

Budget Footnotes

ANewsletter of the Ohio Legislative Service Commission

November, 2002

FISCAL OVERVIEW

— Doris Mahaffey

It's been nearly a year since the National Bureau of Economic Research (NBER) declared that the U.S. economy was in a recession, and by many measures the economy has done quite well since that time – with gross domestic product (GDP) growing at a respectable annual rate of 3 percent.¹ But the growth has been due largely to productivity buoyed up by consumer spending, and consumers are growing tired and getting cautious. Unemployment grew in October, and consumer confidence fell for the fifth straight month. In the words of Fed Chairman Alan Greenspan, “the evidence has accumulated that the economy has hit a soft spot.”²

October revenues reflect the mixed economic signals and growing economic uncertainty. While total General Revenue Fund (GRF) revenue exceeded estimates by \$44 million, total revenues from taxes fell \$22 million short of estimates. The non-auto sales and use tax registered a \$42 million shortfall for the month. Larger than estimated gains from the S.B. 261 tax changes (i.e., the increase in the cigarette tax and the temporary tax on trust income) helped offset some of the shortfall.

The \$75 million overage in federal reimbursements offset the rest of the shortfall and produced the \$44 million overage. However, on a year-to-date basis federal reimbursements are only \$6 million over estimate, so the October overage merely brought federal reimbursements into line with estimates.

October disbursements were \$182 million under estimate. Property tax relief – which was \$176 million under estimate – accounted for most of the variance. Most of the other spending sources were under estimate; the major exceptions were the justice and corrections and Medicaid categories, which were \$29 million and \$16 million over estimate, respectively. The variance in justice and corrections spending was largely a timing issue; not so the Medicaid overage. It resulted in part from increasing caseloads – another reflection of the “soft” economy.

As of the end of October, year-to-date revenues exceeded estimates by \$86.5 million – due largely to overages in auto sales tax, personal income tax, and cigarette tax revenues. Total revenues exceeded FY 2002 revenues through October by 8 percent. Total tax revenues are up by 7 percent.

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

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

For questions or comments regarding specific sections:

GRF Revenue:
Doris Mahaffey 644-7762

GRF Spending:
Steve Mansfield 728-4815

Other Articles:
Dave Brunson 644-7770

*Legislative Service
Commission
77 South High Street, 9th
Floor
Columbus, Ohio
43215*

Telephone: 614/466-3615

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

	<u>Month of October</u>	<u>Fiscal Year 2002 to Date</u>	<u>Last Year</u>	<u>Difference</u>
Beginning Cash Balance	(\$783.2)	\$619.2		
Revenue + Transfers	<u>\$1,858.8</u>	<u>\$6,827.3</u>		
Available Resources	\$1,075.6	\$7,446.5		
Disbursements + Transfers	<u>\$1,887.5</u>	<u>\$8,258.4</u>		
Ending Cash Balances	(\$811.9)	(\$811.9)	(\$815.2)	\$3.3
Encumbrances and Accts. Payable		\$688.5	\$862.2	(\$173.8)
Unobligated Balance		(\$1,500.4)	(\$1,677.4)	\$177.0
BSF Balance		\$427.9	\$1,010.6	(\$582.7)
Combined GRF and BSF Balance		(\$1,072.5)	(\$666.8)	(\$405.7)

Year-to-date expenditures are \$47 million under estimate – due largely to timing-related under-estimate spending in education and property tax relief. (Notably, property tax relief went from \$139 million over estimate at the end of September to \$37 million under estimate at the end of October – all due to timing issues.) On the other hand, Medicaid spending is \$62 million over estimate for the year to date. Moreover, this variance is not a “timing” issue but is due to growing caseloads and rising prices and is only likely to grow.

Amid all of the economic uncertainty of October, the GRF unobligated fund balance eked out a small improvement vis-a-vis the end of September 2002, as well as the end of October 2001. While October disbursements exceeded October revenues by nearly \$30 million, encumbrances have been reduced by \$76.7 million since the end of September, resulting in a net increase in the unobligated fund balance of \$48 million.

As Table 1 shows, the unobligated balance of -\$1.5 billion at the end of October 2002 exceeds the October 2001 unobligated balance by \$177 million. However, the balance in the Budget Stabilization Fund (BSF) remains at \$427.9 million, so the combined GRF and BSF balance is \$405.7 million short of what it was at this time last year.

¹ Global Insight, U.S. Executive Summary, November 2002.

² Testimony before the Joint Economic Committee, U.S. Congress, November 13, 2002.

TRACKING THE ECONOMY

¾ Allan Lundell

Real gross domestic product (GDP) grew at a 3.1 percent annualized rate during the third quarter.¹ “Core” GDP, defined as consumption plus investment less inventories, grew by 2.9 percent. Core GDP tracks the GDP due to the spending by the two major drivers of the economy, consumers and businesses. The long-term prospects for growth depend on continued increased spending by these two sectors. Exhibit 1 depicts the growth in GDP and core GDP since 2000. The growth rates are seasonally adjusted annualized rates (SAAR).

Most of the third-quarter growth was due to consumer spending. Exhibit 2 presents the contributions to real GDP growth by major categories. “C” is personal consumption expenditures. “I” is gross private domestic investment, including inventories. “G” is government (all levels) consumption expenditures and gross investment. “X-M” is net exports. Consumer spending accounted for 2.95 percent of the 3.13 percent third-quarter growth. Most of this (1.73 percent) was due to durable goods (motor vehicle purchases driven by dealer incentives and low interest rates). The overall negative contribution from investment is the result of positive and negative contributions from various categories of investment. Nonresidential (business) investment made a positive contribution (0.07 percent) to growth after seven quarters of negative contributions. The 0.07 percent business contribution to growth is the net of a 0.52 percent positive contribution from equipment and software and a -0.45 percent negative contribution from structures. The third quarter marked the second consecutive quarter with a positive contribution from equipment and software after six consecutive quarters of negative contributions.

Although GDP grew at a 3.1 percent annual rate during the third quarter, the quarterly number hides a slowdown throughout the quarter. The economic stall is evident in the Conference Board’s index of coincident economic indicators. Exhibit 3 shows the performance of the coincident index since March 2001.² The index bottomed out in November 2001, suggesting that the recovery may have started late last year. The index slowly rose throughout 2002 until pausing in September. The four variables used in constructing the index (industrial production, real manufacturing and trade sales, real personal income less transfer payments, and nonagricultural employment) are the same variables used by the National Bureau of Economic Research to date the business cycle. The performance of each of these variables is presented in Exhibit 4. Compared to March 2001, industrial production (IP) is down by 1.2 percent and nonagricultural employment is down by 1.2 percent. Real personal income less transfers is up by 0.5 percent and real manufacturing and trade sales are up by 2.8 percent. The indicators suggest an economy that has stopped falling but is struggling to move forward.

Other indicators of a struggling recovery and potentially stalling economy include the Institute of Supply Management’s (ISM) purchasing managers indices (manufacturing and nonmanufacturing) and the major indices of consumer confidence. Exhibit 5 presents the two purchasing managers indices. Each index is a “diffusion index” where values greater than 50 indicate expansion and values less than 50 indicate contraction. The ISM has determined a relationship between values of the manufacturing index and growth in real GDP with values greater than 43.9 associated with growth in the overall economy. Based on this relationship and recent values of the manufacturing index, the economy has slowed. Exhibit 6 presents values of the ISM manufacturing index and the associated rate of real GDP growth for 2002. The ISM manufacturing index suggests that manufacturing activity has contracted and that the overall economy has slowed.

Consumer confidence, as measured by both the Conference Board’s index of consumer confidence and the University of Michigan’s consumer sentiment index, continues to be low. In October, the Conference Board index fell by 15 percent to 79.4, its lowest level since November 1993. The present situation index (a component of the Conference Board’s index that measures consumer perceptions of the current state of the economy) fell by 12 percent and the expectations index (which measures consumers’ expectations for the next six months) fell by 17 percent. The University of Michigan index fell by 6.4 percent. The current index fell by 3.5 percent and

the expectations index fell by 8.5 percent. Consumers in October were concerned with weak labor markets, volatile stock markets, geopolitical uncertainty, the West Coast dock strike, and the Washington area sniper attacks. These factors all acted to increase uncertainty and decrease confidence. Exhibits 7, 8, and 9 show the indices of consumer confidence and the present situation and expectations indices.

Although consumer confidence may have been low in October, consumers did not stop spending. The advance estimate of October retail sales indicates that overall retail sales were unchanged, which was better than the expected decline. Sales of motor vehicle and parts dealers fell by 1.9 percent. “Core” retail sales (total sales excluding motor vehicle and parts dealers) increased by 0.7 percent. Sales of apparel stores increased by 4.0 percent and sales of general merchandise stores increased by 1.1 percent. Compared to a year ago, total retail sales are down by 0.7 percent (due to a comparison with October 2001, which had record motor vehicle sales). Core retail sales are up 4.5 percent from last year. Total retail sales for the first 10 months of 2002 are up 3.4 percent compared to 2001, and core retail sales are up 3.8 percent. Exhibit 10 shows the year-over-year percentage changes in total retail sales and core retail sales. October marked the first time since 1991 that total retail sales experienced negative year-over-year growth.

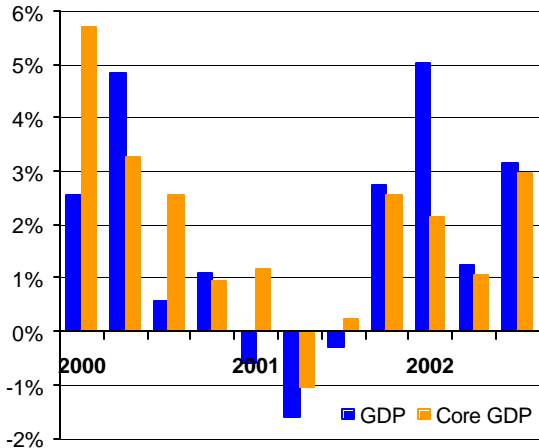
The employment situation remains disappointing. The Bureau of Labor Statistics described the October employment level of 130.9 million as “about unchanged” from September, which was “essentially unchanged” from August. Seasonally adjusted employment fell by 5,000 in October after falling by 13,000 in September. The September decrease was revised from an initially estimated 43,000 decrease. Private employment fell by 29,000 in October. Goods-producing employment decreased by 75,000 and service-producing employment increased by 70,000. If seasonal adjustments are not made, the employment picture seems a bit more encouraging. Total employment increased by 567,000; private employment increased by 39,000; goods-producing employment decreased by 124,000; and services-producing employment increased by 691,000. Compared to October 2001, seasonally adjusted employment is down by 519,000 and unadjusted employment is down by 525,000.

The Ohio employment situation was also disappointing in October. Seasonally adjusted nonfarm wage and salary employment fell by 6,500 in October to 5,497,600. Goods-producing employment fell by 900 and services-producing employment fell by 5,600. The number of workers classified as unemployed was 332,000. Ohio’s unemployment rate was 5.6 percent for October, unchanged from the revised rate for September and up 1 percent from October 2001. The U.S. unemployment rate rose 0.1 percent in October to 5.7 percent. Exhibits 11 and 12 present information on unemployment. Exhibit 11 shows the U.S. and Ohio seasonally adjusted unemployment rates. Exhibit 12 shows the mean and median durations of unemployment. Unemployment rates and duration remain well above prerecession levels.

¹ The reported growth rate is the “advance” estimate released by the U.S. Bureau of Economic Analysis. The BEA notes that the advance estimate is “based on source data that are incomplete or subject to further revision by the source agency.” The BEA also adds that “based on past history, the third-quarter change in real GDP now estimated at 3.1 percent at an annual rate, is not likely to be revised below 2.5 percent or above 4.0 percent.”

² The index was transformed to have a value of 100 in March 2001, the month designated by the NBER as the start of the recession.

Exhibit 1: Real GDP Growth



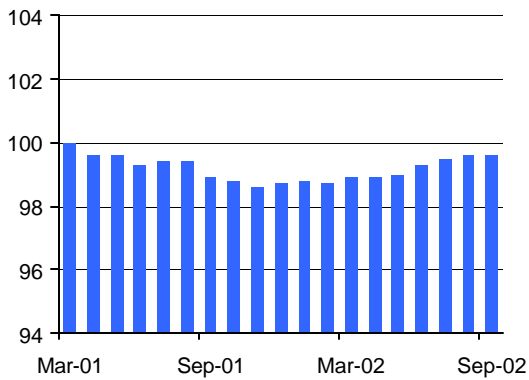
Source: U.S. Bureau of Economic Analysis

Exhibit 2: Contributions to GDP Growth

	C	I	G	X-M	GDP
2000q1	3.54%	0.39%	-0.20%	-1.17%	2.56%
2000q2	2.11%	2.92%	0.83%	-1.00%	4.86%
2000q3	2.54%	-1.09%	-0.18%	-0.72%	0.55%
2000q4	1.37%	-0.55%	0.51%	-0.23%	1.10%
2001q1	1.53%	-3.65%	0.99%	0.53%	-0.60%
2001q2	0.92%	-3.09%	1.00%	-0.42%	-1.59%
2001q3	0.97%	-0.81%	-0.21%	-0.24%	-0.29%
2001q4	4.05%	-2.88%	1.85%	-0.28%	2.74%
2002q1	2.22%	2.53%	1.04%	-0.75%	5.04%
2002q2	1.22%	1.16%	0.27%	-1.40%	1.25%
2002q3	2.95%	-0.04%	0.35%	-0.13%	3.13%

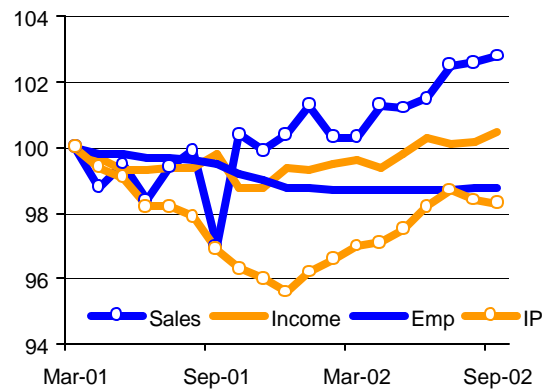
Source: U.S. Bureau of Economic Analysis

Exhibit 3: Index of Coincident Economic Indicators



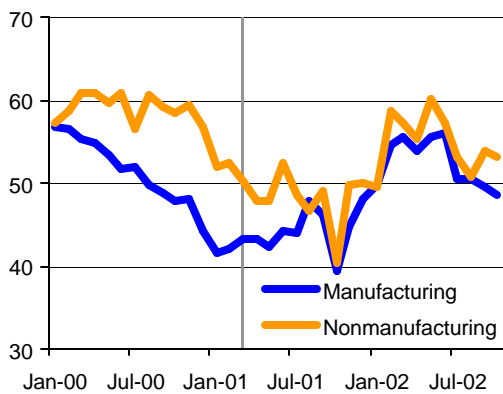
Sources: The Conference Board, NBER, and LSC calculations

Exhibit 4: Components of Coincident Index



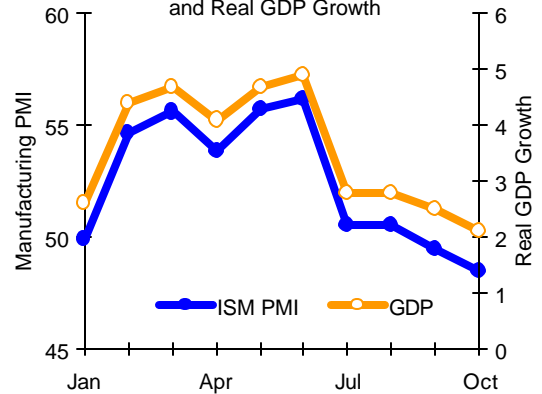
Sources: The Conference Board, NBER, and LSC calculations

Exhibit 5: Purchasing Managers Indices



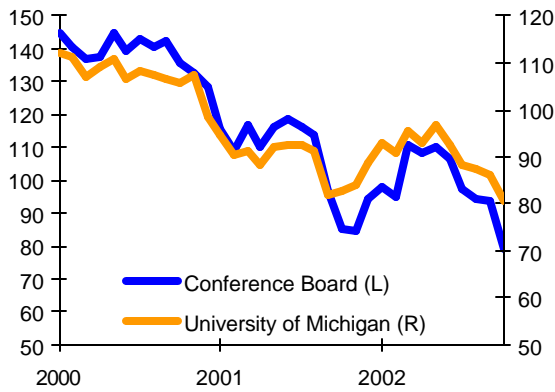
Source: Institute of Supply Management

Exhibit 6: 2002 ISM Manufacturing PMI and Real GDP Growth



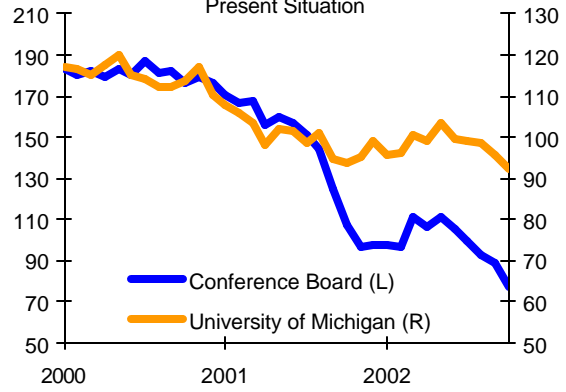
Source: Institute of Supply Management

Exhibit 7: Consumer Confidence



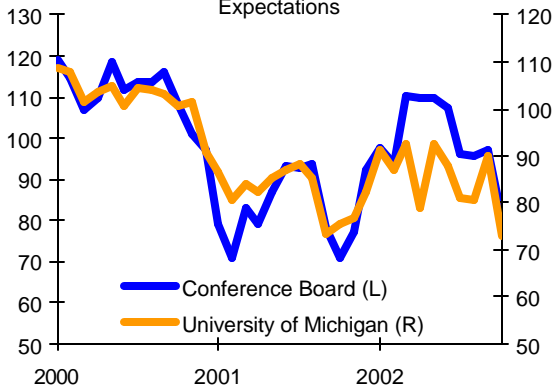
Sources: The Conference Board of University of Michigan

Exhibit 8: Consumer Confidence Present Situation



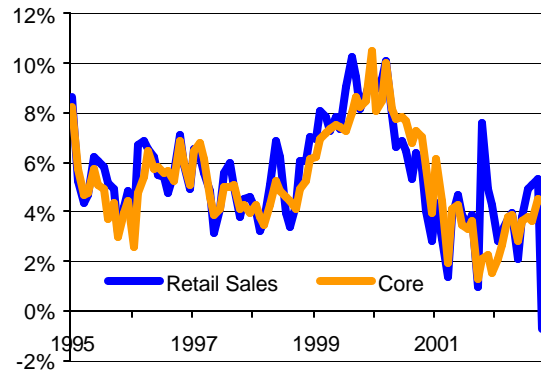
Sources: The Conference Board of University of Michigan

Exhibit 9: Consumer Confidence Expectations



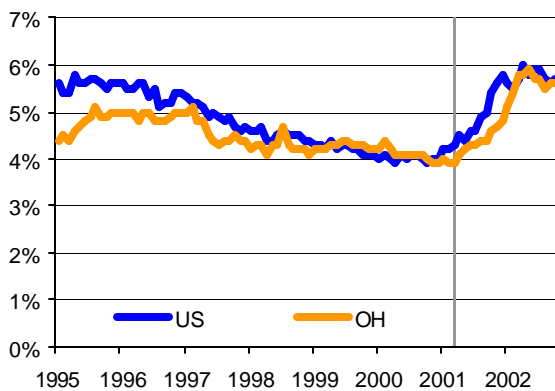
Sources: The Conference Board of University of Michigan

Exhibit 10: Retail Sales (12 months percent change)



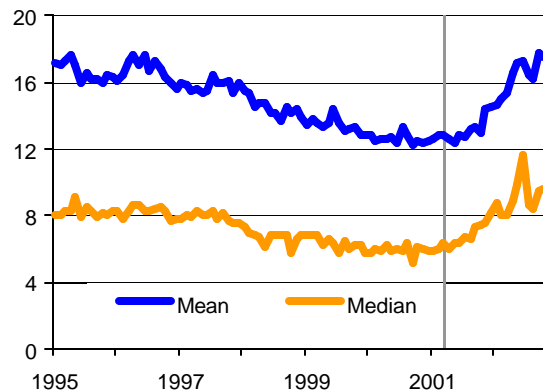
Source: U.S. Census Bureau

Exhibit 11: Unemployment Rates



Source: U.S. Bureau of LaborStatistics

Exhibit 12: Duration of Unemployment



Source: U.S. Bureau of LaborStatistics

Status of the General Revenue Fund

REVENUES

— Allan Lundell and Jean Botomogno

October got the second quarter of FY 2003 off to a slow start. Although total GRF revenue was \$44.2 million (2.4 percent) above estimate, total revenue less federal grants (revenue from Ohio sources) was \$31.4 million (2.2 percent) below estimate. Tax revenues were \$21.7 million (1.5 percent) below estimate and revenue from the major taxes (personal income, sales and use, corporate franchise, public utility, and kilowatt hour) were \$24.7 million (2.0 percent) below estimate. The totals for tax revenues were adversely affected by the poor performance of the non-auto sales and use tax. Revenues from the non-auto sales and use tax were \$41.7 million below estimate. Federal grants were \$75.5 million above estimate in October. Much of this overage was due to timing issues that caused the September amount to be \$71.1 million below estimate.

The year-to-date picture is a bit brighter, but not brilliant. Total GRF revenue is \$86.5 million (1.3 percent) above estimate and up 8.2 percent compared to FY 2002. Total revenue less federal grants is \$80.3 million (1.6 percent) above estimate and up 7.5 percent compared to FY 2002. Tax revenues are \$99.9 million (2.0 percent) above estimate and up 7.1 percent compared to FY 2002. Much of the increase from last year is due to the increase in the cigarette tax. Revenues from the major taxes – which do not include the cigarette tax – are \$63.9 million (1.4 percent) above estimate and up a more modest 4.8 percent compared to FY 2002.

Personal Income Tax

October personal income tax revenues of \$591.1 million were \$5.0 million (0.9 percent) over estimate. Withholding was \$4.5 million (0.7 percent) below estimate, quarterly estimated payments were \$2.4 million (16.5 percent) above estimate, and refunds were \$3.3 million (18.6 percent) below estimate. Payments of the new tax on trusts contributed \$6.7 million to revenues although no revenue had been expected in the estimates. If the unexpected revenue from the tax on trusts is

subtracted from the total, October personal income tax revenues were \$1.7 million (0.3 percent) below estimate.

For the fiscal year to date, personal income tax revenues are \$41.3 million (1.8 percent) greater than estimated. Withholding is \$14.9 million (0.7 percent) over estimate, quarterly estimated payments are \$9.2 million (3.1 percent) over estimate, and refunds are \$5.2 million (5.1 percent) over estimate. Revenues from the tax on trusts are \$16.6 million (166.2 percent) greater than estimated. The tax on trusts accounts for 40 percent of the positive year-to-date variance in personal income tax revenues.

Compared to the first four months of FY 2002, personal income tax revenues are up 4.9 percent. Withholding is up 4.1 percent, but quarterly estimated payments are down 6.6 percent. Refunds are down 10.7 percent.

The Sales and Use Tax

Total sales and use tax revenues in October 2002 were \$503.0 million, \$31.6 million or 5.9 percent below projected receipts. Revenues in October were \$34.4 million or 6.4 percent lower than tax receipts in the same period a year ago.

Although sales and use tax revenues slumped in October, year-to-date total sales and use tax revenues were \$2,125.8 million, \$32.0 million or 1.5 percent above estimates. Also, as of October 2002, total sales and use tax receipts were \$104.0 million or 5.1 percent higher than year-to-date receipts in October 2001. The increases in total sales and use tax revenues are solely due to the auto sales tax.

The Non-Auto Sales and Use Tax

October was not a good month for the non-auto sales tax. Non-auto sales and use tax receipts generally reflect retail sales activity in the prior month. For the first time this fiscal year, non-auto

sales tax revenues were below projected revenues. Worse, they were also below last year's tax revenues. The non-auto sales and use tax provided \$416.0 million in October 2002. This amount was \$41.7 (or 9.1 percent) below estimates, and \$36.2 million (or 8.0 percent) below non-auto sales tax revenues in October 2001. In addition, non-auto sales tax revenues were below October 2000 revenues by 1.8 percent.

Lackluster October non-auto sales tax revenues reflect tepid retail activity in September. For most retail chains, the monthly share of annual sales in September is the third or fourth highest. "Back-to-school" sales were weak, and retail sales have been moribund for a couple of months. Prior to October, the month-to-month percentage change in sales at retail chain stores (on a seasonally adjusted basis) had been declining since July 2002. The change was -2.9 percent in July, -3.0 percent in August, and -0.8 percent in September. Although retail chain stores are only a subset of all retail sales, the decline within that segment has nevertheless been worrisome.

According to U. S. Department of Commerce data, retail sales (excluding autos) grew modestly in the first quarter of this fiscal year. In August and September 2002, retail sales (excluding autos) grew 0.33 percent and 0.11 percent, respectively. Although positive, this growth is below historical averages for August and September in the last ten years. More disconcerting is the fact that non-auto sales tax revenues in October 2002 were lower than revenues in the last two years for the same period. Ohio households and businesses apparently slowed their consumption of sales-taxable items in the last couple of months. However, non-auto sales tax revenues may improve at the start of the holiday season because retail sales (excluding autos) grew 0.7 percent in October, the biggest gain in six months.

As of October 2002, year-to-date non-auto sales and use tax receipts were \$1,765.9 million, \$11.2 million or 0.6 percent below estimates. Compared to receipts a year ago in October 2001, year-to-date non-auto sales tax receipts were up \$61.4 million or 3.6 percent.

The Auto Sales Tax

The auto sales tax is continuing to perform above expectations. Auto sales tax receipts were

\$87.0 million in October, \$10.1 million or 13.1 percent above estimates. Compared to receipts a year ago, October 2002 auto sales tax receipts were up \$1.8 million, 2.1 percent higher than in October 2001. This is remarkable because October 2001 had the highest unit sales on record. Comparing tax receipts in October 2002 and October 2000 also shows how strong auto sales tax receipts have been. Auto sales tax revenues in October 2002 were \$16.9 million or 24.1 percent above auto sales tax revenues in the same period in 2000. Thus, auto sales tax receipts remain outstanding. However, there are clouds on the horizon.

The U.S. Department of Commerce reported declines in sales from the prior month at auto and vehicle dealers in September (5.2 percent), and in October (1.9 percent). All auto manufacturers reported declines in sales in October. After a strong third quarter, during which unit sales vaulted to an annualized rate of 17.3 million, October unit sales fell to 15.3 million on an annualized basis. This slowdown in national auto sales has not yet been reflected in Ohio auto sales tax revenues. Although a possible retrenchment in auto sales might have started, Ohio auto sales tax revenues continue unabated at their high levels. It is expected that auto sales tax revenues may become relatively soft in the coming months unless auto manufacturers continue to ratchet up incentives, because the impact of current incentives appears to be diminishing. To maintain recent sales levels, carmakers and dealers may have to give credit to customers with less than desirable creditworthiness, extend the terms of some loans to more than 60 months, or find new ways to pump up sales.

As of October 2002, year-to-date auto sales tax receipts were \$360.0 million, \$43.2 million or 13.6 percent above estimates. Auto sales tax receipts were \$42.6 million, or 13.4 percent above year-to-date receipts in October 2001.

Corporate Franchise Tax

Major tax receipts under the corporate franchise tax are due in the second half of the fiscal year, with the first major payment in January 2003. The second major payment will be due in March 2003, and the last major payment due in May 2003. Franchise tax payments will be primarily based on corporate book profits in CY 2002.

Table 2
General Revenue Fund Revenue
Actual vs. Estimate
Month of October 2002
(\$ in thousands)

REVENUE SOURCE			
TAX REVENUE	Actual	Estimate*	Variance
Auto Sales	\$87,004	\$76,925	\$10,079
Non-Auto Sales & Use	\$416,039	\$457,725	(\$41,686)
Total Sales	\$503,042	\$534,650	(\$31,608)
Personal Income	\$591,091	\$586,100	\$4,991
Corporate Franchise	\$28,331	\$19,358	\$8,973
Public Utility	\$35,435	\$43,800	(\$8,365)
Kilowatt Hour Excise Tax	\$30,932	\$29,648	\$1,284
Total Major Taxes	\$1,188,832	\$1,213,556	(\$24,724)
Foreign Insurance	\$109,574	\$112,500	(\$2,926)
Domestic Insurance	\$330	\$0	\$330
Business & Property	\$36	\$0	\$36
Cigarette	\$57,434	\$46,877	\$10,557
Alcoholic Beverage	\$4,659	\$4,524	\$135
Liquor Gallonage	\$2,209	\$2,340	(\$131)
Estate	\$17,800	\$22,750	(\$4,950)
Total Other Taxes	\$192,043	\$188,991	\$3,052
Total Taxes	\$1,380,874	\$1,402,545	(\$21,671)
NON-TAX REVENUE			
Earnings on Investments	\$0	\$0	\$0
Licenses and Fees	\$2,537	\$2,970	(\$433)
Other Revenue	\$14,690	\$23,943	(\$9,253)
Non-Tax Receipts	\$17,227	\$26,913	(\$9,686)
TRANSFERS			
Liquor Transfers	\$9,000	\$9,000	\$0
Budget Stabilization	\$0	\$0	\$0
Other Transfers In	\$0	\$0	\$0
Total Transfers In	\$9,000	\$9,000	\$0
TOTAL REVENUE less Federal Grants	\$1,407,101	\$1,438,458	(\$31,357)
Federal Grants	\$451,656	\$376,113	\$75,543
TOTAL GRF REVENUE	\$1,858,757	\$1,814,571	\$44,186
* July, 2002 estimates of the Office of Budget and Management. Detail may not sum to total due to rounding.			

Activities under the franchise tax in the first half of the fiscal year are generally tax refunds, or tax collections due to audit findings or late payments. Franchise tax receipts in October were \$28.3 million, \$9.0 million or 46.4 percent above estimates. As of October 2002, year-to-date corporate franchise tax receipts were \$9.2 million, \$1.8 million above

estimates. Compared to receipts a year ago, year-to-date corporate franchise tax revenues were up \$10.7 million.

National statistics on corporate profits have slowly improved this year after a dismal CY 2001. The corporate profits slump will likely end in the current

Table 3
General Revenue Fund Revenue
Actual vs. Estimate
FY 2003 to Date as of October 2002
(\$ in thousands)

REVENUE SOURCE					
TAX REVENUE	Actual	Estimate*	Variance	FY 2002	Percent Change
Auto Sales	\$359,969	\$316,750	\$43,219	\$317,371	13.42%
Non-Auto Sales & Use	\$1,765,870	\$1,777,050	(\$11,180)	\$1,704,465	3.60%
Total Sales	\$2,125,839	\$2,093,800	\$32,039	\$2,021,836	5.14%
Personal Income	\$2,339,128	\$2,297,800	\$41,328	\$2,229,761	4.90%
Corporate Franchise	\$9,156	\$7,357	\$1,799	(\$1,541)	-694.15%
Public Utility	\$61,960	\$75,100	(\$13,140)	\$79,859	-22.41%
Kilowatt Hour Excise Tax	\$120,955	\$119,093	\$1,862	\$115,355	4.85%
Total Major Taxes	\$4,657,039	\$4,593,150	\$63,889	\$4,445,271	4.76%
Foreign Insurance	\$115,297	\$119,250	(\$3,953)	\$114,621	0.59%
Domestic Insurance	\$1,614	\$0	\$1,614	\$3,013	-46.43%
Business & Property	\$1,037	\$285	\$752	\$427	142.70%
Cigarette	\$200,938	\$170,176	\$30,762	\$83,171	141.60%
Alcoholic Beverage	\$19,797	\$19,807	(\$10)	\$19,006	4.16%
Liquor Gallonage	\$9,631	\$9,780	(\$149)	\$9,562	0.73%
Estate	\$47,436	\$40,435	\$7,001	\$44,529	6.53%
Total Other Taxes	\$395,751	\$359,733	\$36,018	\$274,330	44.26%
Total Taxes	\$5,052,790	\$4,952,880	\$99,910	\$4,719,601	7.06%
NON-TAX REVENUE					
Earnings on Investments	\$22,810	\$29,750	(\$6,940)	\$35,620	-35.96%
Licenses and Fees	\$11,800	\$10,725	\$1,075	\$11,594	1.78%
Other Revenue	\$51,576	\$69,588	(\$18,012)	\$51,419	0.30%
Non-Tax Receipts	\$86,186	\$110,063	(\$23,877)	\$98,633	-12.62%
TRANSFERS					
Liquor Transfers	\$37,000	\$33,000	\$4,000	\$36,000	2.78%
Budget Stabilization	\$0	\$0	\$0	\$0	—
Other Transfers In	\$49,440	\$49,195	\$245	\$7,996	518.28%
Total Transfers In	\$86,440	\$82,195	\$4,245	\$43,996	96.47%
TOTAL REVENUE less Federal Grants	\$5,225,415	\$5,145,138	\$80,277	\$4,862,230	7.47%
Federal Grants	\$1,601,847	\$1,595,654	\$6,193	\$1,449,169	10.54%
TOTAL GRF REVENUE	\$6,827,262	\$6,740,792	\$86,470	\$6,311,399	8.17%

* July, 2002 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

quarter according to most economic forecasters, and profit growth may accelerate next calendar year. Still, the turnaround in corporate profits will do little to shore up the corporate franchise tax significantly this fiscal year. As a result, corporate franchise tax revenues may remain relatively weak this fiscal year.

Cigarette and Other Tobacco Products Tax

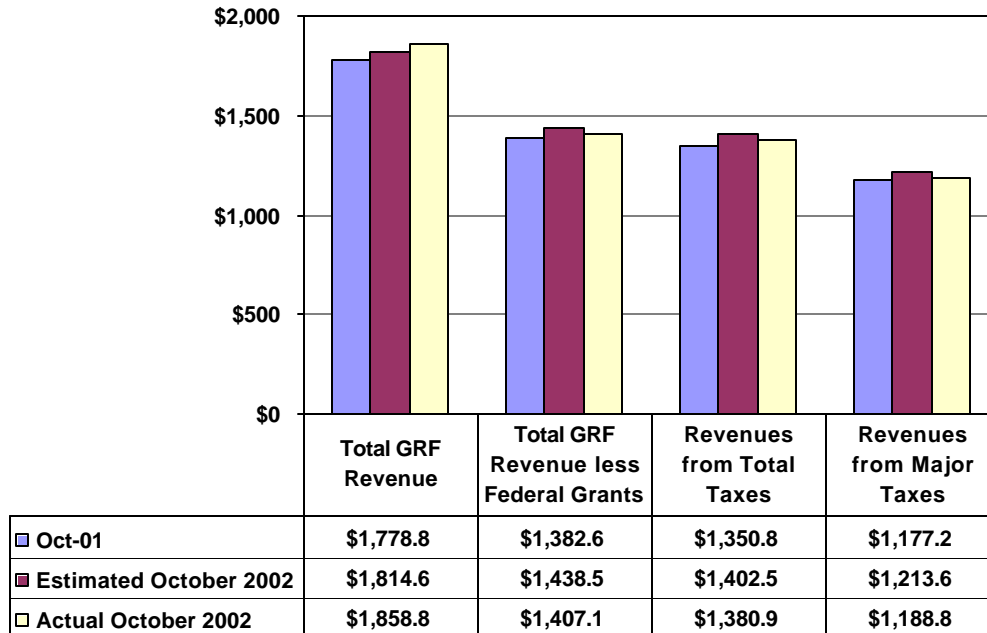
Cigarette and other tobacco products tax receipts were \$57.4 million in October 2002. These amounts were higher than estimates by \$10.6 million or 22.5 percent. Compared to cigarette tax receipts a year ago, revenues were up

\$34.1 million or 146.6 percent. As of October, year-to-date receipts from the tax on cigarette and other tobacco products were above estimates by \$30.8 million or 18.1 percent. As of October 2002, year-to-date cigarette tax receipts were also \$117.8 million ahead of tax receipts in the same period

a year ago. Revenues from the floor tax¹ accounted for about \$31.7 million of the added revenue. Although additional revenues from the floor tax are no longer boosting cigarette tax revenues, there is no evidence yet that consumers have substantially pulled back their consumption of taxed cigarettes.

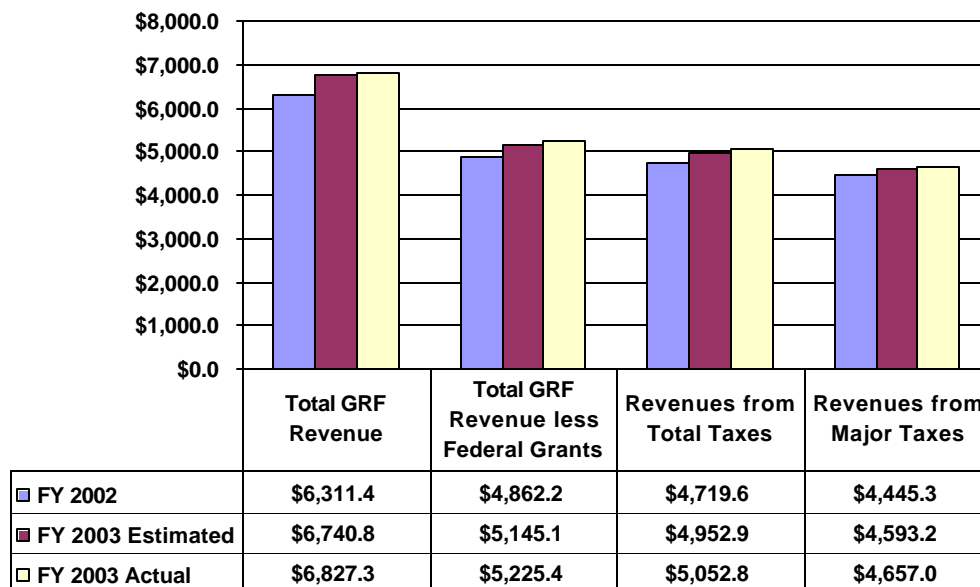
October General Revenue Fund Revenue

in millions of dollars



Year-to-Date General Revenue Fund Revenue

in millions of dollars



¹ The floor tax is the additional 33 cents per pack paid on cigarettes already in stock at the time the cigarette tax increase went into effect. S.B. 261 allowed the payment of the additional tax on cigarette inventories to be paid in three installments (July 31, August 31, and September 20, 2002).

DISBURSEMENTS

— Steve Mansfield*

Disbursements for October (excluding transfers) were \$181.7 million below estimate, with the Tax Relief program contributing a negative disbursement variance of \$175.7 million. For the year to date, there was at the end of October a negative disbursement variance of \$47.1 million, composed of partially offsetting positive and negative disbursement variances in the state’s four major program categories.

When we look at the year-to-date disbursement variances in four of the state’s major program categories, as depicted in Figure 1, we see that one (Welfare and Human Services) continues to post a positive disbursement variance, while the other three (Education, Tax Relief, and Government Operations) are posting negative disbursement variances. In the sections that follow, we will examine the disbursement activity in each of these four major GRF program categories in the order of magnitude of their contribution to the year-to-date negative disbursement variance: (1) Education, (2) Property Tax Relief, (3) Government Operations, and (4) Welfare and Human Services. For each program category, we then examine the state agency budgets and programs that have contributed most notably with either positive or negative disbursement variances. The reader’s attention is directed to Tables 4 and 5 for summary

information about GRF disbursement activity and to Tables 6 and 7 for a detailed presentation of disbursement activity in the Health Care/Medicaid program.

Education (-\$63.3 million)

Department of Education. The Department of Education posted a negative disbursement variance of \$42.5 million in October, thus accounting for the bulk of the month’s \$49.2 million negative disbursement variance in the Education category as a whole. For the year to date, disbursement activity in the Department of Education stands at \$57.0 million below estimate, comprising again the bulk of the category’s \$63.3 million negative variance. The department’s October negative disbursement variance of \$42.5 million is almost completely traceable to one line item, 200-532, Nonpublic Administrative Cost Reimbursement, which posted a \$41.8 million negative variance in October. This appropriation line item is used to subsidize chartered nonpublic schools for the costs of certain mandated administrative activities. The payment was delayed in October but made in the first week of November. This timing-related disbursement variance should thus fully “self-correct” in the November reports.

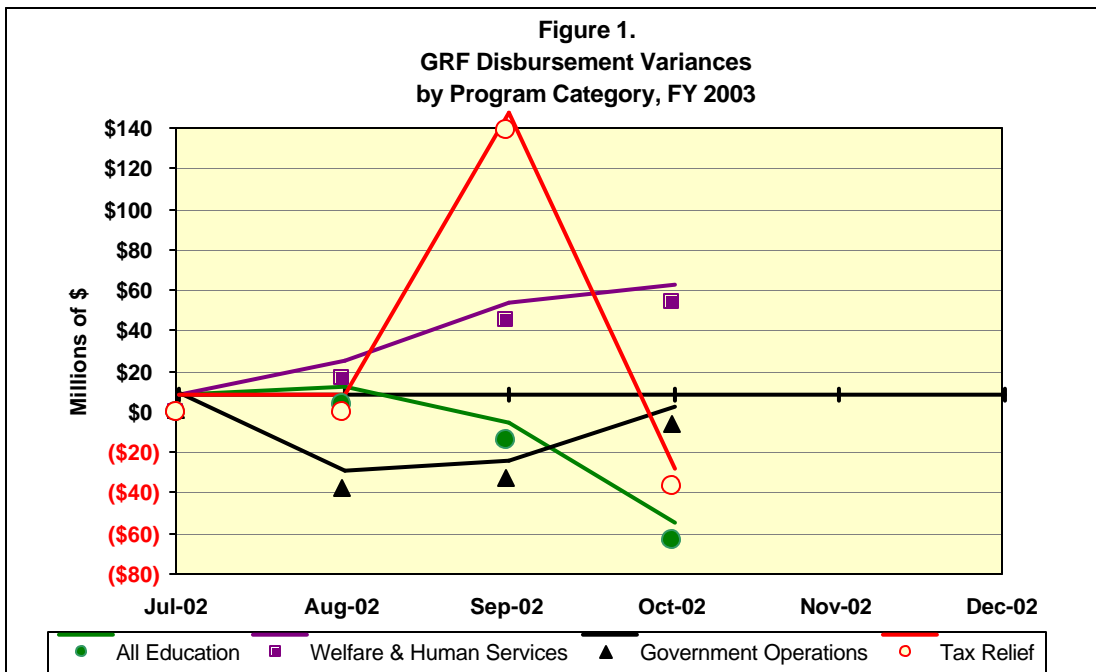


Table 4
General Revenue Fund Disbursements
Actual vs. Estimate
Month of October 2002
(\$ in thousands)

USE OF FUNDS			
PROGRAM	Actual	Estimate*	Variance
Primary & Secondary Education (1)	\$518,170	\$561,279	(\$43,109)
Higher Education	\$234,181	\$240,289	(\$6,108)
Total Education	\$752,352	\$801,568	(\$49,217)
Health Care/Medicaid	\$635,230	\$618,941	\$16,289
Temporary Assistance to Needy Families (TANF)	\$73,240	\$76,396	(\$3,156)
General/Disability Assistance	\$2,271	\$1,906	\$365
Other Welfare (2)	\$57,348	\$58,955	(\$1,607)
Human Services (3)	\$111,920	\$114,124	(\$2,204)
Total Welfare & Human Services	\$880,009	\$870,323	\$9,686
Justice & Corrections	\$193,862	\$164,657	\$29,205
Environment & Natural Resources	\$14,162	\$11,437	\$2,725
Transportation	\$1,946	\$3,268	(\$1,322)
Development	\$8,562	\$10,084	(\$1,521)
Other Government	\$21,879	\$23,419	(\$1,539)
Capital	\$0	\$0	\$0
Total Government Operations	\$240,411	\$212,863	\$27,548
Property Tax Relief (4)	\$1,408	\$177,097	(\$175,689)
Debt Service	\$13,319	\$7,368	\$5,951
Total Program Payments	\$1,887,499	\$2,069,220	(\$181,721)
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	\$1,887,499	\$2,069,220	(\$181,721)

(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 property tax rollbacks, homestead exemption, and tangible property tax exemption.

* August 2002 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Also notable, though smaller in its impact on the year-to-date negative disbursement variance, is line item 200-433, Reading/Writing Improvement program, which continues at nearly the same point as last month at \$7.6 million under estimate. This is a timing-related variance that stems from a delayed payment that was expected to occur in September.

Tax Relief (-\$37.0 million)

The Property Tax Relief program, which carries an FY 2003 GRF appropriation of over \$1.3 billion, reimburses school districts and local government for revenue that is lost due to tax relief provided by state law to property owners and businesses through the

Table 5
General Revenue Fund Disbursements
Actual vs. Estimate
FY 2003 to Date as of October 2002
(\$ in thousands)

USE OF FUNDS

PROGRAM	Actual	Estimate*	Variance	FY 2002	Percent Change
Primary & Secondary Education (1)	\$2,178,855	\$2,237,979	(\$59,124)	\$2,248,645	-3.10%
Higher Education	\$796,875	\$801,008	(\$4,132)	\$849,205	-6.16%
Total Education	\$2,975,730	\$3,038,986	(\$63,256)	\$3,097,851	-3.94%
Health Care/Medicaid	\$2,829,675	\$2,767,511	\$62,164	\$2,429,762	16.46%
Temporary Assistance to Needy Families (TANF)	\$135,119	\$120,394	\$14,725	\$114,203	18.31%
General/Disability Assistance	\$9,804	\$8,917	\$887	\$28,438	-65.52%
Other Welfare (2)	\$222,157	\$228,928	(\$6,772)	\$208,015	6.80%
Human Services (3)	\$475,408	\$491,519	(\$16,110)	\$449,176	5.84%
Total Welfare & Human Services	\$3,672,163	\$3,617,269	\$54,894	\$3,229,595	13.70%
Justice & Corrections	\$713,856	\$708,972	\$4,884	\$718,043	-0.58%
Environment & Natural Resources	\$55,924	\$57,841	(\$1,916)	\$60,018	-6.82%
Transportation	\$16,975	\$17,943	(\$969)	\$19,706	-13.86%
Development	\$90,519	\$93,277	(\$2,758)	\$89,259	1.41%
Other Government	\$184,628	\$189,486	(\$4,858)	\$193,405	-4.54%
Capital	\$0	\$1,535	(\$1,535)	\$6,171	-100.00%
Total Government Operations	\$1,061,902	\$1,069,054	(\$7,152)	\$1,086,603	-2.27%
Property Tax Relief (4)	\$388,684	\$425,682	(\$36,998)	\$385,596	0.80%
Debt Service	\$144,108	\$138,680	\$5,427	\$115,399	24.88%
Total Program Payments	\$8,242,586	\$8,289,671	(\$47,085)	\$7,915,043	4.14%
TRANSFERS					
Local Govt Distribution	\$0	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	\$13,104	-100.00%
Other Transfers Out	\$15,838	\$15,836	\$2	\$15,530	1.98%
Total Transfers Out	\$15,838	\$15,836	\$2	\$28,634	-44.69%
TOTAL GRF USES	\$8,258,424	\$8,305,507	(\$47,083)	\$7,943,677	3.96%

(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 property tax rollbacks, homestead exemption, and tangible property tax exemption.

* August 2002 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

homestead exemption, the property tax rollbacks, and the \$10,000 tangible tax exemption programs. Tax relief funds are disbursed to school districts and local governments by the Department of Education and the Department of Taxation, respectively. Each of these departments divides its property tax relief program into two components: real property tax credits/exemptions, and tangible tax exemptions.

With the pairing of September's positive disbursement variance of \$138.7 million with October's even larger negative disbursement variance of \$175.7 million, we have a very dramatic example of a timing-related disbursement variance that is "self-correcting." As noted in our previous disbursement article, counties in the first few months of this fiscal year have been requesting reimbursements much

faster than the historical pattern, and it is this pattern that determines the disbursement estimates for this program that are produced by the Office of Budget and Management. With counties speeding up their requests, it was only a matter of time until the rate of requests would drop below estimated levels.

For the year to date, the property tax program in the Department of Education stands at the end of October at \$11.6 million below estimate and the program in the Department of Taxation stands at \$25.4 million below estimate. For the program as a whole, the year-to-date disbursement variance at the end of October was \$37.0 million under estimate.

Government Operations (-\$7.2 million)

In the Government Operations category for the month of October, the Department of Rehabilitation and Correction (DRC) posted a positive disbursement variance of \$29.2 million, which exceeded the category's total positive disbursement variance of \$27.5 million. For the year to date, disbursements for the Government Operations category as a whole stand at \$7.2 million under the estimate, with DRC and the Department of Youth Services contributing partially offsetting positive disbursement variances.

Rehabilitation & Correction. DRC's October \$29.2 million positive disbursement variance was composed primarily of a \$21.2 million overage in line item 501-321, Institutional Operations, from which a payroll payment scheduled for November was actually posted during the last week of October.

Welfare/Human Services (\$54.9 million)

Job and Family Services

Health Care/Medicaid. At the end of October the Health Care/Medicaid program (primarily line item 600-525) was cumulatively \$62.2 million, or 2.2 percent, above the \$2.8 billion spending estimate. For the month of October, the program posted a \$16.3 million overage.

The number of Medicaid eligibles in October was 1,543,061. This was over 150,000 more than what was forecast for the current biennium. Continuing the upward trend of FY 2002, the number of Covered Families and Children (CFC) recipients has increased by nearly 48,000, or 4.3 percent, since the beginning

of fiscal year 2003. The number of Aged, Blind, and Disabled (ABD) recipients has increased by nearly 11,000, or 2.7 percent, since the beginning of fiscal year 2003. Again, this continues the trend of FY 2002. Although greatly outnumbered by the CFC population, the ABD population accounts for over 70 percent of all Medicaid expenditures.

Like last year, a discussion of the role that particular service categories had in producing these disbursement variances is complicated by the fact that OBM estimates for the service categories (see Table 6) assume the inclusion of \$110 million that is to be transferred from the Budget Stabilization Fund (BSF), along with an additional federal contribution of \$156 million. These funds are not yet appropriated, and the actual amount transferred will depend on what is needed at the end of the fiscal year. These additional state and federal funds are included in the service category estimates that are presented in Table 6, but they are not included in the monthly estimate of total spending for the program that is prepared by OBM for use in the Central Accounting System (CAS) reports. In order for Table 6 to show total Health Care/Medicaid expenditures and compare that total with the monthly and year-to-date estimates, the portion of the expenditures and estimates attributable to the BSF and matching federal funds must be subtracted. Like last year, this "apples and oranges" problem will throughout the year present an obstacle to any analysis of the role that particular service categories play in producing disbursement variances. As an example of the difficulty of analyzing service category estimates, the variances for the month of October and the year to date in the Nursing Facilities and in the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) service categories show negative disbursement variances between 2.2 percent and 8.9 percent below estimate. If the funds from the BSF and matching federal funds were removed from the estimates, would these categories still show a negative disbursement variance? That is a question that cannot be answered with the information that LSC has available.

That said, we can still glean some useful information from Table 6. Of particular note are the positive disbursement variances in the Outpatient Hospitals, HMO, Medicare Buy-In, and DA Medical service categories. No clear information has been acquired that enables us to understand the situation with Outpatient Hospitals. The positive disbursement

Table 6
Health Care Spending in FY 2003
Medicaid, ALI 600-525
(\$ in thousands)

Service Category	October				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru' Oct.	Estimate thru' Oct.	Variance	Percent Variance
Nursing Facilities	\$198,388	\$217,710	(\$19,322)	-8.9%	\$814,805	\$849,797	(\$34,991)	-4.1%
Payments	\$209,962	\$229,712	(\$19,750)	-8.6%	\$848,481	\$891,011	(\$42,530)	-4.8%
NF Franchise Fees Offset ¹	(\$11,574)	(\$12,002)	\$428	-3.6%	(\$33,676)	(\$41,214)	\$7,538	-18.3%
ICF/MR	\$33,505	\$35,457	(\$1,952)	-5.5%	\$135,827	\$138,929	(\$3,102)	-2.2%
Payments	\$35,228	\$37,214	(\$1,986)	-5.3%	\$142,729	\$145,881	(\$3,152)	-2.2%
ICF/MR Franchise Fees Offset	(\$1,723)	(\$1,757)	\$35	-2.0%	(\$6,902)	(\$6,952)	\$50	-0.7%
Inpatient Hospitals	\$94,042	\$95,783	(\$1,742)	-1.8%	\$442,273	\$442,035	\$238	0.1%
Outpatient Hospitals	\$41,215	\$35,238	\$5,977	17.0%	\$184,779	\$168,347	\$16,432	9.8%
Physicians	\$38,014	\$37,144	\$870	2.3%	\$173,085	\$171,333	\$1,752	1.0%
Prescription Drugs	\$110,660	\$108,863	\$1,796	1.7%	\$506,554	\$501,799	\$4,754	0.9%
HMO	\$57,185	\$50,939	\$6,246	12.3%	\$223,656	\$208,984	\$14,672	7.0%
Medicare Buy-In	\$11,793	\$10,751	\$1,042	9.7%	\$46,938	\$43,036	\$3,902	9.1%
ODJFS Waiver ²	\$13,052	\$14,712	(\$1,660)	-11.3%	\$59,105	\$62,311	(\$3,206)	-5.1%
All Other ³	\$56,617	\$61,624	(\$5,006)	-8.1%	\$251,370	\$268,681	(\$17,311)	-6.4%
CHIP II ⁴	\$4,510	\$4,313	\$196	4.6%	\$19,051	\$18,277	\$774	4.2%
DA Medical ⁵	\$6,588	\$5,381	\$1,208	22.4%	\$32,110	\$28,208	\$3,902	13.8%
Total ALI 600-525	\$665,569	\$677,915	(\$12,346)	-1.8%	\$2,889,554	\$2,901,737	(\$12,184)	-0.4%
DSH Offset	\$0	\$0			\$0	\$0		
Drug Rebates	(\$30,470)	(\$31,070)			(\$60,941)	(\$63,143)		
FY 2002 Encumbrance	\$0	\$0			(\$83,539)	(\$82,208)		
Total Health Care (Net of Offsets)	\$635,099	\$646,845	(\$11,746)	-1.8%	\$2,745,074	\$2,756,386	(\$11,312)	-0.4%
Est. Federal Share ⁶	\$370,310	\$377,906	(\$7,597)		\$1,598,390	\$1,607,245	(\$8,855)	
Est. State Share	\$264,789	\$268,939	(\$4,150)		\$1,146,684	\$1,149,141	(\$2,457)	
Prior Period ALI 600-525	\$131	\$384			\$84,601	\$84,691		
BSF Shortfall ⁷		(\$28,299)				(\$73,576)		
Total Hlth Care w/o BSF	\$635,230	\$618,931	\$16,299	2.6%	\$2,829,675	\$2,767,501	\$62,175	2.2%

1. Some of the money generated from the Nursing Home Franchise Permit Fees is used to make payments to nursing facilities to offset GRF nursing facilities spending. The NF franchise fee is \$3.30 per bed per day in FY 2002, and is \$4.30 per bed per day in FY 2003.

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 line item 600-525.

4. CHIP-II, effective July 1, 2000, provides health care coverage for children under age 19, with family incomes between 150% and 200% of FPL. The state receives enhanced FMAP for CHIP II.

5. DA Medical is a state-only funded program.

6. For FY 2003 the FMAP is 58.83% and the enhanced FMAP is 71.18%.

7. The budget estimate assumed \$110 million of the Budget Stabilization Fund (BSF) will be used to increase the appropriation in line item 600-525 by \$266 million, all funds in SFY 2003.

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

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

variances in the other three service categories, however, reflect trends that have been present for some time, and we see those trends continuing to influence disbursements. In the HMO service category, there was a 9.2 percent overage in disbursements for FY 2002. This upward trend in HMO payments is due in part to continued weakness in the job market that has pushed up Medicaid enrollments. In addition, this service category shows an increase relative to the Physicians service category because of the number of new enrollees who, under

the "preferred option" program, are being automatically enrolled in HMOs, as opposed to being enrolled on a fee-for-service basis. The "preferred option" program exists in counties where there is voluntary enrollment in managed care plans. This program enrolls recipients in managed care if they fail to select the fee-for-service option.

The Medicare Buy-In service category provides services to low-income Medicare beneficiaries who are eligible to buy into Medicaid. The number of

such individuals has increased by more than 9,000 above the forecast.

The Disability Assistance – Medical program has also witnessed substantial caseload increases that surpass the estimated growth rate. At the end of October, the DA–Medical portion of the DA program had exceeded the year-to-date estimated amount by more than \$3.9 million. In Table 7, we see that year-to-date expenditures in the DA – Medical portion of the DA program have during the first four months of FY 2003 exceeded expenditures during the same period in FY 2002 by \$11.1 million.

Also standing out in Table 7 are the large year-to-year increases in most of the Medicaid service category expenditures. These large percentages continue to reflect in part the disbursement in FY 2003 of \$82.2 million that was encumbered at the end of FY 2002. As Table 7 shows, subtracting FY 2002 funds from the total disbursed yields an overall rate of increase of 12.6 percent – a figure more in line with the inflation rate in the medical and pharmaceutical sector.

TANF. Until the current biennium, most of the federal component of the Temporary Assistance for Needy Families (TANF) program was expended from GRF line item 600-411, TANF Block Grant. This line item, however, was eliminated and the federal funds began to be expended through three line items in the state's Federal Special Revenue Fund Group.

The state's portion of the TANF program that is expended from the GRF is composed of line item 600-410, TANF State, a portion of line item 600-413,

Table 7
FY 2003 to FY 2002 Comparison of Year-to-Date Health Care Spending
(\$ in thousands)

Service Category	FY 2003	FY 2002	Dollar Change	Percent Increase
	Yr.-to-Date as of Oct. '02	Yr.-to-Date as of Oct. '01		
Nursing Facilities Payments	\$814,805	\$802,167	\$12,639	1.58%
NF Franchise Fees Offset ¹	(\$33,676)	(\$4,398)	(\$29,278)	665.69%
ICF/MR Payments	\$135,827	\$133,749	\$2,078	1.55%
ICF/MR Franchise Fees Offset)	(\$6,902)	(\$5,147)	(\$1,755)	34.09%
Inpatient Hospitals	\$442,273	\$371,228	\$71,045	19.14%
Outpatient Hospitals	\$184,779	\$150,013	\$34,766	23.18%
Physicians	\$173,085	\$144,996	\$28,089	19.37%
Prescription Drugs	\$506,554	\$408,248	\$98,305	24.08%
HMO	\$223,656	\$176,694	\$46,963	26.58%
Medicare Buy-In	\$46,938	\$42,657	\$4,281	10.04%
ODJFS Waiver ²	\$59,105	\$53,029	\$6,076	11.46%
All Other ³	\$251,370	\$183,508	\$67,862	36.98%
CHIP II ⁴	\$19,051	\$13,298	\$5,753	43.26%
DA Medical ⁵	\$32,110	\$21,033	\$11,077	52.66%
Total Health Care	\$2,889,554	\$2,500,619	\$388,934	15.55%
DSH Offset	\$0	\$0	\$0	
Drug Rebates	(\$60,941)	(\$63,447)	\$2,506	
Prior Year Encumbrance	(\$83,539)	\$1,391	(\$84,930)	
Total Health Care (Net of Offsets)	\$2,745,074	\$2,438,563	\$306,511	12.57%
Est. Federal Share ⁶	\$1,598,390	\$1,422,669	\$175,721	
Est. State Share	\$1,146,684	\$1,015,894	\$130,790	

1. Some of the money generated from the Nursing Home Franchise Permit Fees is used to make payments to nursing facilities to offset GRF nursing facilities spending. The NF franchise fee is \$3.30 per bed per day in FY 2002 and is \$4.30 per bed per day in FY 2003.

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 line item 600-525.

4. CHIP-II, effective July 1, 2000, provides health care coverage for children under age 19, with family incomes between 150% and 200% of FPL. The state receives enhanced FMAP for CHIP II.

5. DA Medical is a state-only funded program.

6. For FY 2003 the FMAP is 58.83% and the enhanced FMAP is 71.18%. For FY 2002 the FMAP is 58.78% and the enhanced FMAP is 71.15%.

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

Day Care Match/MOE, and a portion of a new line item, 600-321, Support Services, which was recently created by Controlling Board action to facilitate the department's program budgeting. A portion of the state's TANF expenditures that contribute to the TANF maintenance of effort (MOE) requirement is also met by expenditures through line item 600-658, Child Support Collection, in the General Services Fund Group, and by county expenditures for part of the program's administrative costs.

Year-to-date disbursement reports in the GRF portion of TANF show a positive disbursement variance of \$14.7 million. The bulk of the

disbursement variance was produced by an overage of \$13.7 million in line item 600-413, Day Care Match/MOE during the month of September, when a weekly disbursement that was scheduled for October posted in the last week of September. The year-to-date positive disbursement variance in the GRF portion of the TANF program was reduced by \$3.2 million in October.

Expenditures from federal TANF funds, Fund 3V6, TANF Block Grant, and Fund 3G9, Special

Activities-Self Sufficiency, through the first four months of FY 2003 are \$119.9 million, compared to \$179.0 million at the same point in FY 2002. Total expenditures in the TANF program from all funds through the first four months of FY 2003 are \$275.7 million, compared to \$329.6 million for the first four months of FY 2002.

Cash assistance payments for the first four months of FY 2003 have totaled \$103.6 million, compared to \$105.1 million for the same period in FY 2002.

**LSC colleagues who contributed to the development of this disbursement report included, in alphabetical order, Melaney Carter, Ivy Chen, Nicole Evans, and Joseph Rogers.*