record heights in October, reaching a seasonally adjusted annualized rate of 21.3 million vehicles per year. Sales of both cars and light trucks were up more than 24 percent from a year ago.

The surge in sales was largely due to strong manufacturers' incentives, such as the zero percent financing offered by General Motors and other automobile manufacturers. Much of this increase in sales is likely to come out of future sales. Consequently, future sales are expected to plummet; and the current $20.4 million overage in automobile sales tax revenues is likely to erode.

The incentives probably also adversely affected corporate earnings. Hence, corporate franchise tax revenues are likely to suffer next spring, as well.

For the most part, the increased auto sales are coming out of manufacturers' inventories. They are unlikely to spur either the production of automobiles or the demand for automobile inputs.

DISBURSEMENTS

*— Steve Mansfield**

October's disbursements from the GRF (excluding transfers) were $134.4 million under the estimate. This 5.5 percent variance added to the underspending of previous months to produce a negative disbursement variance of $266.6 million for the fiscal year to date (i.e., July through October).

The state's year-to-date underage at the end of October was spread across three of the major GRF program categories, with Education accounting for well over half of the disbursement variance (see Chart 1). As we noted in our last issue about the underspending registered at the end of September, part of the underage appeared to be the result of a deliberate slowing of disbursement activity by many state agencies in anticipation of another round of budget cuts, with matters of timing accounting for the remaining disbursement variances. In general, the same can be said for October's variances.

We begin the analysis of the October and year-to-date disbursement figures by looking at the state's four major GRF program categories: (1) Education, (2) Welfare and Human Services, (3) Tax Relief, and (4) Government Operations. Within each category, we then examine the most notable departmental budgets and programs that have contributed either positively or negatively to the state's disbursement variance. The reader's attention is also directed to Tables 4 and 5, which provide a more detailed picture of the October and year-to-date disbursement variances, respectively, by program category.

Education (-$181.3 million)

The Department of Education posted a $157.8 million negative disbursement variance in October, which brought the category's total variance through the first four months of the fiscal year to $181.8 million below the estimate. The Board of Regents threw in a relatively small offsetting positive variance for October, bringing the board's year-to-date disbursement activity very close to the estimate.

Department of Education. The department's spending through the first four months of the fiscal year on K-12 education dropped to $179.9 million below the estimate, thus accounting for nearly all of the underage in the Education program category. Several items within the department's budget that contributed to this result are discussed below in order of the magnitude of their impact on the underage. Some of the disbursement variance appears to have been the result of a deliberate slowing of disbursement activity in anticipation of possible budget cuts. Other items contributed to the variance for what appear to have been reasons of timing.

The department did not make a scheduled October disbursement of $53.3 million from its Nonpublic Administrative Cost Reimbursement program (line item 200-532). This appropriation item is used by the state to reimburse chartered nonpublic schools for administrative and clerical costs incurred by the schools in complying with state mandates related to maintaining their state charters. The reimbursement is made for the previous year's costs.

The department also delayed a disbursement from its Bus Purchase Allowance program (line item 200-503) scheduled for October. This appropriation is used to assist school districts and educational service centers with the purchase of school buses. Since this item might be subject to a budget reduction, the department delayed these payments.

The Head Start program (line item 200-406) was also a major contributor to the department's year-to-date and October negative disbursement variances. Year-to-date program disbursements through October were $20.2 million under the estimate, and October disbursements were under the estimate by $24.6 million. The Head Start program serves low-income preschool children ages three to five. The line item has an appropriation of $98.8 million for FY 2002. In past years, the department disbursed funds for this program quarterly, and that pattern served as the basis for estimating its FY 2002 disbursements. This year, however, three quarters of the Head Start appropriation comes from a transfer of federal funds from the Temporary Assistance for Needy Families (TANF) program. These TANF funds are being disbursed monthly instead of quarterly due to different reporting requirements. Thus,

Table 4
General Revenue Fund Disbursements
Actual vs. Estimate
Month of October 2001
($ in thousands)

USE OF FUNDS

PROGRAM	Actual	Estimate*	Variance
Primary & Secondary Education (1)	$665,132	$821,404	($156,272)
Higher Education	$287,299	$273,581	$13,718
Total Education	$952,431	$1,094,985	($142,554)
Health Care/Medicaid	$665,113	$660,557	$4,556
Temporary Assistance to Needy Families (TANF)	$76,374	$98,755	($22,380)
General/Disability Assistance	$7,833	$7,713	$119
Other Welfare (2)	$59,775	$63,574	($3,799)
Human Services (3)	$116,090	$116,763	($673)
Total Welfare & Human Services	$925,184	$947,361	($22,177)
Justice & Corrections	$205,265	$174,175	$31,089
Environment & Natural Resources	$11,744	$12,045	($302)
Transportation	$4,628	$3,515	$1,113
Development	$10,310	$13,361	($3,051)
Other Government (4)	$26,780	$26,109	$671
Capital	$2,566	$0	$2,566
Total Government Operations	$261,293	$229,206	$32,087
Property Tax Relief (5)	$178,777	$180,614	($1,837)
Debt Service	$3,802	$3,704	$98
Total Program Payments	**$2,321,486**	**$2,455,870**	**($134,384)**
TRANSFERS			
Local Govt Distribution	$0	$0	$0
Budget Stabilization	$0	$0	$0
Other Transfers Out	$0	$0	$0
Total Transfers Out	$0	$0	$0
TOTAL GRF USES	**$2,321,486**	**$2,455,870**	**($134,384)**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Job & Family 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.

* August 2001 estimates of the Office of Budget and Management.

Totals may not add up due to rounding.

this is simply a matter of timing that one would expect to work itself out as the fiscal year unfolds.

Year-to-date disbursement activity at the end of October from the Base Cost Funding program (line item 200-501), which carries the largest appropriation in the department's budget, stood at $17.2 million below the estimate. This disbursement variance was less than one percent of the year-to-date estimate of total spending. Funds from this item are paid to school districts according to the "base cost" formula developed by the General Assembly and are used to provide educational services to Ohio public school students. As with other items that are distributed on the basis of the school funding formula, base cost funding depends on each school district's October average daily membership (ADM) and other data. The actual data will not be available until early next year. Until then, payments are based on last year's data and rough ADM estimates. It is generally ex-

Table 5
General Revenue Fund Disbursements
Actual vs. Estimate
Fiscal Year to Date 2002
($ in thousands)

USE OF FUNDS PROGRAM	Actual	Estimate*	Variance	FY 2001	Percent Change
Primary & Secondary Education (1)	$2,248,645	$2,428,511	($179,866)	$2,000,106	12.43%
Higher Education	$849,205	$850,665	($1,459)	$959,937	-11.54%
Total Education	$3,097,851	$3,279,176	($181,326)	$2,960,043	4.66%
Health Care/Medicaid	$2,429,762	$2,467,722	($37,960)	$2,203,505	10.27%
Temporary Assistance to Needy Families (TANF	$114,203	$104,026	$10,177	$289,875	-60.60%
General/Disability Assistance	$28,438	$28,930	($492)	$25,456	11.72%
Other Welfare (2)	$208,015	$236,865	($28,850)	$236,924	-12.20%
Human Services (3)	$449,176	$467,418	($18,242)	$443,718	1.23%
Total Welfare & Human Services	$3,229,595	$3,304,961	($75,366)	$3,199,477	0.94%
Justice & Corrections	$718,043	$707,176	$10,867	$701,337	2.38%
Environment & Natural Resources	$60,018	$60,807	($788)	$63,566	-5.58%
Transportation	$19,706	$13,238	$6,468	$11,575	70.25%
Development	$89,259	$89,351	($92)	$84,090	6.15%
Other Government (4)	$193,405	$205,326	($11,921)	$178,588	8.30%
Capital	$6,171	$3,322	$2,849	$29,445	-79.04%
Total Government Operations	$1,086,603	$1,079,219	$7,384	$1,068,601	1.68%
Property Tax Relief (5)	$385,596	$402,490	($16,894)	$342,152	12.70%
Debt Service	$115,399	$115,195	$204	$104,303	10.64%
Total Program Payments	**$7,915,043**	**$8,181,041**	**($265,998)**	**$7,674,576**	**3.13%**
TRANSFERS					
Local Govt Distribution	$0	$0	$0	$0	#N/A
Budget Stabilization	$13,104	$13,104	$0	$49,200	-73.37%
Other Transfers Out	$15,530	$13,078	$2,452	$780,455	-98.01%
Total Transfers Out	$28,634	$26,182	$2,452	$829,655	-96.55%
TOTAL GRF USES	**$7,943,677**	**$8,207,223**	**($263,546)**	**$8,504,231**	**-6.59%**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Job & Family 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.

* August 2001 estimates of the Office of Budget and Management.

Totals may not add up due to rounding.

pected that this will produce variances from the disbursement estimates developed earlier in the year.

Disbursements from the Ohio Reads Grants program (line item 200-566) through October stood at $15.6 million below the year-to-date estimate. This variance appeared to be no more than a matter of timing and should be erased when grant awards are made in November and December.

Several other items in the Department of Education's budget contributed lesser amounts to the October and year-to-date underages, and all of these appeared to be influenced by matters of timing.

Regents. Higher education disbursement activity reversed course in October with the Board of Regents posting a positive variance of $13.7 million, thus shrinking the program's preexisting negative year-to-date variance to $1.5 million. October's positive disbursement variance was produced single-

Table 6
Health Care Spending in FY 2002

Medicaid, ALI 600-525

Service Category	October Actual	October Estimate	October Variance	October Percent Variance	Year-to-Date Spending Actual thru' October	Year-to-Date Spending Estimate thru' October	Year-to-Date Spending Variance	Year-to-Date Spending Percent Variance
Nursing Facilities	$203,772,689	$209,819,763	($6,047,074)	-2.9%	$802,166,652	$825,644,781	($23,478,129)	-2.8%
ICF/MR	$33,006,708	$33,887,199	($880,491)	-2.6%	$133,748,907	$134,484,116	($735,209)	-0.5%
Hospitals	$154,196,196	$157,962,812	($3,766,616)	-2.4%	$521,241,584	$565,795,185	($44,553,601)	-7.9%
Inpatient Hospitals	$110,258,754	$114,811,133	($4,552,379)	-4.0%	$371,228,222	$410,519,611	($39,291,389)	-9.6%
Outpatient Hospitals	$43,937,442	$43,151,679	$785,763	1.8%	$150,013,362	$155,275,574	($5,262,212)	-3.4%
Physicians	$45,484,379	$44,780,261	$704,118	1.6%	$144,995,949	$160,639,751	($15,643,802)	-9.7%
Prescription Drugs	$95,786,577	$97,838,842	($2,052,265)	-2.1%	$344,800,804	$351,361,927	($6,561,123)	-1.9%
Payments	$116,935,669	$118,987,934	($2,052,265)	-1.7%	$408,248,080	$414,809,203	($6,561,123)	-1.6%
Rebates	($21,149,092)	($21,149,092)	$0	0.0%	($63,447,276)	($63,447,276)	$0	0.0%
ODJFS Waivers[1]	$16,138,815	$14,800,917	$1,337,898	9.0%	$53,028,725	$52,411,775	$616,950	1.2%
HMO	$46,024,071	$43,099,703	$2,924,368	6.8%	$176,693,718	$169,386,699	$7,307,019	4.3%
Medicare Buy-In	$10,644,263	$10,501,828	$142,435	1.4%	$42,657,244	$42,039,358	$617,886	1.5%
All Other[2]	$56,036,759	$57,934,349	($1,897,590)	-3.3%	$195,739,385	$202,949,260	($7,209,875)	-3.6%
DSH offset	$0	$0	$0		$0	$0	$0	
Total ALI 600-525	**$661,090,456**	**$670,625,674**	**($9,535,218)**	**-1.4%**	**$2,415,072,968**	**$2,504,712,852**	**($89,639,884)**	**-3.6%**
FMAP	58.94%	58.94%			58.94%	58.94%		
Est. Federal Share	$389,646,715	$395,266,772	($5,620,058)		$1,423,444,007	$1,476,277,755	($52,833,748)	
Est. State Share	$271,443,741	$275,358,902	($3,915,161)		$991,628,961	$1,028,435,097	($36,806,136)	
Prior Period Encumbrance					($29,100,662)	($29,100,662)		
BSF Shortfall[3]		($14,644,871)				($54,061,488)		
Total ALI 600-525 Disb.	**$661,090,456**	**$655,980,803**	**$5,109,653**	**0.8%**	**$2,385,972,306**	**$2,421,550,702**	**($35,578,396)**	**-1.5%**
Est. Federal Share	$389,646,715	$386,635,085	$3,011,629		$1,406,292,077	$1,427,261,984	($20,969,907)	
Est. State Share	$271,443,741	$269,345,718	$2,098,023		$979,680,229	$994,288,718	($14,608,489)	
Children's Health Insurance Plan (CHIP-II), ALI 600-426[4]								
Total ALI 600-426	**$3,998,832**	**$4,254,108**	**($255,276)**	**-6.0%**	**$13,297,785**	**$15,140,491**	**($1,842,706)**	**-12.2%**
Enhanced FMAP	71.19%	71.19%			71.19%	71.19%		
Est. Federal Share	$2,846,768	$3,028,499	($181,731)		$9,466,693	$10,778,516	($1,311,823)	
Est. State Share	$1,152,063	$1,225,609	($73,545)		$3,831,092	$4,361,975	($530,884)	
Total Health Care	**$665,089,287**	**$674,879,782**	**($9,790,495)**	**-1.5%**	**$2,428,370,753**	**$2,519,853,343**	**($91,482,590)**	**-3.6%**
Total Hlth Care w/o BSF	**$665,089,287**	**$660,234,911**	**$4,854,376**	**0.7%**	**$2,399,270,091**	**$2,436,691,193**	**($37,421,102)**	**-1.5%**

1. Waivers provide home care alternatives to consumers whose medical conditions/functional abilities would otherwise require Long Term Care facility reside
2. "All Other" includes all other health services funded by 600-525.
3. The budget estimate assumed $65M of the Budget Stabilization Fund (BSF) will be used to increase appropriation in line item 525 by $158M, all funds in S
4. This portion of the table only includes CHIP-II spending through Job & Family Services' 600-426 line item.
CHIP-II, effective 7/1/2000, provides health care coverage for children under age 19, with family incomes between 150-200% of FPL.

Note: Due to accounting differences, the total does not exactly match the amounts from Tables 4 and 5.

Source: BOMC8300-R001, BOMC8350-R001&R002 Reports, Ohio Department of Job & Family Services.

handedly by the Student Choice Grants program (line item 235-531), which distributed $15.9 million in student financial aid assistance that had been scheduled for September.

Welfare and Human Services (-$75.4 million)

For the month of October, this program category's disbursements fell $22.2 million below the estimate. Cumulative year-to-date spending through October stood at $75.4 million below the estimate. This overall situation, however, was composed by a mixture of underages, and smaller, partially offsetting, overages. First, we cover the notable negative variances in order of their magnitude.

Health Care/Medicaid. After four months of the fiscal year, the Health Care/Medicaid program (primarily line item 600-525) was cumulatively $38.0 million, or 1.5 percent, below the $2.47 billion spending estimate. For the month of October, the program posted a $4.6 million overage. A discussion of the role that particular service categories had in producing this result, however, is complicated by the fact that OBM estimates for the service categories (see Table 6) assume the inclusion of $65 million that is to be transferred from the Budget Stabilization Fund (BSF) and an additional federal contribution of $93 million in matching funds. These additional state and federal funds totaling $158 million (or an additional 2.2 percent) were not included in OBM's original disbursement estimates for the program as a whole. Because the transfer has not actually taken place, Tables 4 and 5 reflect the original disbursement estimates. To cope with this "apples and oranges" problem, Table 6 includes an adjustment for these differences by subtracting out the portion of the shortfall that is attributable to the BSF and matching federal funds.

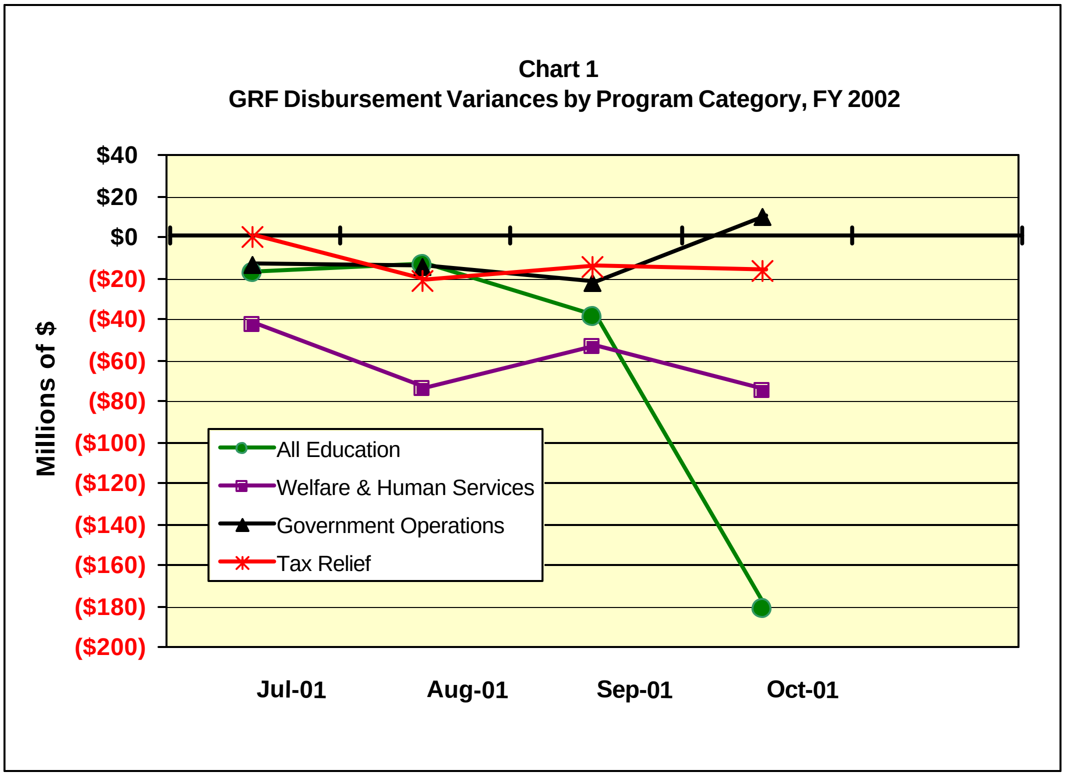
The overage for the month of October appears to be attributable to HMO payments. The year-to-date underage through October was a matter of timing and attributable to a backlog in claims processing, especially in the Inpatient Hospitals, Nursing Facilities, and Physicians service categories.

Job & Family Services. Year-to-date disbursements through October from the Department of Job and Family Services' operating expenses and subsidy programs – exclusive of Medicaid, TANF, and General/Disability Assistance, which are tracked under separate components of the Welfare and Human Services program category, and inclusive of former Bureau of Employment Services programs – fell $28.9 million, or 12.2 percent, under the estimate. The largest four contributors to the underage were Non-TANF County Administration ($7.3 million), Computer Projects ($5.7 million), Adoption Services ($5.6 million), and Maintenance ($3.9 million). While the negative variances for Non-TANF County Administration and Adoption Services appeared to be timing related, with invoicing activity and county reimbursements running lower than anticipated, those associated with Computer Projects and Maintenance appeared at least partially to reflect a deliberate slowdown in expenditures in light of anticipated budget reductions.

Mental Retardation. The Department of Mental Retardation and Developmental Disabilities' year-to-date disbursement variance at the end of October was $15.7 million, or 8.9 percent below the estimate, an underage wholly attributable to line item 322-413, Residential and Support Services. This line item has a year-to-date underage of $14.2 million, or 26.6 percent. Underages in this line item, which is used to pay providers for services delivered to individuals with mental retardation or developmental disabilities, are not unusual and have been commented on in numerous prior issues of *Budget Footnotes*. These service providers have up to 365 days to submit claims for payments to the state. Additionally, after the claims are submitted the department then must audit them to ensure proper payments to these providers. This somewhat lengthy process makes predictions of disbursement activity very difficult and subject to the timing of payment requests and audits.

TANF. Beginning this fiscal year, the federal component of spending in the Temporary Assistance for Needy Families (TANF) program that had resided in GRF line item 600-411, TANF Federal Block Grant, was eliminated and moved to the state's Federal Special Revenue Fund Group (Fund 3V6). The disbursement estimates thus no longer include TANF's federal component. For a detailed analysis of federal and state TANF expenditures, please see the "TANF Spending Update" report that appears later in this issue of *Budget Footnotes*.

Year-to-date disbursements at the end of October from line item 600-410, TANF State, the largest of the two remaining GRF components in the TANF program, were $10.2 million over the estimate. The year-to-date overage had been larger a month earlier and was reduced by a negative disbursement variance in October of $22.4 million. October's underage was largely the result of the flexibility that the Department of Job and Family Services has in using the several components that make up TANF spending. In October, the department used its non-GRF TANF Block Grant (line item 600-689) to make county advance payments rather than making the payments from line item 600-410, as scheduled. This shift made up for the overage in line item 600-410 in September, when its funds were used to make cash benefit payments. Partially offsetting the October underage in line item 600-410 were overages traceable to disbursements from the Day Care Match/MOE line item (600-413) and to encumbered prior year funds expended from the TANF Federal Block Grant line item (600-411).



October's numbers showed a rise in the TANF caseload, with the number of assistance groups increasing by approximately 2,500, and the number of recipients increasing by approximately 6,900. Despite these increases, the TANF caseload was still lower by approximately 5,000 assistance groups and 22,000 recipients than in October of last year.

Tax Relief (-$16.9 million)

The Property Tax Relief program, which reimburses local governments for revenue that is lost due to certain credits and exemptions provided by state law to property owners and businesses, posted a year-to-date underage of $16.9 million. This was entirely traceable to below-forecast distributions of real property tax credits/exemptions funding back to school districts by the Department of Education, a state of affairs likely to be no more than a matter of timing.

Government Operations ($7.4 million)

Two offsetting disbursement variances were the most notable contributors to the $7.4 million year-to-date overage posted by the Government Operations program category. These contrasting variances were in the Department of Rehabilitation and Correction ($10.6 million) and the Department of Administrative Services (-$13.5 million), and are discussed in more detail below. With these two disbursement variances nearly canceling each other, the Department of Transportation set the overall direction of the category by chipping in a year-to-date overage of 6.5 million.

Rehabilitation & Correction. In October, the Department of Rehabilitation and Correction posted a positive disbursement variance of $33.9 million, over the spending estimate of $128.1 million by 26.5 percent. This pushed the department's year-to-date disbursement variance back into positive territory by $10.6 million. The positive variance for October was predominately the result of activity in line item 501-321, Institutional Operations, which alone was $27.8 million over the estimate for the month. This variance was a matter of timing, however, involving adjustments for previous monthly underages and the fact that an early November payroll payment was unexpectedly posted in late October.

Administrative Services. The other significant and offsetting year-to-date disbursement variance reported in the Government Operations program category was in the Department of Administrative Services, which, through October, had posted four consecutive monthly underages to wind up with a total year-to-date underage of $13.5 million. The largest contributors to the department's disbursement variance were computer services and e-government development. In general, this is because most of the computer projects funded through the GRF have been reprioritized or put on hold because of impending budget cuts.

**LSC colleagues who contributed to the development of this disbursements article included, in alphabetical order, Melaney Carter, Ivy Chen, Nelson Fox, David Price, Nicole Ringer, Joseph Rogers, Jeffrey Rosa, and Maria Seaman.*

TANF SPENDING UPDATE, FFY 1997-FFY 2001

— *Steve Mansfield*

The Temporary Assistance to Needy Families (TANF) program was created by federal legislation known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. PRWORA abolished the entitlement-oriented Aid to Families with Dependent Children (AFDC) program, the Job Opportunity and Basic Skills (JOBS) program, and the Emergency Assistance (EA) program. PRWORA was implemented in Ohio beginning in October 1997 through Am. Sub. H.B. 408 of the 122nd General Assembly. H.B. 408 created the Ohio Works First (OWF) program and the Prevention, Retention, and Contingency (PRC) program.

Under the old AFDC, JOBS, and EA programs the states received matching funds from the federal government in exchange for state expenditures. In the largest of these programs, AFDC, Ohio received from the federal government about $1.50 for each dollar spent.

The TANF program replaced a matching grant system with a flat-funded block grant that required the states to maintain a historical level of spending (called the Maintenance of Effort, or MOE, requirement). Under TANF, Ohio's annual TANF grant from the federal government is $727,968,260. Ohio's MOE requirement may be met with a minimum state expenditure of $390.8 million (if certain other conditions are met first). In federal fiscal year (FFY) 2001, Ohio spent slightly over this minimum with a total MOE expenditure of $411.7 million. During the same period, Ohio spent a total of $715.4 million in federal TANF funds. The TANF program will face reauthorization for the FFY beginning October 1, 2002.

***TABLE 1*: OHIO TANF FEDERAL BLOCK GRANT EXPENDITURES BY CATEGORY**

ITEMS	FFY 1997 Award	FFY 1998 Award	FFY 1999 Award	FFY 2000 Award	FFY 2001 Award	Expenditures To Date	% of Total To Date
Cash & Work Based Assistance	$444,489,099	$197,819,005	$65,943,862	$152,647,088	16,387,792	$877,286,846	34.28%
Work Activities	3,792,305	16,113,133	26,678,031	81,114,726	90,808,907	$218,507,102	8.54%
Child Care	5,245,155	29,416,442	142,508,020	0	0	$177,169,617	6.92%
Transportation	--	--	9,126,404	7,096,385	10,488,353	$26,711,142	1.04%
Individual Dev. Accounts	--	--	--	14,925	0	$14,925	0.00%
Diversion Payments	--	--	71,519,339	18,001,749	47,687,835	$137,208,923	5.36%
Prev. Out-of-Wed. Preg.	--	--	--	563,257	1,779,871	$2,343,128	0.09%
Family Form. & Maint.	--	--	--	296,162	303,255	$599,417	0.02%
Administration	46,902,800	38,048,953	50,379,432	86,657,691	75,756,762	$297,745,638	11.63%
Information Systems	0	14,562,288	31,370,732	44,825,621	42,945,829	$133,704,470	5.22%
Other Expenditures	154,742,075	180,963,610	227,602,050	72,258,307	52,596,946	$688,162,988	26.89%
TOTAL EXPEND.	$655,171,434	$476,923,431	$625,127,870	$463,475,911	$338,755,550	**$2,559,454,196**	100.00%
Federal Grant Award	$727,968,260	$727,968,260	$727,968,260	$727,968,260	$727,968,260	**$3,639,841,300**	
Transfer to Title XX	$72,796,826	$72,796,826	$72,796,826	$72,796,826	$72,796,826	**$363,984,130**	
Transfer to CCDF	$0	$0	$0	$77,453,492	$136,654,269	**$214,107,761**	
RESERVE	$0	$178,248,003	$30,043,564	$114,242,031	$179,761,615	**$502,295,213**	

TANF Expenditures by Component, FFY 1997 – FFY 2001

Ohio's expenditures of federal and state TANF funds are reported to the federal government quarterly on TANF Form ACF196. The expenditures of federal funds are reported against the TANF federal grant award that was made in a specific federal fiscal year. Thus in a particular quarter, expenditures from federal funds may be filed simultaneously against the awards that were made in different years. In contrast to expenditures of federal dollars, state TANF expenditures are reported against the state's MOE requirement, so that what is spent in a particular federal fiscal year counts against that year's MOE requirement. Beginning with FFY 2000, quarterly reports have been submitted on a new version of ACF196, which was revised to include several new components or subcomponents. *Table 1* includes five of the new components: transportation, individual development accounts, diversion payments, prevention of out-of-wedlock pregnancies, and two-parent family formation and maintenance.

Table 1 shows what has been spent from each year's TANF award beginning with the first award in FFY 1997 and breaking the expenditures out by reporting component. *Table 2* shows for each federal fiscal year what has been spent in each component to reach Ohio's MOE requirement. The right hand column in both tables shows each component's share of total spending to date from the TANF block grant (*Table 1*) or under the state's MOE requirement (*Table 2*).

The composition of the expenditures seen in *Table 1* continues the trends that we observed in earlier reports. The proportion of federal funds going to cash assistance continues to decrease; when we track expenditures on a historical basis (not shown in Table 1) we see that this proportion dropped from 61.3 percent in FFY 1998 to 9.8 percent in FFY 2001. Corresponding increases have taken place in the proportion of federal funds going to work activities, transportation, diversion payments, administration, information systems, and other expenditures. This pattern is to be expected in light of the decline of cash assistance and the offering of other supports for those recipients who are working and those who are assisted through the PRC program and other TANF-supported programs.

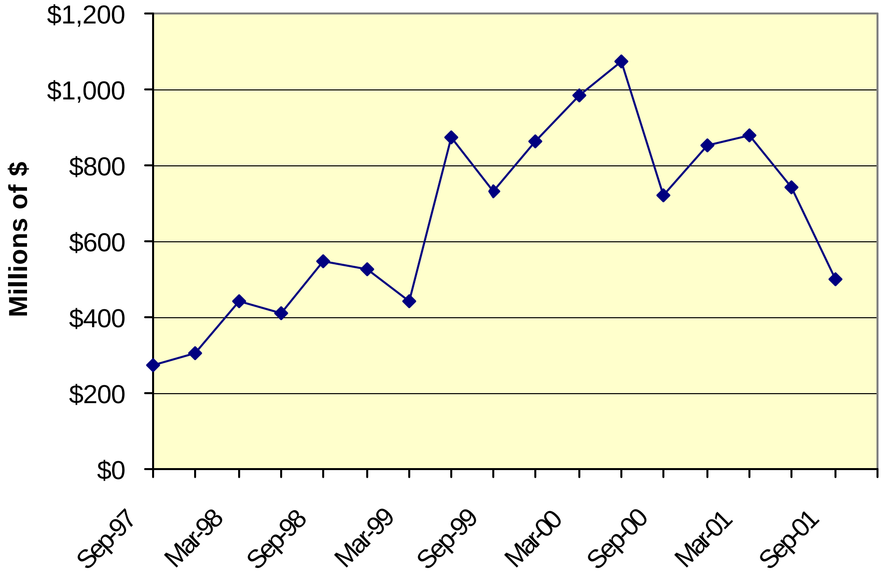
Of special note in *Table 1* is the increased share of expenditures for work activities. "Work activities" includes (a) subsidies paid to employers or third parties to help cover the cost of wages, benefits, supervision, or training, (b) expenditures on educational activities that are consistent work activities (e.g., adult education, GED and English as a Second Language (ESL) classes, vocational education, and post-secondary education), and (c) other work activities that are not included in either (a) or (b). These other work activities could include a wide variety of activities such as job preparation, counseling, job development, and buying work-related clothes and equipment.

The history of Ohio's TANF reserve is summarized in *Figure 1.* Significant factors in FFY 2001 reducing the level of the TANF reserve included a transfer of $136.7 million to the Child Care and Development Fund (CCDF) and disbursement of $276.0 million from the encumbered TANF reserve funds in line item 600-657, Special Activities—Self-

***TABLE 2*: OHIO MOE EXPENDITURES BY CATEGORY**

ITEMS	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001	Expenditures To Date	% of Total To Date
Cash & Work Based Assistance	$305,589,897	$314,094,233	$314,625,299	$286,493,998	$275,816,285	$1,496,619,712	72.46%
Work Activities	8,912,399	624,678	408,315	7,820,019	7,171,556	24,936,967	1.21%
Child Care	45,628,354	51,850,611	49,435,554	51,887,171	55,996,785	254,798,475	12.34%
Administration	22,251,847	16,614,890	14,091,560	19,877,036	34,586,261	107,421,594	5.20%
Information Systems	2,702	5,068,027	3,295,806	3,944,712	2,810,372	8,366,535	0.41%
Other Expenditures	34,391,885	31,820,351	40,496,328	29,762,563	29,762,564	166,233,691	8.05%
Expenditures in Separate State Programs	--	--	--	1,581,167	5,571,647	7,152,814	0.35%
TOTAL MOE	**$416,777,084**	**$420,072,790**	**$422,352,862**	**$401,366,666**	**$411,715,470**	**$2,065,529,788**	100.00%

Figure 1. **Cumulative TANF Reserve Funds as of September 30, 2001**



Sufficiency. Funds in this line item are encumbered for three purposes: for use in the now ended Prevention, Retention, and Contingency–Development Reserve (PRC-DR) program, for county performance and caseload reduction incentives, and for child care. Not counting whatever may remain unspent from the funds transferred to the Title XX grant and to the CCDF, the accumulated reserve of unspent TANF federal dollars totaled $502,295,213 at the end of September. Of this amount, $207.0 million remained obligated and $295.3 million was unobligated.

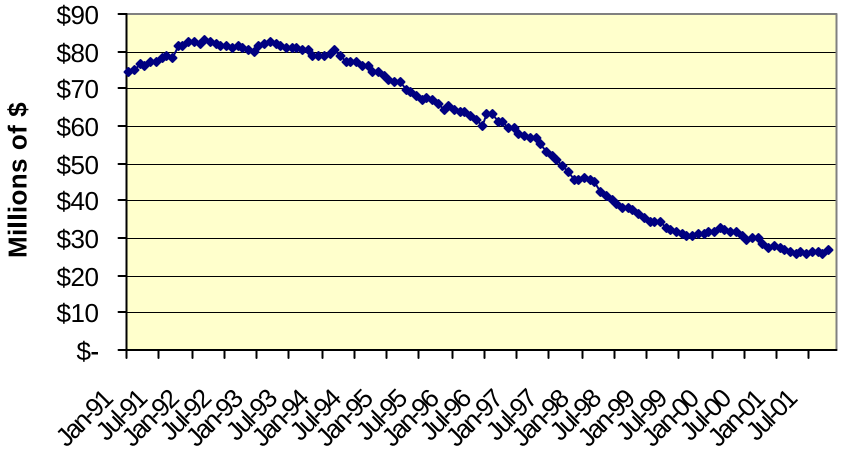
Table 2 presents Ohio's MOE expenditures by their categories. Unlike Table 1, Table 2 shows these expenditures by their historical time period. In Table 2, we see that the composition of Ohio's MOE expenditures has remained very stable, with nearly three quarters of state expenditures being dedicated to cash assistance. Stability also marks expenditures in the other categories over the last four years. Starting in FFY 2000, Table 2 includes a new category, "Expenditures in Separate State Programs," which reports spending in state-funded TANF programs in the Department of Alcohol and Drug Addiction Services, Department of Development, and Department of Education.

TANF Cash Assistance Caseload

From the recession peak of the caseload in March 1992, the number of recipients of cash benefits has declined from 748,717 to 201,883 in October 2001. The removal of assistance groups from the caseload due to the 36-month time limit on the receipt of cash benefits has played a significant role in the continuing decline in the number of cases. Cases first began to be closed due to the time limit in October 2000. A number of other factors including changes in program rules and economic conditions have also had a significant impact on the TANF caseload.

After several straight years of decline, monthly cash assistance expenditures held steady for about a year or so, but recently resumed a pattern of decline. In February 2001, cash benefits were approximately $26.8 million (see Figure 2). Yet in October 2001, the average monthly benefit per recipient hit a new high of nearly $133, while the average monthly benefit per assistance group has been holding steady over the last several years at slightly under $310. This peculiar dynamic is due in large part to the increasing proportion of the caseload composed by "child only" cases. Unlike cases with adults in the assistance group, "child only" cases have no wages to partially offset the amount of the cash benefit, and this drives up the average benefit per recipient.

Figure 2. **Monthly ADC/OWF Cash Payments**
January 1991 - October 2001



Because the caseload is composed of an increasing proportion of "child only" cases, the average number of members per assistance group has been declining, from 2.33 in October 2001 to 2.67 in October 1997. Going back even further to the recession period of the early 1990s, the average number of members in an assistance group was 2.85 in March 1992.