Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION — DECEMBER 2001

FISCAL OVERVIEW

— *Doris Mahaffey*

The auto sales tax was expected to do well in November – what with the continuation of zero-percent financing and other sales incentives by many auto makers – but the record $102 million in sales tax receipts was still surprising. The resulting $40 million overage for the month boosted year-to-date auto sales tax receipts to $60 million over estimate. OBM's revenue estimates assume that the state will receive 44 percent of auto sales tax revenues by the end of November. The state has already received more than half of the estimated revenues from this source. This is good because if and when the incentives disappear, auto sales and the tax revenue that comes with them are expected to plummet.

Other than reducing auto inventories, it is not clear how the spike in auto sales is actually affecting the economy, which continued to falter in November. U.S. employment fell for the second month in a row and the unemployment rate increased to 5.7 percent, the highest since August 1995.[1] Industrial production fell for the 13th time in 14 months, and capital utilization fell to an 18-year low.[2] Ohio revenues reflected the weak economy, revenues from the auto sales tax notwithstanding. In particular, personal income tax revenues were $48 million under estimate for the month, largely due to lower-than-estimated withholding. Greater-than-estimated refunds also contributed to shortfall in income tax revenues. For the year, the personal income tax is $174 million under estimate. Withholding accounts for nearly two-thirds of that shortfall and refunds account for most of the remaining third.

The $174 million year-to-date shortfall in the personal income tax should come as no surprise, since, according to the National Bureau of Economic Research (NBER), the U.S. economy has been in recession since before the start of the fiscal year.[3]

Lackluster sales tax revenues are another hallmark of recession. The non-auto portion of the sales tax was $16 million under estimate for the month; it was $113 million under for the year to date. The month's shortfall would probably have been greater, but the state's tax amnesty program, which began October 15, 2001, has helped to increase sales tax revenues. The amnesty program was instituted by Am. Sub. H.B. 94, the biennial appropriations bill. It is scheduled to last until January 15, 2002. The program is expected to increase both current and future tax revenues by expanding the state's tax rolls to cover certain individuals and firms that unbeknownst to the state owe the state tax revenue. The pro-

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Budget Footnotes is issued periodically by the fiscal staff of the Legislative Service Commission (LSC), a nonpartisan agency serving the Ohio General Assembly.

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 November	Fiscal Year 2002 to Date	Last Year	Difference
Beginning Cash Balance	($815.2)	$817.1		
Revenue + Transfers	$1,490.2	$7,801.6		
Available Resources	$675.0	$8,618.7		
Disbursements + Transfers	$1,728.2	$9,671.9		
Ending Cash Balances	($1,053.2)	($1,053.2)	($1,138.9)	$85.8
Encumbrances and Accts. Payable		$676.2	$860.0	($183.8)
Unobligated Balance		**($1,729.4)**	**($1,998.9)**	**$269.6**
BSF Balance		$1,010.6	$1,002.5	$8.1
Combined GRF and BSF Balance		**($718.8)**	**($996.4)**	**$277.7**

gram is expected to increase GRF revenues by $15 million in FY 2002 and by $8 million in FY 2003. The bulk of the new revenue is expected to come from the sales tax and the corporate franchise tax. New Hampshire is also implementing a tax amnesty program this fiscal year. However, its program is not scheduled to begin until December 1, 2001.

Total tax revenues for the month were $30.6 million over estimate. Overages in the auto sales tax and the public utility excise tax could not offset significant shortfalls in the personal income tax, the corporate franchise tax, and the non-auto sales and use tax. However, with an assist from some non-tax revenue sources – specifically, federal reimbursements and the catch-all “other income” – total revenues did come in over estimate for the month for the first time this year, if only just barely. Hence the year-to-date revenue shortfall shrank by $3.6 million to $220.5 million.

November disbursements were $35.6 million under estimate, increasing the year-to-date underage to $299 million. With the exception of primary and secondary education, Medicaid, and other human services, all spending categories were under estimate for the month. The overage in primary and secondary education basically reduces the year-to-date negative variance in that spending category. However, it is still $116 million under estimate for the year. On the other hand, the overages in Medicaid and human services push those year-to-date variances into positive territory. November’s $47.7 million overage in Medicaid provided strong evidence that the Medicaid cost pressures that were experienced throughout FY 2001 have in no way abated.

Reduced spending and canceled encumbrances in the face of budget cuts account for some of the disbursement underages, although timing plays a significant role as well. For example, underages in both primary and secondary education and property tax relief account for nearly two-thirds of the $299 million year-to-date disbursement underage. Most of that is timing related and is not expected to ultimately assist the fund balance.

November revenues fell short of November disbursements by $280 million, increasing the state's negative cash balance to $1.05 billion. (See Table 1.) On paper, this looks a bit better than the situation at this time last year. (Or, at least, $85 million dollars better.) However, last year the income tax reduction fund (ITRF) provided some cushioning. At this time last year, disbursements plus transfers included $610 million that was transferred to the ITRF. This year the disbursements do not include any such transfers out – which helps explain why total disbursements for GRF uses are 7 percent below their level at this time last year. (See Table 5 in the section on disbursements, below. Expenditures for program payments are basically flat.)

That $610 million transfer out was partially compensated for in FY 2001 by a transfer back into the GRF of $546 million in January 2001. The GRF will see no such transfer revenue in January 2002. However, H.B. 94 provides for various transfers from the Budget Stabilization Fund (BSF), the Family Services Stabilization Fund, and other state funds to provide additional revenues to the GRF. OBM's revenue estimates include transfers in of over $300 million in May and June of 2002 to account for such revenue. The recently passed H.B. 405 provides additional transfer revenue of up to $376 million in FY 2002 ($256 million from the BSF and $120 million from the Tobacco Master Settlement Agreement Fund), which may be used to shore up the fund balance as needed before the end of the fiscal year.

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[1] "The Employment Situation: November 2001," Bureau of Labor Statistics, U.S. Department of Labor, December 7, 2001.

[2] "Industrial Production Falls Again," DRI-WEFA, December 14, 2001. (DRI-WEFA is an economics forecasting firm that the State of Ohio contracts with.)

[3] NBER announced on November 26, 2001, that the economic expansion ended in March 2001. Thus, April 2001 marks the beginning of the current recession. In Ohio, it feels like the recession began even before that, but the employment data do not currently bear this out. Part of the problem may be explained by the increase in part-time employment. Individuals who lost full-time jobs and replaced them with part-time jobs would not be considered unemployed.

TRACKING THE ECONOMY

—Allan Lundell

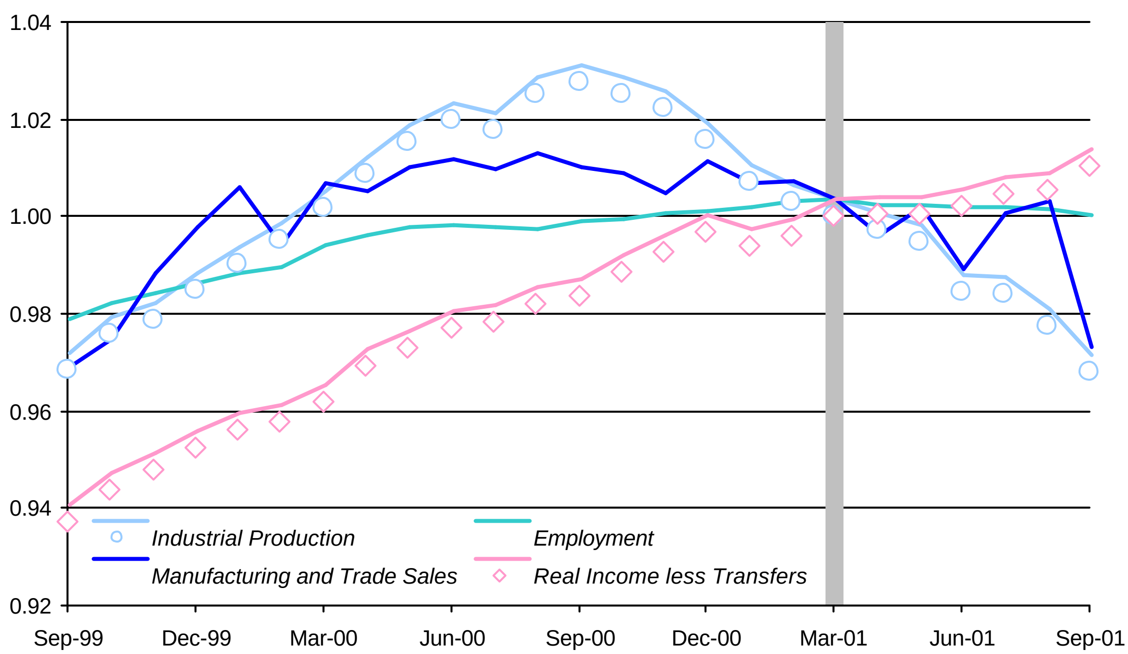
The major economic news for November was the announcement that the U.S. economy is in a recession. The National Bureau of Economic Research (NBER) Business Cycle Dating Committee determined that U.S. economic activity peaked in March 2001, ending an expansion that began in March 1991. The 10-year expansion is the longest on record.

The NBER did not follow the often-stated "two quarters of negative GDP growth" definition of a recession in making its determination. The determination was based on the four variables reflected in Exhibit 1. Nonfarm payroll employment and real household income less transfers describe economy-wide activity. Industrial production and real manufacturing and trade sales describe activity in manufacturing. Employment peaked in March 2001 and real income has not peaked. Industrial production peaked in September 2000 and real sales peaked in August 2000. Indices based on these four variables are depicted in Exhibit 1. The indices were calculated so that each index has a value of 1.00 in March 2001. The early peaks in manufacturing and industrial production are evident. NBER acknowledged that manufacturing declined before the rest of the economy, but noted that the rest of the economy continued to grow at a faster pace than manufacturing was declining. March was determined to be the peak for the economy as a whole.

The Bureau of Economic Analysis (BEA) released its final estimate of third quarter real GDP on December 21. The advance estimate of a 0.4 percent decline, which had been revised downward in November to a preliminary estimate of a 1.1 percent decline, was further revised to a 1.3 percent decline. Revisions are based on more complete source data. The 1.3 percent rate of decline in the third quarter was the sharpest rate of decline since the first quarter of 1991. In that quarter, during the U.S. economy's last recession, real GDP shrank at a 2 percent rate.

Personal consumption expenditures (PCE), federal government spending, and imports contributed to GDP growth. The positive contributions of these variables were offset by the negative contributions of exports, nonresidential fixed investment, and private inventory investment. Personal consumption expenditures contin-

Exhibit 1: Recession Indicators

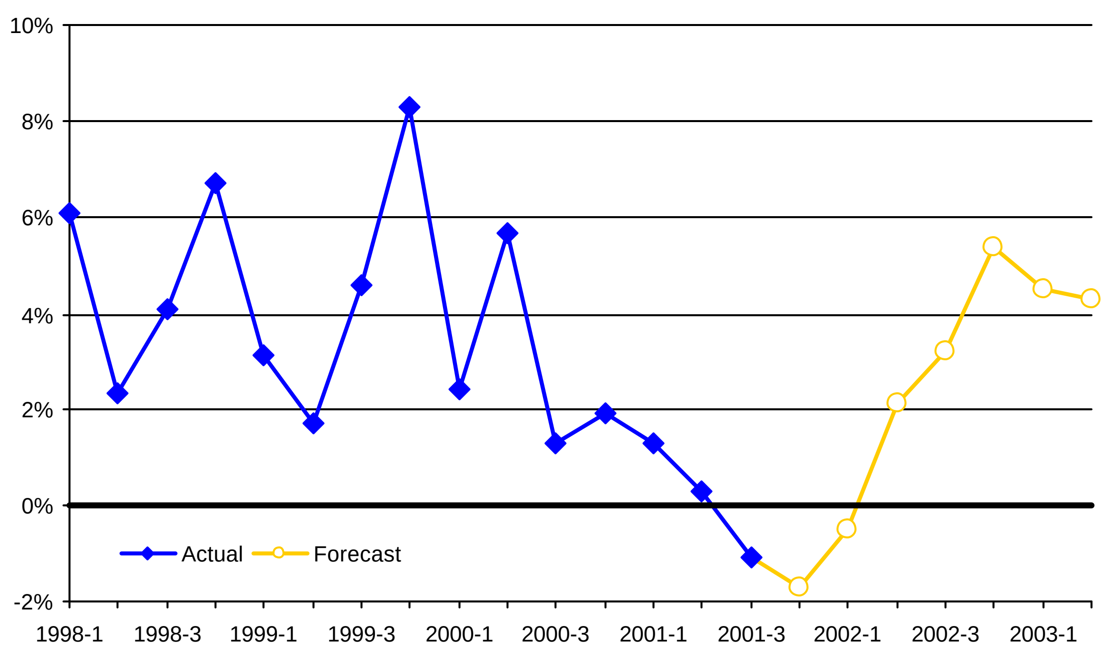


ued to grow, thus contributing to GDP growth, but the rate of PCE growth decelerated. The PCE contribution to GDP growth fell from 1.72 percent in the second quarter to 0.67 percent in the third quarter. Government's contribution to GDP growth fell from 0.87 percent in the second quarter to 0.05 percent in the third quarter. This decrease is due to the decrease in the state and local government contribution from 0.76 percent to -0.16 percent. Although overall private investment continued to detract from GDP growth, the negative effect was smaller in the third quarter than in the second quarter. One exception in the investment category was the change in inventories. The inventory contribution to GDP growth went from -0.42 percent in the second quarter to -0.81 percent in the third quarter. This is not necessarily bad news. Diminished inventories should eventually lead to increased production, which would contribute to a recovery.

Although the economy is in a recession, many forecasters predict that the recession will be relatively mild and that recovery will start in the first half of 2002. Mild recessions are generally followed by mild recoveries. Even though employment has fallen and the labor market is weak, consumer spending has not fallen enough to create pent-up demand that would fuel a robust recovery. Additionally, the declining employment situation has reduced households' ability to pay. Businesses have excess capacity that gives them little reason to invest. State and local governments are constrained by weak revenue growth and balanced budget requirements. The strong dollar and weak foreign economies limit the prospects for an export-led recovery. The decline in inventories, where businesses fill orders by selling items they have on hand, will eventually stop as inventories are depleted. Production will increase. Incomes will increase. Workers will spend their income. A recovery will get under way. Exhibit 2 contains a recent history of real GDP growth and forecasted growth taken from the DRI-WEFA December 2001 forecast.

Confirming that the economy is in a recession, the Conference Board's index of coincident economic indicators decreased in November by 0.2 percent. Nonfarm payroll employment, which has fallen in six of the past eight months, was the largest negative contributor to the index. Industrial production, which has fallen in the past 14 months, also made a negative contribution to the index. Positive contributions were made by both personal income less transfer payments and manufacturing and trade sales. The November value of 115.5 is 1.4 percent lower than the most recent peak of 117.1 in December 2000. This decline is mild compared to the average decline of 3.3 percent during the previous six recessions.

Exhibit 2: Real GDP Growth



The index of leading economic indicators rose by 0.5 percent in November and provided some hope of recovery. The October value was revised downward from a 0.3 percent increase to a 0.1 percent increase. Six of the ten indicators that are summarized by the index made positive contributions. Although two months do not create a trend, the board notes that "should this [upward] pattern in the leading index continue, an economic recovery in the first half of next year may be possible."

Industrial production fell for the 14th straight month, declining by 0.3 percent in November to an index value of 137.1. Capacity utilization fell 0.3 percentage points to 74.7 percent. Production is down 5.9 percent compared to a year ago. Capacity utilization is down 6.0 percentage points from November 2000 and is 7.4 percentage points below its 1967-2000 average. Exhibit 3 shows the recent values of the Federal Reserve's index of capacity and a calculated index of "utilized capacity." Utilized capacity was calculated as the product of the capacity index and the capacity utilization rate. Utilized capacity peaked in June 2000. Large amounts of unutilized capacity act to limit business investment.

Personal income fell by $5.6 billion in November, a fall of less than 0.1 percent. Private wage and salary disbursements fell by $1.6 billion while government wage and salary disbursements increased by $2.3 billion. Personal consumption expenditures decreased by $52.8 billion, a 0.7 percent decrease. Spending on durable goods fell by $53.4 billion (5.7 percent) and spending on nondurable goods fell by $15.2 billion (0.7 percent). Spending on services increased by $15.9 billion (0.4 percent).

The Conference Board's Consumer Confidence Index declined for the fifth month in a row, falling 3.1 points. The Present Situation Index fell 13.7 points while the Expectations Index rose 3.9 points. The board noted, "Rising unemployment and continuing layoff announcements are dampening confidence," and "a turnaround [in confidence] is not likely before year's end." The University of Michigan Consumer Sentiment Survey indicated that consumer confidence increased slightly in October and November. The ABC News/ Money Magazine Consumer Comfort Index indicated that "consumer confidence grew no worse in November after dropping to its lowest level in more than four years in October."

Consumer confidence is a determinant of consumer spending. Consumer spending accounts for approximately two-thirds of economic output. Surveys of consumer confidence are interpreted as indicators of future consumer spending. Considered together, the three surveys mentioned above indicate a general, but tentative, stabilization of consumer confidence. The Conference Board index is strongly influenced by the employment situation. The declining employment situation makes the stabilization of consumer confidence tentative.

After rising 6.4 percent in October, total retail sales fell by 3.7 percent in November. The volatility in total sales is due almost entirely to volatility in motor vehicle sales. Motor vehicle sales were down 11.9 percent in November after rising 26.4 percent in October. Total sales excluding motor vehicle and parts dealers fell by just 0.5 percent in November after rising 1.0 percent in October. Year-to-date total sales are up 3.4 percent compared to 2000. Motor vehicle sales are up 5.0 percent and total sales excluding motor vehicle and parts dealers are up 2.8 percent. Although month-to-month changes are volatile, sales growth is slowing. The declining trend in retail sales growth is depicted in Exhibit 5.

The seasonally adjusted Consumer Price Index for Urban Consumers (CPI-U) was unchanged in November. The index for food fell by 0.1 percent, the index for energy fell by 4.4 percent, and the core CPI-U (excluding food and energy) rose by 0.4 percent. Compared to a year ago, the CPI is up 1.9 percent, the index for food is up 3.4 percent, the index for energy is down 10.1 percent, and the core CPI is up 2.8 percent. Although inflation is low, the Federal Reserve, in a statement accompanying its December 11 cut in the federal funds rate, commented that inflation is "likely to edge lower from relatively modest levels." In the same statement, the Fed commented on the state of the economy, noting that "weakness in demand shows signs of abating, but those signs are preliminary and tentative" and that "risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future."

Nationally, nonfarm employment fell by 331,000 in November and the October job loss was revised from 415,000 to 468,000. Private nonfarm employment fell by 487,000 in October and 325,000 in November. The unemployment rate increased to 5.7 percent. Job losses were spread over most industry groups. Payroll employment has fallen by 1.2 million since the recession started in March. The index of aggregate weekly hours of production or nonsupervisory workers on private nonfarm payrolls fell by 0.1 percent in November. This index has fallen by 2.3 percent from its most recent peak in January.

Exhibit 7 presents the percentage changes from one year earlier in three employment indicators. "Employment" refers to seasonally adjusted private nonfarm employment. "Hours" refers to the seasonally adjusted index of average weekly hours for private nonfarm employees. "Payroll" refers to the index of average weekly payrolls for private nonfarm employees. A seasonally adjusted series is not available for the payroll index. Therefore, its line is not as smooth as the other two, but the recent downward trend is still evident.

The Ohio unemployment rate increased to 4.7 percent in November from the revised October rate of 4.5 percent. The number of unemployed increased by 18,000 to 282,000. Ohio's number of unemployed is up 51,000 from a year ago. Seasonally adjusted nonfarm wage and salary employment was 5,632,900 in November. This is down 3,300 from October and down 26,900 from November 2000. Employment in goods-producing industries is down 43,000 from a year ago and employment in service-producing industries is up 16,200.

The deterioration in Ohio's labor market is evident in the number of claims for unemployment insurance. Exhibit 8 presents the percentage changes from one year earlier in the number of Ohio initial and continued unemployment claims. As the economy slowed, the number of claims grew. Although rising numbers of claims are an indicator of a slowing economy and a weakening labor market, they may understate the extent of slowing and weakness. According to the National Employment Law Project, in 1999, 36 percent of unemployed workers collected unemployment benefits and the percentage was lower for low-wage workers. Claims may be filed only by eligible workers. In Ohio, workers must have at least 20 qualifying weeks of covered employment at a weekly wage of at least $169.

Exhibit 3: Industrial Capacity

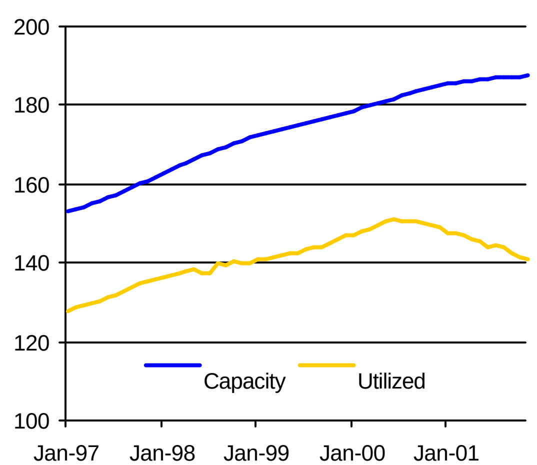


Exhibit 4: Consumer Confidence

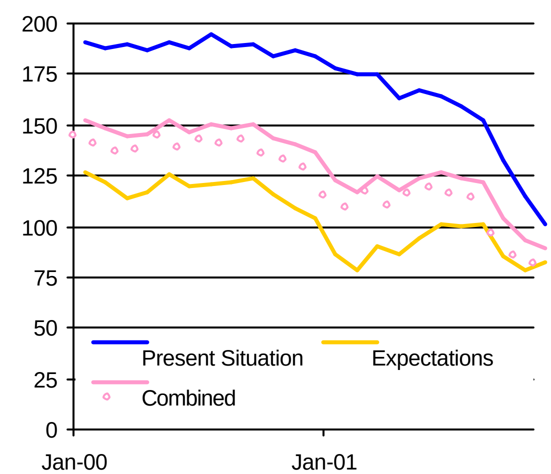


Exhibit 5: Retail Sales
(percentage changes from one year earlier)

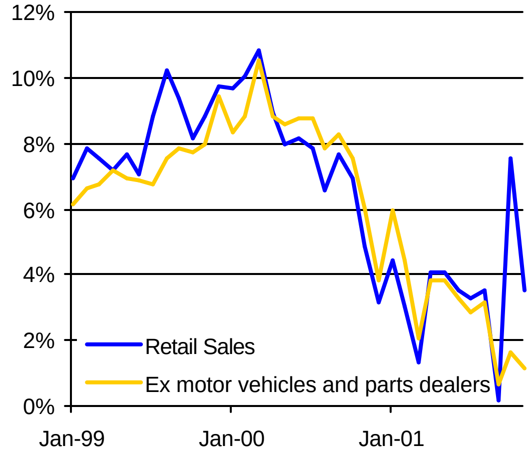


Exhibit 6: Consumer Price Indices
(percentage changes from one year earlier)

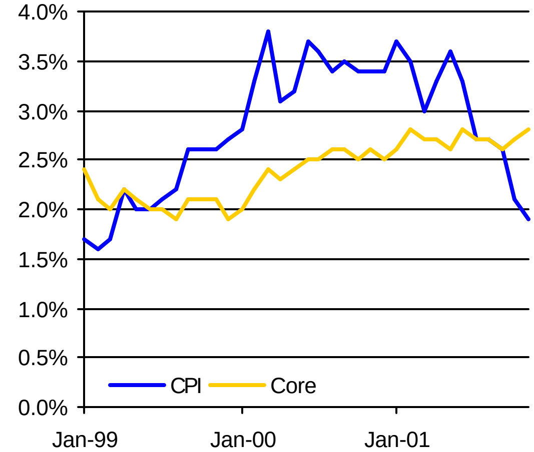


Exhibit 7: Employment Indicators
(percentage changes from one year earlier)

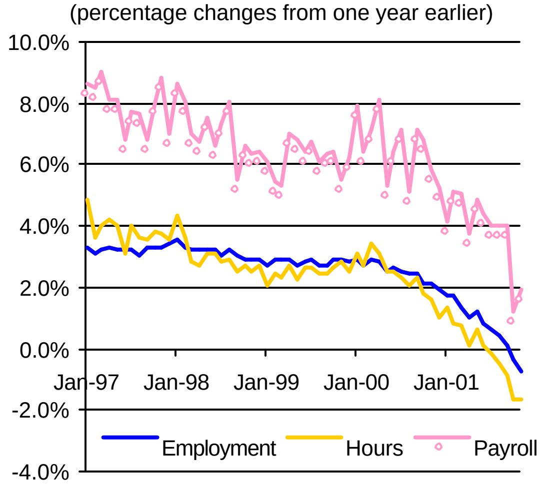
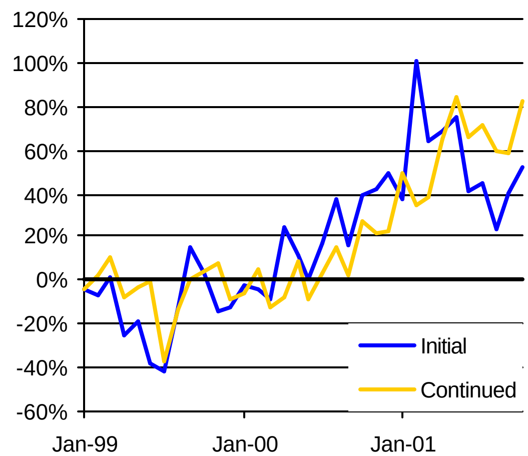


Exhibit 8: Ohio Unemployment Claims
(percentage changes from one year earlier)



Status of the General Revenue Fund

REVENUES

— *Doris Mahaffey**

In November, revenues exceeded estimates for the first time this year. At $101.8 million the auto sales tax set a record – coming in $40 million over estimate. The public utility excise tax added another $33.4 million overage. Even so, total taxes were $30.6 million under estimate. The personal income tax, the non-auto sales tax, and the corporate franchise tax continued to underperform, producing a combined shortfall of $101 million for the month and $353 million for the year to date. Revenues for all three tax sources are also less than they were at this time last year. (See Table 2, which provides detail on actual and estimated revenues for the month of November, and Table 3, which provides detail on year-to-date revenues.)

While both the auto sales tax and the public utility excise tax were significantly over estimate for the month, the overages are the result of anomalous factors. The auto sales tax continues to benefit from the unsustainable marketing incentives provided by auto manufacturers. The public utility excise tax overage is largely an artifact of S.B. 3, the bill that allowed electric users to choose their own electric supplier and that revised the means of taxing electricity supply and usage. All in all, the performances of the personal income tax, the non-auto sales tax, and the corporate franchise tax resonate more closely with the actual state of the state's economy and are more indicative of the state of revenues to come.

For the year to date, revenues from the major tax sources are $238 million under estimate. They are up 1 percent from this time last year. Revenue estimates anticipated a growth of 5.4 percent. The minor taxes neither add to nor detract from the revenue variance. Total tax revenues are also $238 million under estimate. The shortfall in foreign insurance tax revenues is effectively offset by the overage in the state's share of estate tax revenues.

Two non-tax revenue sources contributed to the month's positive revenue variance. Federal reimbursements were $16.8 million over estimate for the month, but are still $8.6 million under estimate for the year to date. Even so, they are up 4.6 percent from this time last year. The "other income" category was $21.4 million over estimate for the month; it was $30 million over for the year. This category is a catch-all, including such items as fines, sales, recoveries, and interagency transfers (ISTVs) that are deposited into the GRF. In spite of the overage, year-to-date revenues from this category are just shy of 1 percent less than they were at the end of November 2000.

Personal Income Tax Revenue

Personal income tax revenues were $48.2 million under estimate for the month of November. The shortfall was mostly due to withholding, which was $28 million less than estimated, and refunds, which were $16.1 million greater than estimated. These two components accounted for over 90 percent of the November shortfall. Annual returns were $3.8 million under estimate and quarterly estimated payments were $200,000 over estimate.

Year-to-date personal income tax revenues are $173.9 million less than estimated. Withholding is $111.6 million below estimate and accounts for over 64 percent of the shortfall. Quarterly estimated payments are $4.9 million below estimate and annual returns are $4.1 million under estimate. Refunds are $51.4 million greater than estimated and account for 30 percent of the year-to-date shortfall. Distributions to local governments have been $3.4 million greater than estimated.

The continued weakness in withholding is due to the continued decline in employment conditions. The level of employment is shrinking, those with jobs are working shorter hours, and wage growth is low. These three factors combine to limit payroll growth, which limits withholding.

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

REVENUE SOURCE			
TAX INCOME	**Actual**	**Estimate***	**Variance**
Auto Sales	$101,803	$61,875	$39,928
Non-Auto Sales & Use	$417,380	$433,424	($16,044)
Total Sales	$519,183	$495,299	$23,884
Personal Income	$494,943	$543,115	($48,172)
Corporate Franchise	($51,944)	($15,105)	($36,839)
Public Utility	$49,936	$16,500	$33,436
Kilowatt Hour Excise	$24,498	$26,600	($2,102)
Total Major Taxes	**$1,036,616**	**$1,066,409**	**($29,793)**
Foreign Insurance	$246	$0	$246
Domestic Insurance	$0	$0	$0
Business & Property	$466	$83	$383
Cigarette	$23,813	$23,800	$13
Alcoholic Beverage	$3,369	$4,620	($1,251)
Liquor Gallonage	$2,409	$2,320	$89
Estate	$15,321	$15,625	($304)
Total Other Taxes	$45,625	$46,448	($823)
Total Taxes	**$1,082,241**	**$1,112,857**	**($30,616)**
NON-TAX INCOME			
Earnings on Investments	$0	$0	$0
Licenses and Fees	$482	$3,500	($3,018)
Other Income	$29,401	$7,980	$21,421
Non-Tax Receipts	$29,883	$11,480	$18,403
TRANSFERS			
Liquor Transfers	$8,000	$9,000	($1,000)
Budget Stabilization	$0	$0	$0
Other Transfers In	$0	$0	$0
Total Transfers In	$8,000	$9,000	($1,000)
TOTAL INCOME less Federal Grants	**$1,120,124**	**$1,133,337**	**($13,213)**
Federal Grants	$370,107	$353,273	$16,834
TOTAL GRF INCOME	**$1,490,231**	**$1,486,610**	**$3,621**

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

Totals may not add up due to rounding.

Sales Tax Revenue

The Non-auto Sales and Use Tax. Receipts from the non-auto sales and use tax in November were below estimates by $16.0 million, or 3.7 percent. Sales tax collections in November reflect the retail activity in Ohio during October. Sales and use tax collections have been below estimate every month of FY 2002 except October, when non-auto sales tax receipts were above estimate by 0.6 percent. It appears that the overage in October was due to timing issues in the reporting and processing of sales tax returns.

Retail spending continues to be weaker than projected. October retail sales, excluding automobile purchases, rose by less than 1.0 percent from September sales. This was not a great gain. September sales were 1.5 percent lower than August sales. This decline was due in part to the terrorist attacks. However, the underlying trend is still downward, as a

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

REVENUE SOURCE *TAX INCOME*	Actual	Estimate*	Variance	FY 2001	Percent Change
Auto Sales	$419,174	$358,876	$60,298	$350,683	19.53%
Non-Auto Sales & Use	$2,121,844	$2,234,842	($112,998)	$2,122,137	-0.01%
Total Sales	$2,541,019	$2,593,718	($52,699)	$2,472,820	2.76%
Personal Income	$2,724,704	$2,898,630	($173,926)	$2,758,736	-1.23%
Corporate Franchise	-$53,485	$12,588	($66,073)	($7,430)	619.88%
Public Utility	$129,796	$68,800	$60,996	$202,072	-35.77%
Kilowatt Hour Excise	$139,854	$146,320	($6,466)	$0	—
Total Major Taxes	**$5,481,887**	**$5,720,056**	**($238,169)**	**$5,426,199**	**1.03%**
Foreign Insurance	$114,867	$127,190	($12,323)	$134,694	-14.72%
Domestic Insurance	$3,013	$2,300	$713	$1,366	120.55%
Business & Property	$893	$955	($62)	$584	53.00%
Cigarette	$106,984	$106,400	$584	$106,882	0.10%
Alcoholic Beverage	$22,375	$23,660	($1,285)	$0	—
Liquor Gallonage	$11,971	$11,891	$80	$22,924	-47.78%
Estate	$59,851	$47,500	$12,351	$11,984	399.41%
Total Other Taxes	$319,955	$319,896	$59	$278,434	14.91%
Total Taxes	**$5,801,842**	**$6,039,952**	**($238,110)**	**$5,704,634**	**1.70%**
NON-TAX INCOME					
Earnings on Investments	$35,620	$43,200	($7,580)	$44,189	-19.39%
Licenses and Fees	$12,075	$14,088	($2,013)	$12,942	-6.70%
Other Income	$80,820	$50,790	$30,030	$81,559	-0.91%
Non-Tax Receipts	$128,516	$108,078	$20,438	$138,690	-7.34%
TRANSFERS					
Liquor Transfers	$44,000	$40,000	$4,000	$41,000	7.32%
Budget Stabilization	$0	$0	$0	$0	—
Other Transfers In	$7,996	$6,237	$1,759	$77,381	-89.67%
Total Transfers In	$51,996	$46,237	$5,759	$118,381	-56.08%
TOTAL INCOME less Federal Grants	**$5,982,354**	**$6,194,267**	**($211,913)**	**$5,961,705**	**0.35%**
Federal Grants	$1,819,276	$1,827,892	($8,616)	$1,738,617	4.64%
TOTAL GRF INCOME	**$7,801,630**	**$8,022,159**	**($220,529)**	**$7,700,322**	**1.32%**

* July 2000 estimates of the Office of Budget and Management.

Totals may not add up due to rounding.

slowing economy and rising layoffs batter consumers. November retail sales, excluding autos, fell 0.5 percent. This does not bode well for December non-auto sales tax receipts.

The continued slippage in the non-auto sales tax, which is mostly driven by the slowdown in consumer spending, creates a concern about the ability of this revenue source to reach estimates for the fiscal year. For the year to date, non-auto sales tax revenues are below estimate by $113 million, or 5.0 percent. Non-auto sales tax receipts in November 2001 were $8.3 million, or 2.0 percent, above receipts in November 2000. However, FY 2002 year-to-date non-auto sales tax receipts are at par with receipts in the same period a year ago.

The Auto Sales Tax. The auto sales tax has been the positive story so far in FY 2002. Auto sales in October were the highest monthly car sales on record.

General Motors and the other car manufacturers unveiled their zero-percent financing and other incentive programs to prop up sagging sales. The results of the programs have been remarkable and have sent customers in droves to showrooms. Consequently, auto sales jumped 26.4 percent in October. Auto sales tax revenues in November were above estimate by $30.9 million, or 64.5 percent. For the year to date, auto sales tax receipts are $60.0 million, or 16.8 percent, above estimate. Auto sales tax receipts in November 2001 were $40.0 million, or 65 percent, higher than receipts in November 2000. FY 2002 auto sales tax receipts through the end of November 2001 were $68.5 million, or 19.5 percent, higher than FY 2001 auto sales tax revenues through November 2000.

Although incentives sparked a car-buying binge in October, they pulled sales from future months. Customers who had been on the fence about purchasing a vehicle in 2001 – that is, customers who had been thinking about purchasing a new or gently used automobile but under normal conditions would most likely have delayed their purchases until at least the spring – went ahead and bought a new car or light truck in October. These are sales that the auto dealers are not going to be making in the spring.

Corporate Franchise Tax Revenue

Most corporate franchise tax receipts during the first half of the fiscal year are due to audit findings, late payments, and refunds. The processing of refunds drives most of the activity in the corporate franchise tax during November. However, refunds were higher than expected. Refunds were expected to be $15.1 million in November 2001. Actual refunds in November from this tax were $51.9 million, higher by $36.8 million.

Corporate franchise tax receipts have been under estimate every month this fiscal year, except in July 2001. It is still too early to assess the performance or direction of receipts from the franchise tax, since the first major payment from this tax is not due until the end of January 2002. However, the level of corporate franchise tax receipts so far points to a negative impact on its overall performance for FY 2002. For the year to date, receipts from the corporate franchise tax are below the estimates by $66.0 million. Receipts are also down by $18.9 million when compared to year-to-date November 2000 results.

Public Utility Excise Tax Revenue

November 2001 public utility excise tax revenues consist of two components: the tax year 2001 settlements by public utilities against their tax year 2001 certifications and the quarterly payments by natural gas companies based on their receipts for July through September. The state received $22.4 million from natural gas companies in November, which was pretty close to the Tax Department's estimate. The November overage of $33.4 million was due to a larger-than-expected settlement payment by electric utilities. That overage was more or less an artifact of S.B. 3 of the 123rd General Assembly, the bill that allowed electric utility consumers to choose their own supplier.

S.B. 3 also revised the taxation of electric utilities in order to establish a tax structure more suited to a competitive industry. Electric companies were to be subject to the corporate franchise tax rather than the public utility excise tax, and the kilowatt-hour tax was set up to recover revenue lost due to this change and the change to the taxation of electric company property. The November payment of the public utility excise tax was the last payment of the public utility excise tax that electric companies were required to make.

The electric companies' final settlement of the excise tax was expected to be lower than in prior years for two reasons. First, the final settlement of the tax includes the coal tax credit that electric companies receive for using Ohio coal in qualified facilities. The rate of the credit was recently changed from $1 per ton to $3 per ton, so the amount of the credit increased from $27.6 million in tax year 2000 to $57.7 million in tax year 2001. This increase, however, was accounted for in the estimates and did not contribute to the overage.

The second reason for the lower revenue estimate was an assumption included in S.B. 3. Electric companies expected that with the ability of consumers to choose their own electric supplier beginning January 1, 2001, a lot of electric users would select alternative nonutility suppliers. Thus, electric company receipts would be lower in 2001. In order to reduce the amount of overpayment that the companies would make in June 2001 for their third payment of the excise tax, the required payment was reduced from one-third to one-fourth of the previous year's liability.

However, the anticipated switching of electric suppliers did not take place (at least not to the degree anticipated), so utilities' excise tax liabilities remained close to their tax year 2000 level. Thus, the electric companies were required to make substantial settlement payments in November. Essentially, revenue that the state would typically have received in FY 2001 was delayed until FY 2002.

**LSC colleagues who contributed to the development of this revenues article included Jean Botomogno and Allan Lundell.*

DISBURSEMENTS

— *Steve Mansfield**

With belt-tightening seemingly the order of the day in the state budget and the economy as a whole, it is no surprise that Ohio's GRF disbursement activity in November, as in recent months, continued to post expenditures below the estimates. November GRF disbursements (excluding transfers) were $35.6 million below the estimate. Part of November's negative disbursement variance resulted from the cancellation of $35.9 million in prior-year encumbrances. As we will discuss in the Welfare and Human Services section, below, the majority of the cancellations were from FY 2001 carried into FY 2002 by the Department of Job and Family Services. Five months into FY 2002, the year-to-date disbursement variance for the state's GRF budget as a whole was $301.6 million below the estimate.

In contrast to what happened in October, disbursement activity in November was composed of partially offsetting negative and positive variances. Two of the state's major GRF program categories (Tax Relief and Government Operations) registered negative disbursement variances, while another two of the state's major GRF program categories (Education, and Welfare and Human Services) registered positive disbursement variances (see Chart 1). As we see in Chart 1, however, the year-to-date variances for all four of those major GRF program categories are now in negative territory.

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

Education (-$154.3 million)

Disbursement activity by the Department of Education provided the general direction for this program category in November. The Department of

Chart 1
GRF Disbursement Variances by Program Category, FY 2002

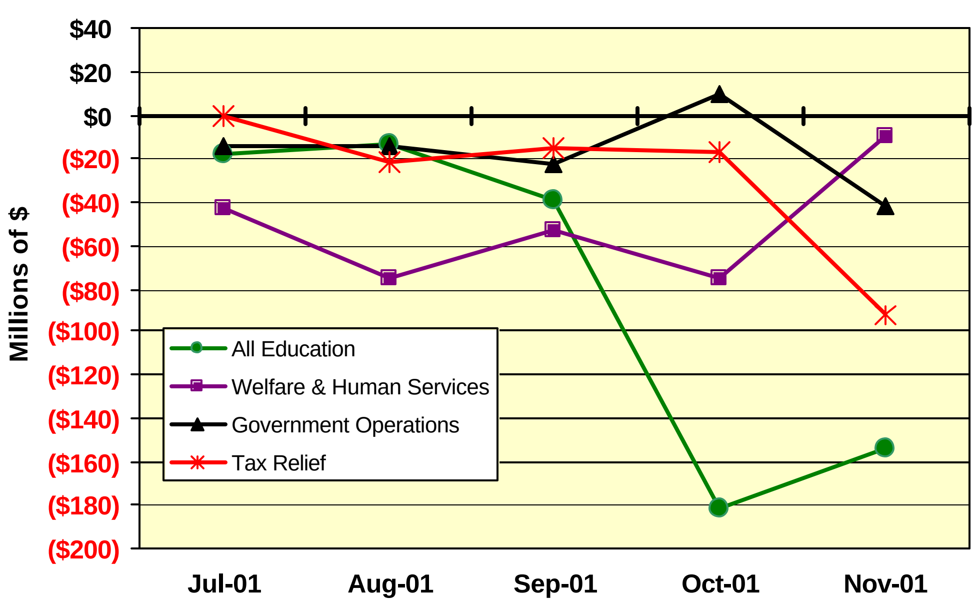


Table 4
General Revenue Fund Disbursements
Actual vs. Estimate
Month of November 2001
($ in thousands)

USE OF FUNDS			
PROGRAM	**Actual**	**Estimate***	**Variance**
Primary & Secondary Education (1)	$351,241	$287,353	$63,887
Higher Education	$276,494	$313,391	($36,897)
Total Education	$627,735	$600,745	$26,990
Health Care/Medicaid	$632,119	$584,425	$47,694
Temporary Assistance to Needy Families (TANF)	$102,821	$103,815	($994)
General/Disability Assistance	$6,823	$6,472	$351
Other Welfare (2)	$42,027	$47,579	($5,552)
Human Services (3)	$108,650	$84,389	$24,261
Total Welfare & Human Services	$892,440	$826,679	$65,760
Justice & Corrections	$117,392	$166,016	($48,624)
Environment & Natural Resources	$17,930	$19,016	($1,086)
Transportation	$3,902	$6,979	($3,077)
Development	$9,403	$9,612	($209)
Other Government (4)	$25,425	$25,587	($163)
Capital	$660	$0	$660
Total Government Operations	$174,713	$227,210	($52,498)
Property Tax Relief (5)	$33,325	$109,145	($75,820)
Debt Service	$0	$0	$0
Total Program Payments	**$1,728,212**	**$1,763,779**	**($35,567)**
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	**$1,728,212**	**$1,763,779**	**($35,567)**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Job and 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.
(5) Includes property tax rollbacks, homestead exemption, and tangible property tax exemption.

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

Totals may not add up due to rounding.

Education posted a $63.9 million positive disbursement variance in November, thus partially catching up with the large negative variance from October's estimate. The Board of Regents partially offset this overage within the program category with a negative variance of $36.9 million, thus reducing the board's year-to-date positive variance to $38.4 million. The following paragraphs look at the disbursement activity of these two agencies in more detail to identify the programs that contributed significantly to these results.

Department of Education. The size of the department's year-to-date negative variance shrunk in November to $118.4 million. The department's $62.9 million overage in November stemmed from three main sources: line item 200-532, Nonpublic Administrative Cost Reimbursement ($40.1 million); line item 200-501, Base Cost Funding ($18.5 million); and line item 200-514, Post Secondary Adult Vocational Education ($10.1 million). In each case, expenditures over the estimate for the month were "corrections" for underspending in previous months.

In line item 200-532, as was reported in the previous issue of *Budget Footnotes*, the reimbursement of administrative and clerical costs incurred by chartered nonpublic schools was deliberately delayed due to uncertainty over possible budget cuts. In November, the department disbursed $40.1 million, or 75 percent, of the $53.5 million that had been scheduled for October.

These overages in the department's budget were tempered somewhat by three noteworthy year-to-date underages that either held steady or increased in size during November. First, the Head Start program (line item 200-406) posted a negative disbursement variance of $12.4 million in November and now stands at $32.6 million under estimate for the year to date. One of the reasons for this underage is that funds are being disbursed monthly rather than in large quarterly installments, as had been the department's practice in prior fiscal years. This change is due to the reporting requirements of the Temporary Assistance for Needy Families (TANF) program, which now funds a large portion of the Head Start program. The quarterly pattern of the last fiscal year was the basis for the development of this year's disbursement estimates. Also, TANF funds are disbursed on a reimbursement basis and, with lower enrollments during the summer months, this made for a departure from the historical pattern on which the estimates were based. Given these factors and the pattern established so far in FY 2002, the department anticipates that not all of the FY 2002 appropriation for the Head Start program will be disbursed during FY 2002.

The second noteworthy underage occurred because the disbursement of $28.4 million scheduled for October from line item 200-503, Bus Purchase Allowance, also reported on in the last issue of *Budget Footnotes*, was not made in November. With the passage of Am. Sub. H.B. 405, the department plans on disbursing these funds.

Third, line item 200-566, OhioReads Grants, remains $15.7 million under the year-to-date estimate. Disbursements from this line item are below estimate solely because the estimates for this fiscal year are based on the pattern established in FY 2001. The timing of the review of grant applications, however, has been structured differently for FY 2002, and the bulk of grant awards are likely to be disbursed in December, thus erasing the underage.

Regents. Disbursement activity by the Board of Regents stands at $38.3 million, or 3.3 percent, under the year-to-date estimate. This is due almost entirely to November's negative disbursement variance of $36.9 million, which represents a 11.8 percent variance for the month. The relatively sizeable negative monthly disbursement variance arose mainly from line items 235-420, Success Challenge (-$35.5 million); 235-531, Student Choice Grants (-$7.3 million); and 235-415, Jobs Challenge (-$3.9 million). The root cause of the underspending in each of these line items was a matter of timing that should self-correct in the next few months.

Partially offsetting these monthly underages was an overage in line item 235-503, Ohio Instructional Grants, of $10.9 million. This program provides a financial grant during FY 2002 to any full-time Ohio student who is an Ohio resident and whose family income does not exceed $38,000. Some campus data arrived earlier than was assumed in the estimate, and funds scheduled for disbursement in December were instead released in November. We can thus anticipate that this line item will post an underage in December.

Tax Relief (-$92.7 million)

The Property Tax Relief program, which carries a FY 2002 GRF appropriation of nearly $1.2 billion, reimburses school districts and local governments for revenue that is lost due to tax relief provided by state law to property owners and businesses. Tax relief funds are disbursed to school districts and local governments by the Department of Education and the Department of Taxation, respectively. Through November, $418.9 million had been disbursed. This was $92.7 million, or 18.1 percent, below the estimates, which total $511.6 million for the first five months of the fiscal year. The bulk of the negative variance (-$71.9 million) was traceable to the Department of Education's November disbursements to school districts.

Government Operations (-$45.1 million)

Rehabilitation & Correction. The year-to-date disbursement variance for the Department of Rehabilitation and Correction slipped back into negative territory with November's negative variance of $43.6 million. This put the year-to-date disbursement variance at $33.0 million below the estimate. Disburse-

Table 5
General Revenue Fund Disbursements
Actual vs. Estimate
Month of November 2001/Fiscal Year 2002 to Date
($ in thousands)

USE OF FUNDS

PROGRAM	Actual	Estimate*	Variance	FY 2001	Percent Change
Primary & Secondary Education (1)	$2,599,886	$2,715,865	($115,979)	$2,686,677	-3.23%
Higher Education	$1,125,700	$1,164,056	($38,356)	$1,174,644	-4.17%
Total Education	$3,725,585	$3,879,921	($154,335)	$3,861,320	-3.52%
Health Care/Medicaid	$3,061,881	$3,052,147	$9,734	$2,715,150	12.77%
Temporary Assistance to Needy Families (TANF	$217,025	$207,841	$9,184	$396,803	-45.31%
General/Disability Assistance	$35,261	$35,402	($141)	$30,587	15.28%
Other Welfare (2)	$250,042	$284,444	($34,402)	$276,610	-9.60%
Human Services (3)	$557,826	$551,807	$6,019	$535,872	4.10%
Total Welfare & Human Services	$4,122,035	$4,131,640	($9,606)	$3,955,022	4.22%
Justice & Corrections	$835,435	$873,192	($37,757)	$821,861	1.65%
Environment & Natural Resources	$77,949	$79,822	($1,874)	$80,861	-3.60%
Transportation	$23,609	$20,217	$3,392	$17,462	35.20%
Development	$98,662	$98,963	($301)	$91,720	7.57%
Other Government (4)	$218,829	$230,913	($12,084)	$199,676	9.59%
Capital	$6,831	$3,322	$3,510	$41,931	-83.71%
Total Government Operations	$1,261,315	$1,306,429	($45,114)	$1,253,510	0.62%
Property Tax Relief (5)	$418,921	$511,635	($92,714)	$402,091	4.19%
Debt Service	$115,399	$115,195	$204	$104,303	10.64%
Total Program Payments	**$9,643,255**	**$9,944,821**	**($301,566)**	**$9,576,246**	**0.70%**
TRANSFERS					
Local Govt Distribution	$0	$0	$0	$0	—
Budget Stabilization	$13,104	$13,104	$0	$49,200	-73.37%
Other Transfers Out	$15,530	$13,078	$2,452	$780,457	-98.01%
Total Transfers Out	$28,634	$26,182	$2,452	$829,657	-96.55%
TOTAL GRF USES	**$9,671,889**	**$9,971,003**	**($299,114)**	**$10,405,903**	**-7.05%**

(1) Includes Primary, Secondary, and Other Education.
(2) Includes the Department of Job and 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.
(5) Includes property tax rollbacks, homestead exemption, and tangible property tax exemption.

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

Totals may not add up due to rounding.

ment activity in line item 501-321, Institutional Operations, accounted for the bulk of the negative variance, with expenditures registering $33.0 million below the estimate for the month of November. In addition to spending reductions made in anticipation of budget reductions, a timing adjustment from the posting in October of a November payroll appeared to be a significant factor in accounting for November's negative disbursement variance.

Administrative Services. Overall, disbursement activity in the Department of Administrative Services (DAS) remains about $11 million under the estimate for the year (actual spending of $95 million versus an estimate of $106 million). As was reported in previous months, the year-to-date disbursement variance can largely be attributed to slower-than-expected spending in the Computer Services program series.

In November, the department recorded its first overage of the fiscal year, with spending of $7.9 million outpacing the estimate of $5.4 million by approximately $2.5 million. The primary cause was overspending in one line item: 100-449, DAS-Building Operating Payments. This line item is used for the maintenance and upkeep of DAS-owned buildings occupied by GRF-funded state agencies. Two previous payments of $987,000, originally scheduled for September and October, were made in November instead.

Welfare and Human Services (-$9.6 million)

Job & Family Services. Year-to-date disbursements 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 an additional $5.6 million below estimate in November, thus pushing the year-to-date disbursement variance to $34.4 million below the estimate. A large part of November's underspending can be traced to line item 600-416, Computer Projects. During November, $7.2 million in FY 2001 encumbrances were canceled (and thus these funds will not be disbursed). Line item 600-416 stands below the year-to-date estimate by $10.3 million or 14.0 percent, nearly three-quarters of which is accounted for by canceled prior-year encumbrances.

Mental Retardation. Year-to-date disbursements of the Department of Mental Retardation and Developmental Disabilities through November stood at $16.6 million, or 7.7 percent, below the estimate. The underage is wholly attributable to line item 322-413, Residential and Support Services. This line item had a year-to-date underage of $15.8 million, or 24.0 percent below the estimate. As has been discussed in prior issues of *Budget Footnotes*, the driving force behind disbursements from this line item is the timing of payments to service providers, which are hard to predict. This variance should self-correct in the months ahead.

Mental Health. Year-to-date disbursements in the budget of the Department of Mental Health stood at $36.0 million above estimate at the end of November. This disbursement variance was particularly boosted by a $28.4 million positive disbursement variance in November. Two line items in the department's budget are especially noteworthy in leading to this result. First, line item 333-408, Community Mental Health Services, posted a $12.6 million positive variance in November, pushing it over the year-to-date estimate by $23.1 million. This variance is the result of the timing of subsidy distributions to county mental health boards. These allocations are made on a quarterly basis and the month in which they are posted can easily vary from the month of posting in the last fiscal year, on which the estimates are based. This positive disbursement variance should thus self-correct in the months ahead.

The other noteworthy line item is 333-415, Lease Rental Payments, which recorded a positive disbursement variance of $10.2 million in November. The variance is due to a debt service payment originally scheduled for December actually posting in November.

Health Care/Medicaid. After four months of residing in negative variance territory, the Health Care/Medicaid program (primarily line item 600-525) posted a positive disbursement variance sizeable enough to push the year-to-date disbursement variance to $9.7 million, or 0.3 percent, over the estimate. For the month of November, health care payments were $47.7 million, or 8.2 percent, over the estimate of $584.4 million. The chief explanation for the November disbursement variance was a delay in the processing of rebate payments in the Prescription Drug service category, which produced a $21.1 million overage against the estimate (service category estimates assume the inclusion of $65 million that is to be transferred from the Budget Stabilization Fund and an additional federal contribution of $93 million in matching funds). Looking at year-to-date spending by service categories in Table 6, we see a number of large variances that nearly offset one another. Among service categories with negative year-to-date disbursement variances are Nursing Facilities (-$18.3 million), Hospitals (-$50.5 million), and Physicians (-$14.6 million). Notable among service categories with positive disbursement variances are Prescription Drugs ($16.4 million), HMO ($11.2 million), and All Other ($29.1 million). In addition to the information in Table 6, Table 7 provides a detailed comparison of FY 2002 to FY 2001 spending by service categories.

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 Fed-

Table 6
Health Care Spending in FY 2002
Medicaid, ALI 600-525
($ in thousands)

Service Category	November Actual	November Estimate	November Variance	November Percent Variance	Year-to-Date Spending Actual thru' November	Estimate thru' November	Variance	Percent Variance
Nursing Facilities	$214,512	$209,314	$5,199	2.5%	$1,016,679	$1,034,959	($18,280)	-1.8%
ICF/MR	$34,759	$35,065	($306)	-0.9%	$168,508	$169,549	($1,041)	-0.6%
Hospitals	$120,387	$126,370	($5,983)	-4.7%	$641,629	$692,165	($50,536)	-7.3%
Inpatient Hospitals	$85,852	$91,849	($5,997)	-6.5%	$457,080	$502,369	($45,289)	-9.0%
Outpatient Hospitals	$34,536	$34,521	$14	0.0%	$184,549	$189,797	($5,248)	-2.8%
Physicians	$36,908	$35,824	$1,084	3.0%	$181,904	$196,464	($14,560)	-7.4%
Prescription Drugs	$96,993	$74,041	$22,952	31.0%	$441,794	$425,403	$16,390	3.9%
Payments	$96,993	$95,190	$1,802	1.9%	$505,241	$510,000	($4,759)	-0.9%
Rebates	$0	($21,149)	$21,149	-100.0%	($63,447)	($84,596)	$21,149	-25.0%
ODJFS Waivers[1]	$13,252	$11,841	$1,411	11.9%	$66,281	$64,253	$2,028	3.2%
HMO	$47,568	$43,627	$3,941	9.0%	$224,262	$213,014	$11,248	5.3%
Medicare Buy-In	$10,769	$10,496	$273	2.6%	$53,427	$52,536	$891	1.7%
All Other[2]	$53,570	$47,142	$6,428	13.6%	$250,700	$252,021	($1,321)	-0.5%
DSH offset	$0	$0	$0		$0	$0	$0	
Total ALI 600-525	**$628,719**	**$593,720**	**$34,998**	**5.9%**	**$3,045,182**	**$3,100,363**	**($55,181)**	**-1.8%**
FMAP	58.94%	58.94%			58.94%	58.94%		
Est. Federal Share	$370,567	$349,939	$20,628		$1,794,831	$1,827,354	($32,523)	
Est. State Share	$258,152	$243,782	$14,370		$1,250,352	$1,273,009	($22,657)	
BSF Shortfall[3]	$0	($12,952)			$0	($67,014)		
Total ALI 600-525 Disb.	**$628,719**	**$580,768**	**$47,950**	**8.3%**	**$3,045,182**	**$3,033,350**	**$11,833**	**0.4%**
Est. Federal Share	$370,567	$342,305	$28,262		$1,794,831	$1,787,856	$6,974	
Est. State Share	$258,152	$238,463	$19,688		$1,250,352	$1,245,493	$4,859	
Children's Health Insurance Plan (CHIP-II), ALI 600-426[4]								
Total ALI 600-426	**$3,400**	**$3,656**	**($256)**	**-7.0%**	**$16,698**	**$18,797**	**($2,099)**	**-11.2%**
Enhanced FMAP	71.19%	71.19%			71.19%	71.19%		
Est. Federal Share	$2,421	$2,603	($182)		$11,887	$13,382	($1,494)	
Est. State Share	$980	$1,053	($74)		$4,811	$5,415	($605)	
Total Health Care	**$632,119**	**$597,377**	**$34,742**	**5.8%**	**$3,061,881**	**$3,119,160**	**($57,279)**	**-1.8%**
Total Hlth Care w/o BSF	**$632,119**	**$584,425**	**$47,694**	**8.2%**	**$3,061,881**	**$3,052,147**	**$9,734**	**0.3%**

1. Waivers provide home care alternatives to consumers whose medical conditions/functional abilities would otherwise require Long Term Care facility residence.

2. "All Other" includes all other health services funded by 600-525 and prior years encumbrance.

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 SFY02.

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.

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

eral Special Revenue Fund Group (Fund 3V6). The disbursement estimates for FY 2002 appropriations thus do not include TANF's federal component. There are, however, encumbered funds remaining from the FY 2001 appropriation to line item 600-411 that will be spent during the current fiscal year.

Year-to-date disbursements from line item 600-410, TANF State, the largest of the two remaining GRF components in the TANF program, are $14.8 million under the estimate. The year-to-date underage in line item 600-410 increased by $3.4 million in November.

The underage in the 600-410, TANF State, line item, however, is offset by a positive year-to-date disbursement variance of $14.7 million in line item 600-411, TANF Federal Block Grant, which is composed of encumbered funds that were appropriated to the GRF for FY 2001. In November, though,

Table 7

FY 2002 to FY 2001 Comparison[1] of Year-to-Date Medicaid (600-525) Spending

($ in thousands)

	FY 2002[1]	FY 2001[1]		
Service Category	**Yr.-to-Date as of Nov. '01**	**Yr.-to-Date as of Nov. '00**	**Dollar Change**	**Percent Increase**
Nursing Facilities	$1,016,679	$955,736	$60,943	6.4%
ICF/MR	$168,508	$159,543	$8,965	5.6%
Hospitals	$641,629	$607,105	$34,524	5.7%
Inpatient Hospitals	$457,080	$442,349	$14,731	3.3%
Outpatient Hospitals	$184,549	$164,755	$19,794	12.0%
Physicians	$181,904	$167,276	$14,628	8.7%
Prescription Drugs	$441,794	$327,224	$114,570	35.0%
Payments	$505,241	$412,873	$92,368	22.4%
Rebates	($63,447)	($85,649)	$22,202	-25.9%
ODJFS Waivers[2]	$66,281	$56,451	$9,830	17.4%
HMO	$224,262	$170,639	$53,623	31.4%
Medicare Buy-In	$53,427	$47,757	$5,669	11.9%
All Other[3]	$250,700	$214,854	$35,846	16.7%
DSH offset	$0	$0	$0	
Total (600-525)	**$3,045,182**	**$2,706,584**	**$338,599**	**12.5%**
Estimated Federal Share[4]	$1,794,831	$1,587,953	$206,878	13.0%
Estimated State Share	$1,250,352	$1,118,631	$131,721	11.8%

1. Includes spending from prior-year encumbrances in the "All Other" category.

2. Waivers provide home care alternatives to consumers whose medical conditions/functional abilities would otherwise require Long Term Care facility residence.

3. "All Other" includes all other health services funded by 600-525 and prior-year encumbrance.

4. The FMAP rate for SFY 2001 is 58.67%. The FMAP rate for SFY 2002 is 58.94%.

$9.5 million of these encumbered funds were canceled. While some of the encumbered funds remain available to cover existing obligations, in December we will see a negative variance from the estimate for disbursements from encumbered funds. Prior-year TANF funds that go unspent from a particular appropriation remain available as part of Ohio's TANF Reserve, and can be spent on cash assistance.

With virtually offsetting positive and negative variances in the 600-410 and 600-411 line items, the TANF program's positive year-to-date disbursement variance of $9.2 million is wholly the result of the $9.3 million year-to-date overage in line item 600-413, Day Care Match/MOE.

In November there were 85,346 TANF assistance groups composed of 197,781 recipients. This marked a decline in the TANF caseload from October, with the number of assistance groups droping by about 1,400 and the number of recipients decreasing by about 4,100.

Total TANF cash benefits paid out in November were $26.1 million; total TANF spending from the GRF was $102.8 million. Noncash expenditures (which include a variety of activities that support welfare reform, including such things as work subsidies, child care, Prevention, Retention, and Contingency [PRC] services, transportation, the Early Start program, administrative costs, county incentives, supplemental funding for Workforce Investment Act activities, and department computer projects) thus accounted for 74.6 percent of all TANF GRF spending. While cash benefits can be made from either GRF sources (line item 600-410, TANF State, and line item 600-411, TANF Federal Block Grant—prior year funds) or non-GRF sources (the General Services Fund line item 600-658, Child Support Collections, and the Federal Special Revenue line item 600-689, TANF Block Grant) or a combination of these sources, in November, non-GRF sources played only a minor role with the 600-689 line item disbursing $4.3 million. Through the first five months of the fiscal year GSF line item 600-658, Child Support Collections, has had $36.2 million disbursed out of $42.4 million appropriated for FY 2002. Federal line item 600-689, TANF Block Grant, has had $177.9 million disbursed out of $654.4 million appropriated; this amounts to 27.2 percent of the appropriation.

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