Next

# Budget Footnotes

A Newsletter of the Ohio Legislative Service Commission March 2003

Volume 26, Number 7



## *Fiscal Overview*

*— Allan Lundell*

The economy, influenced by bad weather, war fears, terror alerts, and rising energy prices, spent February in the "soft spot." The encouragement offered by January's employment news faded in February as U.S. employment fell by 308,000. Retail sales weakened. Consumer confidence fell. The housing market slowed but remained healthy. Energy prices continued to be a drag on the economy. Indices of business activity indicated that manufacturing activity was flat as businesses remained reluctant to spend and service activity grew at a slower rate. Overall industrial production was up due to increased utility output. Capacity utilization remained low, which helped limit any inflationary pressure but also reduced incentives to invest.

Revenues fell short of estimate once again. Revenues from the major taxes fell $20.3 million short of estimate. The net shortfall in major taxes was the result of less than estimated revenue from the income tax ($37.8 million) and corporate franchise tax ($30.5 million) and greater than estimated revenue from the sales tax ($17.8 million) and the utility taxes ($30.2 million). Revenue from other taxes exceeded estimates by a combined $12.2 million. Most of this amount ($10.5 million) was from the foreign insurance tax.

Disbursements excluding transfers were $4.3 million below estimate in February. If the $52.9 million timing-based negative variance for debt service is not included, then disbursements were $48.8 million over estimate. Positive variances for Higher Education ($41.3 million), HealthCare/Medicaid ($33.8 million), and TANF ($4.8 million) offset negative variances for Primary & Secondary Education ($15.1 million), Justice & Corrections ($8.6 million), Development ($4.5 million), and Transportation ($1.5 million).

For the fiscal year to date, total GRF revenues are $184.7 million below estimate and total GRF revenues less federal grants (revenue from state sources) are $165.3 million below estimate. Total GRF disbursements are $174.5 million less than estimated and total program payments (disbursements excluding transfers) are $177.2 million less than estimated.

For February, total GRF revenues were $1,471.9 million and total expenditures were $1,706.8 million. The monthly deficit reduced the ending cash balance to -$1,398.8 million. The ending cash balance is $7.3 million higher than it was at this time last year. Encumbrances are

***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:
Allan Lundell 644-7788

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)

| | Month of February | Fiscal Year 2003 to Date | Last Year | Difference |
|---|---|---|---|---|
| Beginning Cash Balance | ($1,163.9) | $619.2 | | |
| Revenue + Transfers | $1,471.9 | $13,606.1 | | |
| Available Resources | $308.0 | $14,225.3 | | |
| Disbursements + Transfers | $1,706.8 | $15,624.1 | | |
| Ending Cash Balances | ($1,398.8) | ($1,398.8) | ($1,406.1) | $7.3 |
| Encumbrances and Accts. Payable | | $435.2 | $549.0 | ($113.8) |
| Unobligated Balance | | **($1,834.0)** | **($1,955.1)** | **$121.1** |
| BSF Balance | | $427.9 | $1,002.5 | ($574.6) |
| **Combined GRF and BSF Balance** | | **($1,406.1)** | **($952.6)** | **($453.5)** |

$113.8 million less than last year. The unobligated balance of -$1,834 million is $121.1 million larger than it was at the end of February last year. However, the balance in the Budget Stabilization Fund (BSF) is only $427.9 million compared to $1,002.5 million last year. The difference, $574.6 million, is not available to balance this year's budget. The combined year-to-date GRF and BSF balance of -$1,406.1 million is $453.5 million less than it was at this time last year.

# *TRACKING THE ECONOMY*

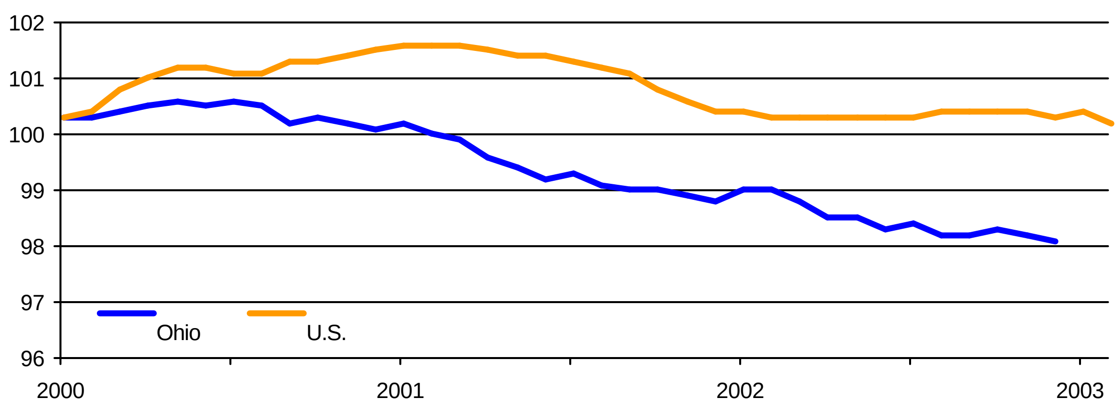
*¾ Allan Lundell*

February was the fifth month the U.S. economy remained in an economic “soft spot.” January’s encouraging employment news turned out to be a false hope. Retail sales were weak. Consumer confidence fell.

In the Bureau of Labor Statistics’ (BLS) establishment survey, seasonally adjusted total nonfarm U.S. employment fell by 308,000. Private employment fell by 321,000, goods-producing employment fell by 104,000, and services-producing employment fell by 204,000. Compared to February 2002, total employment is down by 159,000, private employment is down by 380,000, goods-producing employment is down by 575,000, and services-producing employment is up by 416,000. Compared to the start of the recession (March 2001), total U.S. employment is down by 1,914,000, private employment is down by 2,504,000, goods-producing employment is down by 1,975,000, and services-producing employment is up by 61,000. Exhibits 1-3 present indices of employment for the U.S. and Ohio. The indices were constructed to have a value of 100 in January 2000. U.S. employment peaked in March 2001 and Ohio employment peaked in May 2000.

In the BLS’ household survey, 137.4 million individuals were counted as employed and 8.5 million were classified as unemployed in February. The unemployment rate was 5.8 percent. The average duration of employment was 18.6 weeks and the median duration was 9.4 weeks. Compared to a year ago, the average duration is up by 3.6 weeks and the median duration is up 1.2 weeks. In February, individuals unemployed more than 26 weeks accounted for 22.1 percent of those counted as unemployed.

**Exhibit 1: Total Nonfarm Employment**

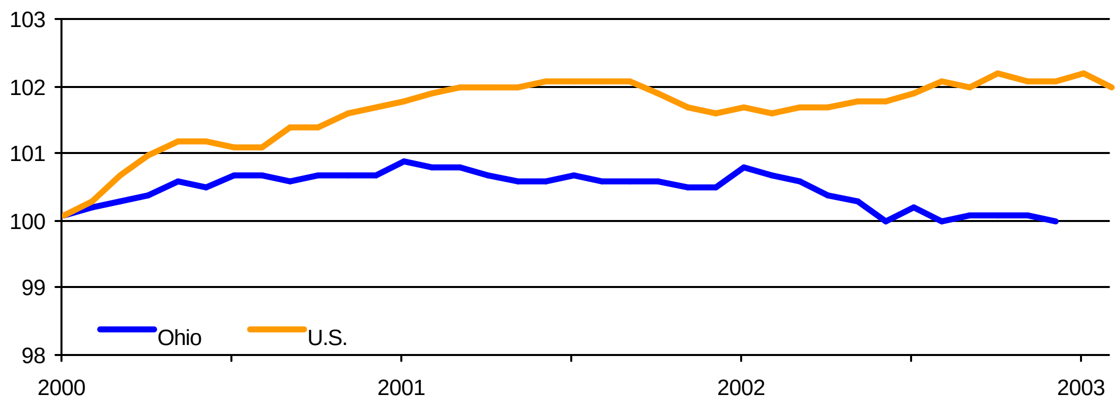



*Sources: Economy.com and LSC calculations*

**Exhibit 2: Goods-Producing Employment**


*Sources: Economy.com and LSC calculations*

**Exhibit 3: Services-Producing Employment**




*Sources: Economy.com and LSC calculations*

The Census Bureau's seasonally adjusted advance estimate of U.S. retail sales fell by 1.6 percent in February. Total sales excluding motor vehicle and parts dealers (sales ex auto) fell by 1.0 percent. Sales at gasoline stations increased by 2.7 percent. If sales at gasoline stations are excluded, total sales fell by 1.9 percent and sales ex auto fell by 1.4 percent. Sales were affected by bad weather (a major snowstorm hit on the biggest shopping day of the month), war fears, terror alerts, and rising energy prices. Compared to February 2002, total sales were up 2.6 percent and sales ex auto were up 3.6 percent. Sales at gasoline stations were up 23.9 percent compared to a year ago.

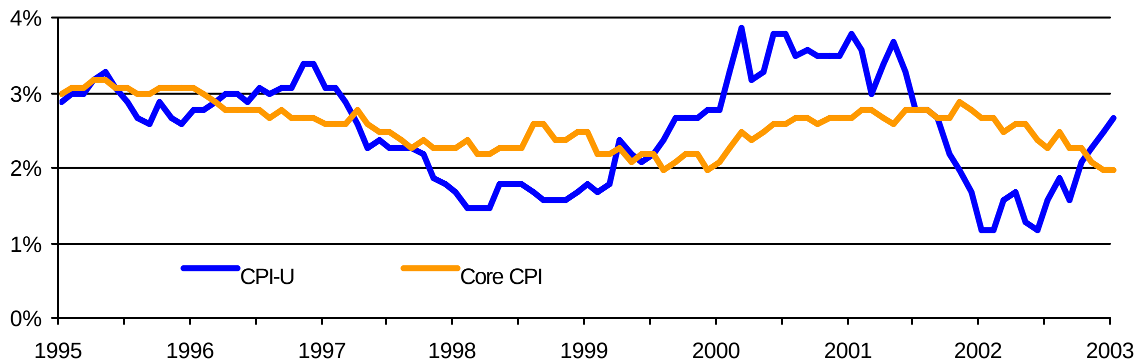
The Conference Board index of consumer confidence fell to its lowest level since October 1993. The present situation component fell to its lowest level since November 1993 and the expectations component fell to its lowest level since February 1992. Consumers indicating that jobs are hard to get increased to 30.1 percent, a nine-year high. The University of Michigan Consumer Sentiment Index fell to a nine-year low in February. The present conditions component fell but remained above its recent low point reached in October 2002 (which was the lowest level since 1992). The expectations component fell to its lowest level since September 1993.

Although declines in consumer confidence do not necessarily result in declines in consumer spending, there is cause for concern. Confidence is at levels associated with recessions. Because consumers continued to spend throughout the recession, there is little pent-up demand. Labor markets remain weak and businesses are reluctant to hire. Consumer credit conditions have weakened and debt service burdens may begin to affect spending. However, income growth has remained healthy, interest rates remain low, and disposable incomes may be boosted by an economic stimulus package.

The housing market remains healthy. January existing home sales were at a record 6.09 million seasonally adjusted annualized rate (SAAR). New home sales were at a record 1,077,000 SAAR in December and 914,000 in January. Housing starts were at a 1.85 million SAAR in January. Although the housing market is healthy, private nonresidential construction is weak.

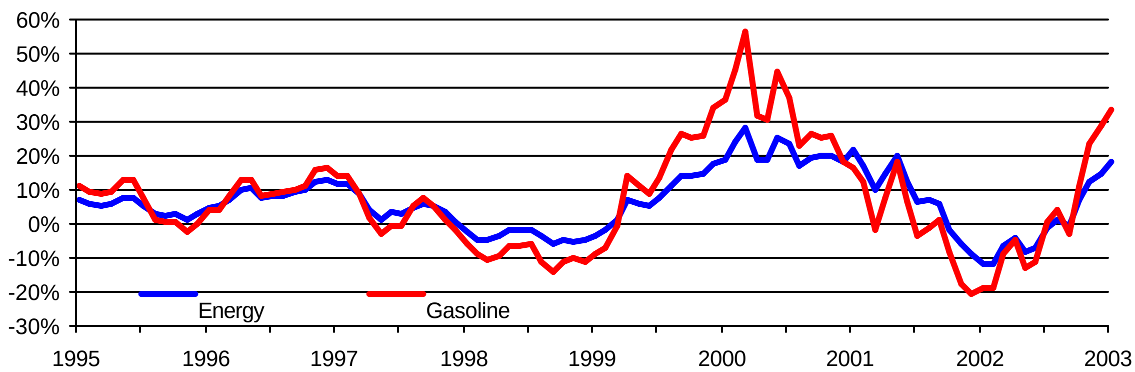
The seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in January. The index for energy increased by 4.0 percent, and the index for food fell by 0.2 percent. The "core" CPI (all items less food and energy) rose by 0.1 percent. Compared to a year ago, the CPI is up 2.6 percent, the core index is up 1.9 percent, the index for food is up 1.0 percent, and the index for energy is up 14.1 percent. The index for medical care rose by 0.1 percent in January and is up 4.6 percent compared to January 2002. The index for gasoline increased by 6.6 percent in January and is up 29.3 percent compared to a year ago. Exhibits 4 and 5 present year-over-year percentage changes in the price indices.

**Exhibit 4: CPI Inflation**
**Year-over-Year Percentage Changes**




*Source: U.S. Bureau of Labor Statistics*

**Exhibit 5: Energy Inflation**
**Year-over-Year Percentage Changes**



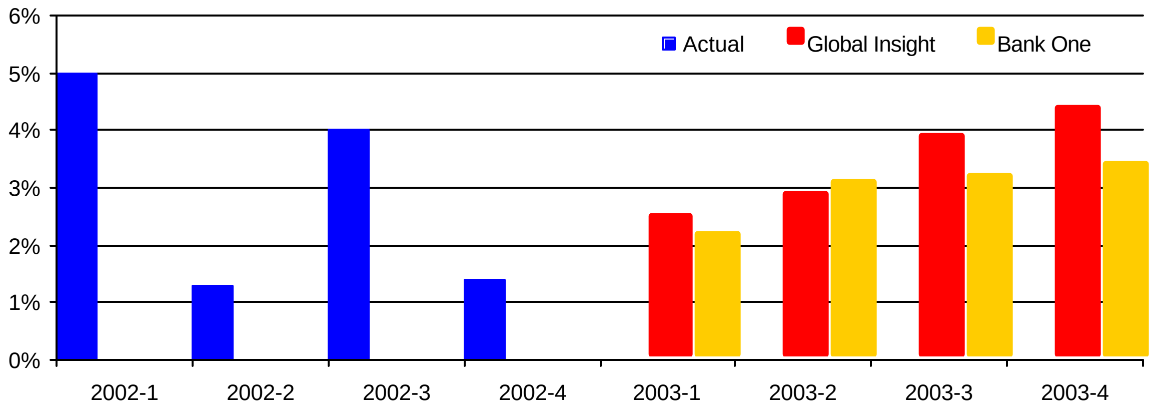

*Source: U.S. Bureau of Labor Statistics*

Estimated fourth quarter 2002 growth in real gross domestic product (GDP) was revised from 0.7 percent to 1.4 percent. Upward revisions to private inventory investment and consumer spending on nondurable goods and services were partially offset by a downward revision to net exports. "Core" GDP, defined as consumption plus investment less inventories, grew at a 1.7 percent annualized rate. Investment in equipment and software made a positive contribution to GDP growth for the third consecutive quarter. Real gross domestic purchases (purchases by U.S. residents of goods and services wherever produced) increased 2.8 percent in the fourth quarter, down from an increase of 3.9 percent in the third quarter. Exhibit 6 presents real GDP growth for 2002 along with forecasts of growth for 2003.

Previous Next



**Exhibit 6: Quarterly Real GDP Growth**




*Sources: U.S. Bureau of Economic Analysis, Global Insight, and Bank One*

# Status of the General Revenue Fund

## REVENUE

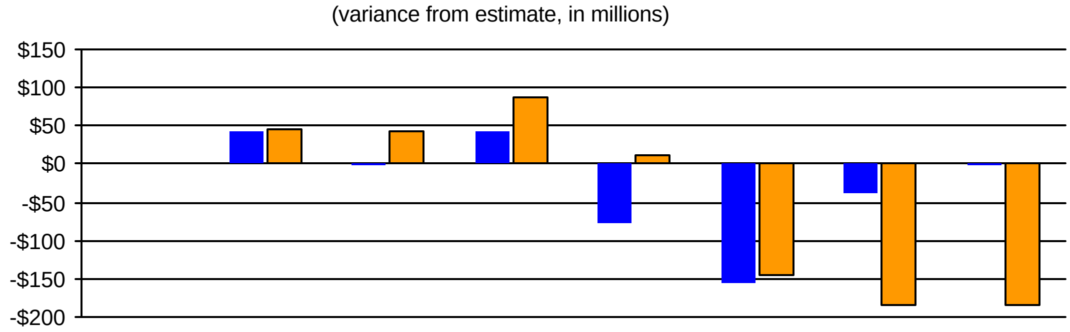
*— Allan Lundell and Jean Botomogno*

Although not as bad as the previous three months, February continued the string of months of disappointing revenue. Total GRF revenue was $1.5 million (0.1 percent) below estimate in January. Total GRF revenue less federal grants (revenue from Ohio sources) was $9.1 million (0.8 percent) below estimate. Tax revenues were $8.1 million (0.8 percent) below estimate and revenues from the major taxes (personal income, sales and use, corporate franchise, public utility, and kilowatt hour) were $20.3 million (2.1 percent) below estimate.

For the fiscal year to date, total GRF revenue is $184.7 million (1.3 percent) below estimate. Total GRF revenue less federal grants is $165.3 million (1.6 percent) below estimate. Tax revenues are $120.5 million (1.2 percent) below estimate and revenues from the major taxes are $172.3 million (1.8 percent) below estimate. The monthly and cumulative variances (differences from estimates) are presented in Exhibits 1-4. Compared to FY 2002, total GRF revenues are up by 6.0 percent, total revenue less federal grants is up by 5.5 percent, tax

**Exhibit 1: Total GRF Revenue**

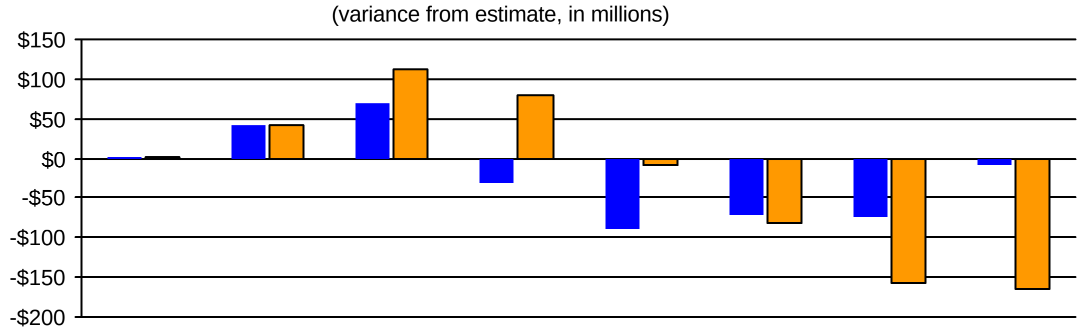
(variance from estimate, in millions)




| | Jul-02 | Aug-02 | Sep-02 | Oct-02 | Nov-02 | Dec-02 | Jan-03 | Feb-03 |
|---|---|---|---|---|---|---|---|---|
| Monthly | $0.6 | $44.0 | -$2.3 | $44.2 | -$76.0 | -$155.6 | -$38.1 | -$1.5 |
| Cumulative | $0.6 | $44.6 | $42.3 | $86.5 | $10.5 | -$145.2 | -$183.2 | -$184.7 |

**Exhibit 2: Total GRF Revenue less Federal Grants**

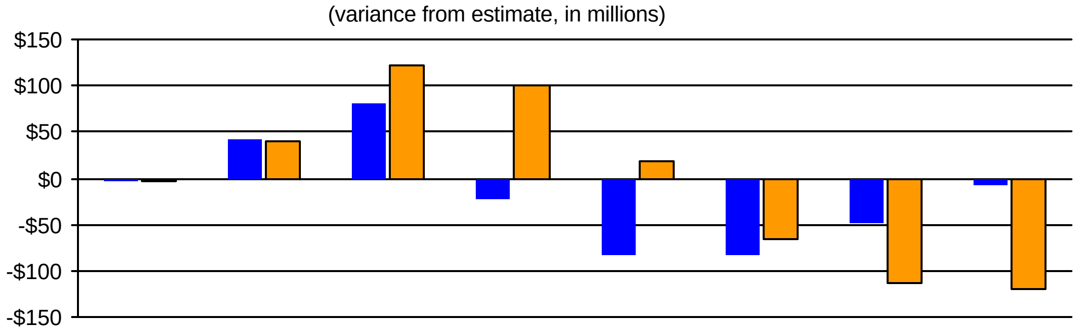
(variance from estimate, in millions)




| | Jul-02 | Aug-02 | Sep-02 | Oct-02 | Nov-02 | Dec-02 | Jan-03 | Feb-03 |
|---|---|---|---|---|---|---|---|---|
| Monthly | $0.6 | $42.3 | $68.8 | -$31.4 | -$89.6 | -$72.7 | -$74.2 | -$9.1 |
| Cumulative | $0.6 | $42.8 | $111.6 | $80.3 | -$9.3 | -$82.0 | -$156.2 | -$165.3 |

**Exhibit 3: Total GRF Tax Revenue**

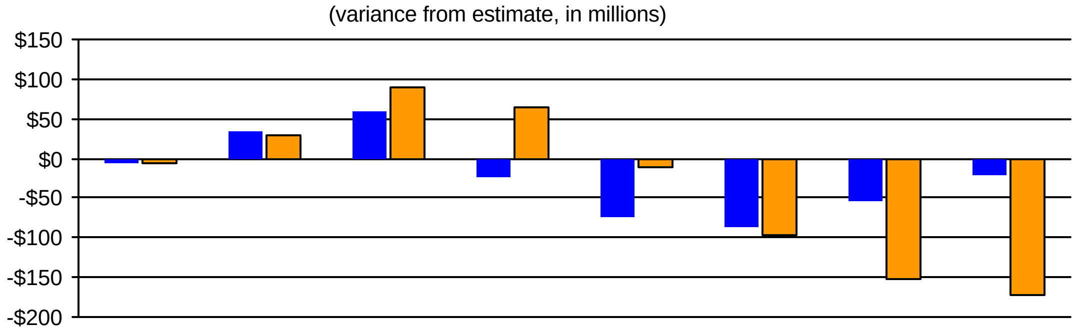
(variance from estimate, in millions)




| | Jul-02 | Aug-02 | Sep-02 | Oct-02 | Nov-02 | Dec-02 | Jan-03 | Feb-03 |
|---|---|---|---|---|---|---|---|---|
| Monthly | -$2.5 | $42.6 | $81.4 | -$21.7 | -$82.2 | -$82.6 | -$47.6 | -$8.1 |
| Cumulative | -$2.5 | $40.2 | $121.6 | $99.9 | $17.7 | -$64.8 | -$112.4 | -$120.5 |

**Exhibit 4: Total GRF Revenue from Major Taxes**

(variance from estimate, in millions)




| | Jul-02 | Aug-02 | Sep-02 | Oct-02 | Nov-02 | Dec-02 | Jan-03 | Feb-03 |
|---|---|---|---|---|---|---|---|---|
| Monthly | -$5.2 | $35.0 | $58.8 | -$24.7 | -$75.1 | -$86.7 | -$54.0 | -$20.3 |
| Cumulative | -$5.2 | $29.8 | $88.6 | $63.9 | -$11.3 | -$98.0 | -$152.0 | -$172.3 |

revenues are up 5.4 percent, and revenues from the major taxes are up by 3.2 percent.

### *Personal Income Tax*

February personal income tax revenues of $366.0 million were $37.8 million (9.4 percent) below estimate. Tax withholding was $28.0 million (4.6 percent) below estimate, quarterly estimated payments were $3.7 million (48.7 percent) above estimate, and refunds were $8.2 million (2.4 percent) above estimate. Withholding, which accounts for over 80 percent of gross income tax collections, is sensitive to the employment situation. The continued weakness in withholding is due to the continuing weakness in employment. Estimates for the remainder of the fiscal year assume an improvement in employment. If the economy remains in a "soft spot," however, income tax revenues can be expected to continue to soften.

For the fiscal year to date, personal income tax revenues are $100.2 million (2.1 percent) below estimate. Withholding is $98.1 million (2.0 percent) below estimate, quarterly estimated payments are $0.9 million (0.1 percent) below estimate, and refunds are $17.6 million (4.2 percent) greater than estimated.

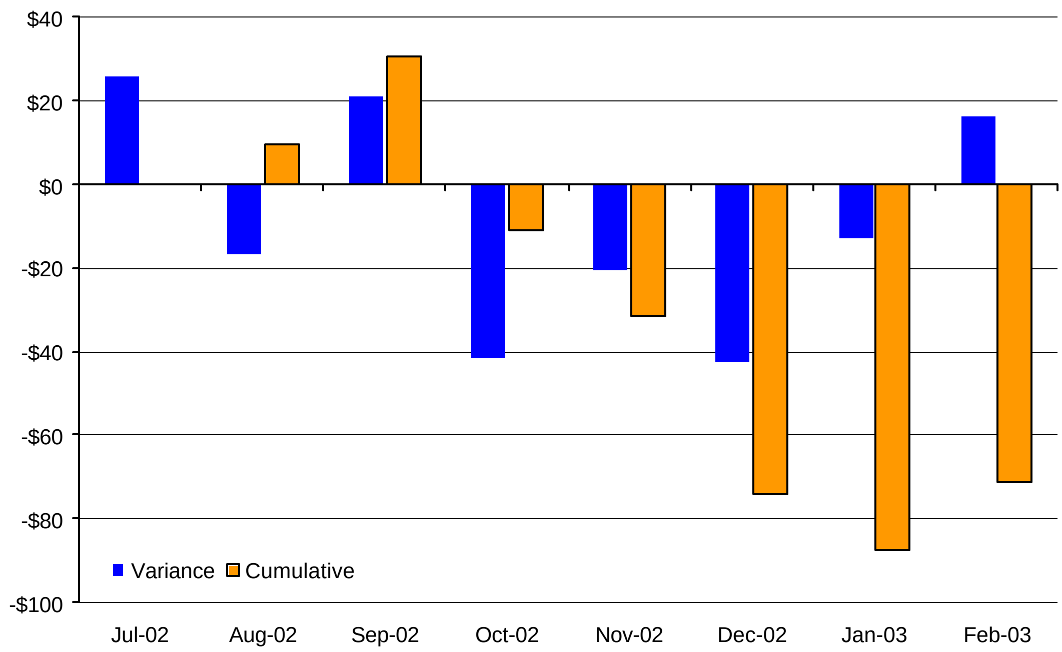
Compared to FY 2002, personal income tax revenues through February are up 3.9 percent. Withholding is up 2.7 percent, but quarterly estimated payments are down 0.8 percent. Refunds are down 1.0 percent and payments to the local government funds supported by the income tax are down 0.7 percent.

### *Non-Auto Sales and Use Tax*

For only the third month in this fiscal year, non-auto sales and use tax revenues were above estimates

**Exhibit 5: Non-auto Sales Tax Variance from July 2002 Estimate**

(in millions of dollars)




(July and September were the other two months). Non-auto sales and use tax receipts generally reflect retail sales activity in the prior month. At $355.5 million, non-auto sales tax revenues in February 2003 were $16.2 million or 4.8 percent above estimates. Receipts were also $36.9 million or 11.6 percent above revenues in the same period last year (February 2002). Thus, taxable sales in January 2003 improved compared to sales in January 2002. January 2003 retail sales (excluding autos) grew 1.2 percent, the largest increase since September 2000, and February non-auto sales tax revenues reflect this growth in sales.

The year-to-date shortfall in non-auto sales tax revenues decreased to $71.1 million in February, down from $87.4 million in January. Year-to-date non-auto sales and use tax receipts as of February were $3,526.0 million, 2.0 percent below estimates. Compared to receipts a year ago, year-to-date non-auto sales and use tax revenues in February 2003 were up $101.4 million or 3.0 percent.

U.S. retail sales (excluding autos) declined 1.0 percent in February from the previous month, which was a significant decline and may impact next month's sales tax revenues. Compared to February 2002, retail sales in the same month this year were up 2.5 percent. Thus, although not meeting expectations, retail sales are growing when compared to last year's sales. However, the true measure of the growth in non-auto sales tax revenue this fiscal year will come in the next few months. Some of the recorded growth in year-over-year revenues has been due to the auto leasing tax change that was effective in February 2002. Exhibit 5 illustrates the pattern in revenues for the non-auto sales tax this fiscal year.

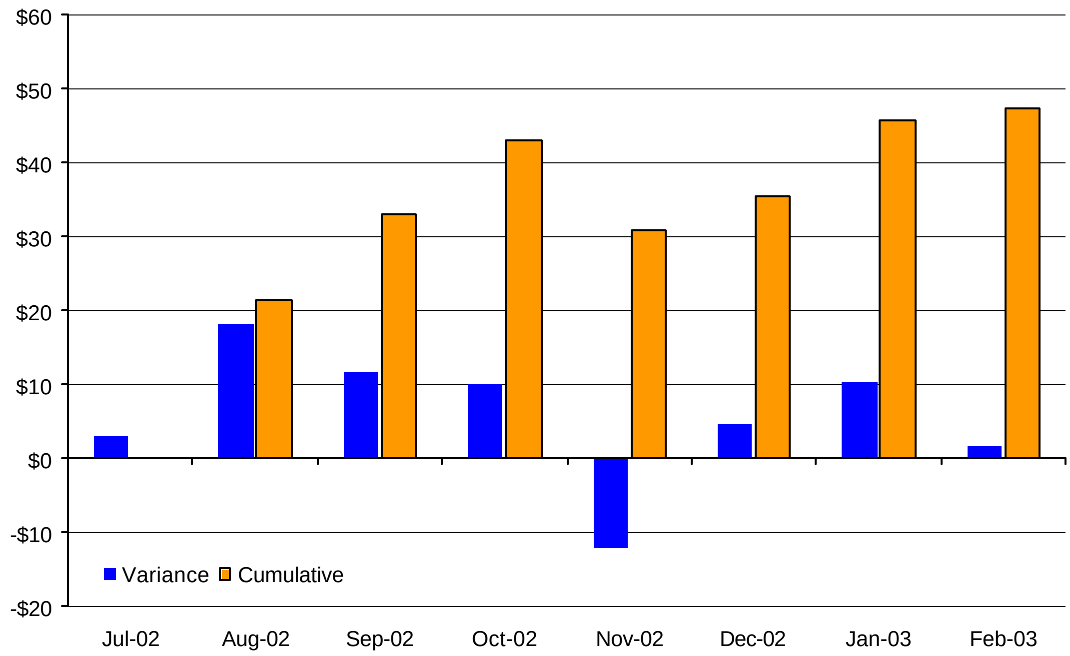
### *Auto Sales Tax*

The auto sales tax has continued to perform amazingly this year. However, auto sales have been volatile. Sales were down in November 2002 and rebounded in December. Then, sales at auto dealers declined 2.9 percent in January 2003 from December 2002 sales. Sales fell again in February by 3.6 percent. The ups and down of auto sales are tied to the level of automaker-provided incentives. Auto sales tax revenues were $60.4 million in February, $1.6 million or 2.7 percent above estimates. February auto sales tax receipts were $13.3 million or 18.0 percent lower than January revenues. Receipts were about $12.7 million or 26.7 percent higher than February 2002 tax revenues.

As of January 2003, year-to-date auto sales tax revenues, at $617.5 million, were $47.4 million or 8.3 percent above estimates. This tax source is expected to finish above estimates for the rest of the year. However, the overage may erode slowly. U.S.

**Exhibit 6: Auto Sales Tax Variance from July 2002 Estimate**

(in millions of dollars)




auto sales have declined in the first two months of CY 2003. February unit sales declined 6.5 percent. General Motors unit sales declined 19 percent. Chrysler Group unit sales fell 4 percent. Toyota unit sales fell 1.1 percent. Ford unit sales were about the same as in the previous month. Among major automakers, only Honda unit sales were up, by 7.8 percent. Carmakers have sold autos at a record pace in the last two calendar years (about 35 million autos). If the level of incentives decreases, then auto sales will also decrease.

### *Corporate Franchise Tax*

The first major payment under the corporate franchise tax in the fiscal year was received in January and February 2003. Corporate franchise tax receipts in January were $5.1 million or 2.7 percent above estimates. Receipts in February were $30.5 million or 28.1 percent below estimates. Combined, the two months were $25.4 million under estimates. February increased the cumulative shortfall for the fiscal year to $52.9 million, up from $22.4 million in January 2003. As of February 2003, year-to-date corporate franchise tax revenues were $237.1 million, 18.2 percent below estimates. Compared to year-to-date revenues in February 2002, corporate franchise tax revenues this year were $22.1 million or 10.3 percent higher. Taken together, the January and February receipts suggest a continued weakness in this revenue source. The second major payment, received in March and April 2003, will be telling on the prospects of corporate franchise tax revenue this fiscal year. The last major payment will be received in May and June 2003. Franchise tax payments this fiscal year will be primarily based on corporate book profits in CY 2002. Although corporate profits have been improving, book profits for the full 2002 calendar year declined.

### *Cigarette and Other Tobacco Products Tax*

Cigarette and other tobacco products tax receipts in February 2003 were $41.6 million $1.0 million or 2.5 percent above estimates. Cigarette and other tobacco products tax revenues were $1.3 million or 3.0 percent below January tax receipts. As of February 2003, year-to-date receipts from the tax on cigarette and other tobacco products were $380.1 million. These revenues were above estimates by $29.0 million or 8.2 percent. However, there is some possibility that consumption will fall during the second half of the year, and the overage will slip from this level. Year-to-date cigarette tax receipts were $205.5 million or 117.7 percent ahead of tax receipts in the same period a year ago.

**Exhibit 7: Corporate Franchise Tax Variance from July 2002 Estimate**

(in millions of dollars)

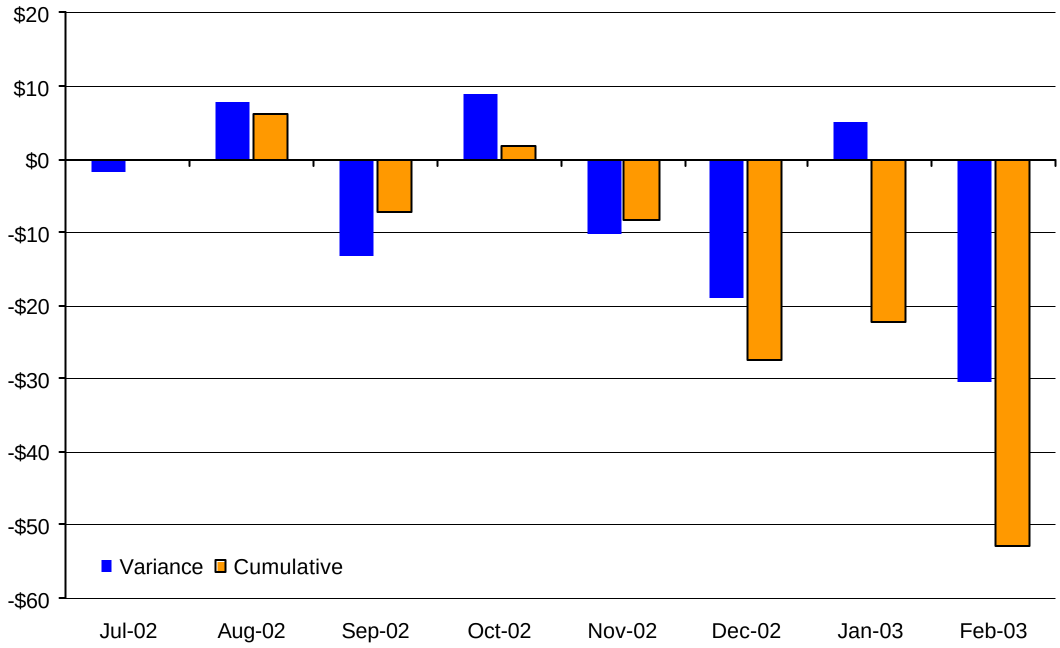



**Exhibit 8: Cigarette Tax Variance from July 2002 Estimate**

(in millions of dollars)

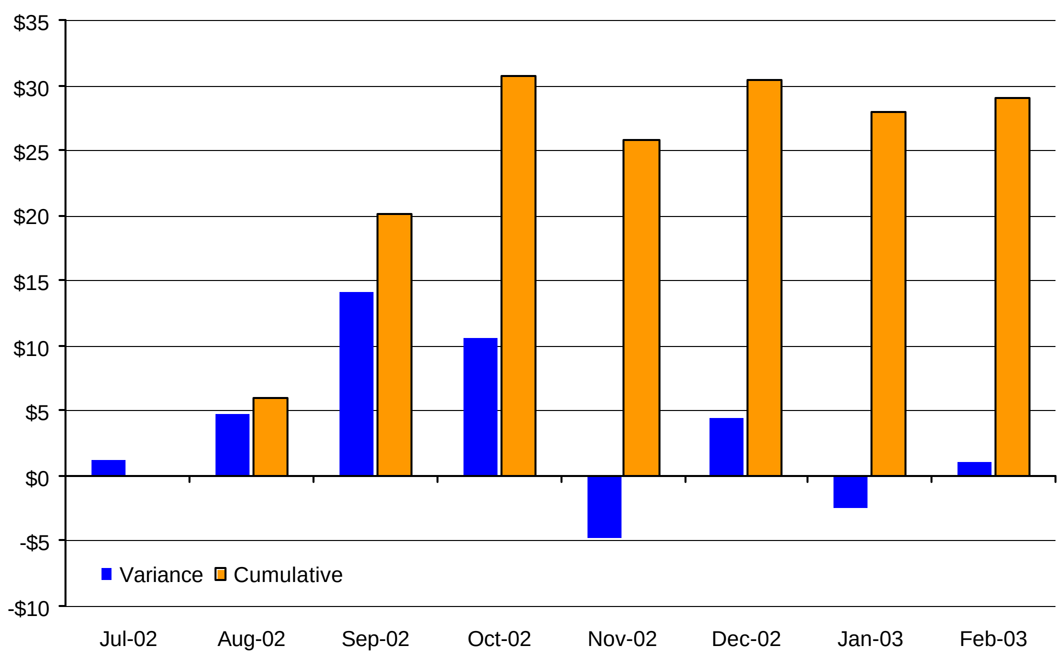


**Table 2**
**General Revenue Fund Revenue**
**Actual vs. Estimate**
**Month of February 2003**
($ in thousands)

| REVENUE SOURCE | | | |
|---|---|---|---|
| ***TAX REVENUE*** | **Actual** | **Estimate*** | **Variance** |
| Auto Sales | 60,397.09 | 58,825.00 | 1,572.09 |
| Non-Auto Sales & Use | 355,470.30 | 339,255.00 | 16,215.30 |
| Total Sales | 415,867.39 | 398,080.00 | 17,787.39 |
| Personal Income | 366,018.18 | 403,800.00 | (37,781.82) |
| Corporate Franchise | 77,899.34 | 108,402.00 | (30,502.66) |
| Public Utility | 52,518.70 | 31,300.00 | 21,218.70 |
| Kilowatt Hour Excise Tax | 30,767.04 | 21,775.00 | 8,992.04 |
| **Total Major Taxes** | **943,070.65** | **963,357.00** | **(20,286.35)** |
| Foreign Insurance | 62,242.22 | 51,750.00 | 10,492.22 |
| Domestic Insurance | 404.95 | 0.00 | 404.95 |
| Business & Property | 97.31 | 285.00 | (187.69) |
| Cigarette | 41,635.74 | 40,627.00 | 1,008.74 |
| Alcoholic Beverage | 4,827.14 | 4,524.00 | 303.14 |
| Liquor Gallonage | 2,245.39 | 2,220.00 | 25.39 |
| Estate | 167.10 | 0.00 | 167.10 |
| Total Other Taxes | 111,619.86 | 99,406.00 | 12,213.86 |
| **Total Taxes** | **1,054,690.51** | **1,062,763.00** | **(8,072.49)** |
| ***NON-TAX REVENUE*** | | | |
| Earnings on Investments | 9.90 | 0.00 | 9.90 |
| Licenses and Fees | 3,776.62 | 2,970.00 | 806.62 |
| Other Revenue | 17,866.81 | 23,805.00 | (5,938.19) |
| Non-Tax Receipts | 21,653.32 | 26,775.00 | (5,121.68) |
| ***TRANSFERS*** | | | |
| Liquor Transfers | 10,000.00 | 9,000.00 | 1,000.00 |
| Budget Stabilization | 0.00 | 0.00 | 0.00 |
| Other Transfers In | 3,092.51 | 0.00 | 3,092.51 |
| Total Transfers In | 13,092.51 | 9,000.00 | 4,092.51 |
| **TOTAL REVENUE less Federal Grants** | **1,089,436.34** | **1,098,538.00** | **(9,101.66)** |
| Federal Grants | 382,502.67 | 374,859.00 | 7,643.67 |
| **TOTAL GRF REVENUE** | **1,471,939.01** | **1,473,397.00** | **(1,457.99)** |

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

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

| REVENUE SOURCE | | | | | Percent |
|---|---|---|---|---|---|
| ***TAX REVENUE*** | **Actual** | **Estimate*** | **Variance** | **FY 2002** | **Change** |
| Auto Sales | $617,533 | $570,150 | $47,383 | $603,781 | 2.28% |
| Non-Auto Sales & Use | $3,526,037 | $3,597,180 | ($71,143) | $3,424,609 | 2.96% |
| Total Sales | $4,143,570 | $4,167,330 | ($23,760) | $4,028,390 | 2.86% |
| Personal Income | $4,708,352 | $4,808,600 | ($100,248) | $4,531,200 | 3.91% |
| Corporate Franchise | $237,062 | $289,976 | ($52,914) | $214,968 | 10.28% |
| Public Utility | $126,756 | $135,500 | ($8,744) | $161,050 | -21.29% |
| Kilowatt Hour Excise Tax | $231,781 | $218,421 | $13,360 | $211,160 | 9.77% |
| **Total Major Taxes** | **$9,447,521** | **$9,619,827** | **($172,306)** | **$9,146,768** | **3.29%** |
| Foreign Insurance | $177,608 | $171,000 | $6,608 | $169,381 | 4.86% |
| Domestic Insurance | $2,031 | $0 | $2,031 | $3,015 | -32.64% |
| Business & Property | $1,194 | $1,140 | $54 | $1,417 | -15.71% |
| Cigarette | $380,107 | $351,148 | $28,959 | $174,628 | 117.67% |
| Alcoholic Beverage | $37,645 | $37,845 | ($200) | $36,414 | 3.38% |
| Liquor Gallonage | $20,200 | $20,430 | ($230) | $19,924 | 1.39% |
| Estate | $69,114 | $54,540 | $14,574 | $63,405 | 9.01% |
| Total Other Taxes | $687,901 | $636,103 | $51,798 | $468,184 | 46.93% |
| **Total Taxes** | **$10,135,422** | **$10,255,930** | **($120,508)** | **$9,614,951** | **5.41%** |
| ***NON-TAX REVENUE*** | | | | | |
| Earnings on Investments | $14,760 | $51,000 | ($36,240) | $56,583 | -73.91% |
| Licenses and Fees | $22,534 | $21,780 | $754 | $18,861 | 19.48% |
| Other Revenue | $140,476 | $161,945 | ($21,469) | $118,874 | 18.17% |
| Non-Tax Receipts | $177,769 | $234,725 | ($56,956) | $194,317 | -8.52% |
| ***TRANSFERS*** | | | | | |
| Liquor Transfers | $76,000 | $68,000 | $8,000 | $72,000 | 5.56% |
| Budget Stabilization | $0 | $0 | $0 | $8,000 | -100.00% |
| Other Transfers In | $53,505 | $49,300 | $4,205 | $11,626 | 360.23% |
| Total Transfers In | $129,505 | $117,300 | $12,205 | $91,626 | 41.34% |
| **TOTAL REVENUE less Federal Grants** | **$10,442,696** | **$10,607,955** | **($165,259)** | **$9,900,894** | **5.47%** |
| Federal Grants | $3,163,358 | $3,182,782 | ($19,424) | $2,931,308 | 7.92% |
| **TOTAL GRF REVENUE** | **$13,606,054** | **$13,790,737** | **($184,683)** | **$12,832,202** | **6.03%** |

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

# DISBURSEMENTS

*— Steve Mansfield**

Disbursements for February (excluding transfers) were $4.3 million under the estimate, pushing the year-to-date General Revenue Fund (GRF) variance to $177.2 million below the estimate. The month's disbursement variance would have been positive by $48.8 million except for a timing-based negative disbursement variance in the Debt Service category of $52.9 million. February's negative disbursement variance in Debt Service balanced out a nearly equal positive disbursement variance in January that was solely due to the fact that the month of February started on a weekend, which caused February's payment to be made on the last day of January. Two other relatively large positive disbursement variances ($41.1 million in Higher Education and $33.8 million in Health Care/Medicaid) provide offsets to the negative disbursement variance in the Debt Service category and in the Government Operations category.

When we look at the year-to-date disbursement variance in four of the state's major program categories, as depicted in Figure 1 (please note that Figure 1 does not include the Debt Service category), we see that disbursements from all four of the state's major GRF program categories are now below estimate. Two of the major categories (Welfare and Human Services, and All Education) posted positive disbursement variances in February. In the sections that follow, we examine the disbursement activity in each of these four major GRF program categories in the order of magnitude of its contribution to the year-to-date negative disbursement variance. 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 (-$71.0 million)*

Disbursements in the Education category as a whole stand at $71.0 million below the estimate for the year to date, with the Department of Education standing at $78.4 million below estimate and the Board of Regents standing at $12.6 million over the estimate. The remainder of the year-to-date negative disbursement variance is made up by a $3.4 million negative variance posted by the Ohio SchoolNet. The Ohio SchoolNet Commission administers and supports various educational technology programs.

**Figure 1**
**GRF Disbursement Variances**
**by Program Category, FY 2003, Q1-3**

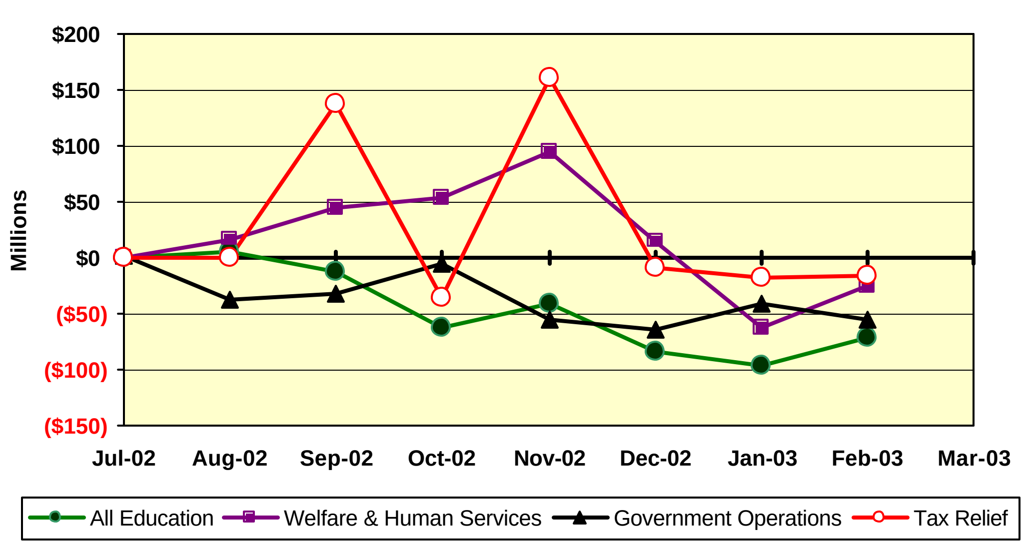


**Table 4**
**General Revenue Fund Disbursements**
**Actual vs. Estimate**
**Month of February 2003**
($ in thousands)

| USE OF FUNDS | | | |
|---|---|---|---|
| PROGRAM | **Actual** | **Estimate*** | **Variance** |
| Primary & Secondary Education (1) | $564,606 | $579,666 | ($15,061) |
| Higher Education | $212,727 | $171,460 | $41,267 |
| **Total Education** | $777,333 | $751,127 | $26,206 |
| Health Care/Medicaid | $651,580 | $617,748 | $33,833 |
| Temporary Assistance to Needy Families (TANF) | $15,340 | $10,532 | $4,808 |
| General/Disability Assistance | $2,064 | $1,997 | $68 |
| Other Welfare (2) | $28,653 | $29,104 | ($451) |
| Human Services (3) | $62,890 | $63,736 | ($845) |
| **Total Welfare & Human Services** | $760,527 | $723,116 | $37,412 |
| Justice & Corrections | $113,016 | $121,602 | ($8,586) |
| Environment & Natural Resources | $6,161 | $6,639 | ($479) |
| Transportation | $1,714 | $3,168 | ($1,454) |
| Development | $8,779 | $13,238 | ($4,459) |
| Other Government | $17,503 | $18,403 | ($901) |
| Capital | $0 | $0 | $0 |
| **Total Government Operations** | $147,172 | $163,050 | ($15,879) |
| Property Tax Relief (4) | $929 | $0 | $929 |
| Debt Service | $18,256 | $71,195 | ($52,938) |
| **Total Program Payments** | **$1,704,217** | **$1,708,487** | **($4,270)** |
| ***TRANSFERS*** | | | |
| Local Govt Distribution | $0 | $0 | $0 |
| Budget Stabilization | $0 | $0 | $0 |
| Other Transfers Out | $2,598 | $0 | $2,598 |
| **Total Transfers Out** | $2,598 | $0 | $2,598 |
| **TOTAL GRF USES** | **$1,706,815** | **$1,708,487** | **($1,672)** |

(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.

*Totals may not add up due to rounding.*

**Department of Education.** In February, the Department of Education added a $15.1 million negative disbursement variance to its year-to-date negative disbursement variance, which now stands at $78.4 million. Line item 200-501, Base Cost Funding, now stands at $31.0 million under estimate for the year to date; line item 200-513, Student Intervention Services, is $12.1 million under estimate for the year to date; line item 200-520, Disadvantaged Pupil Impact Aid, accounted for $10.9 million of the negative year-to-date variance; and line item 200-410, Professional Development, posted a $9.0 million negative year-to-date disbursement variance. It is likely that in coming months we will see line items 200-501, 200-520, and 200-410 post further negative variances against the estimates in so far as the recent Executive-ordered reductions for those three items were $63.7 million, $5.2 million, and $8.8 million, respectively.

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

| USE OF FUNDS PROGRAM | Actual | Estimate* | Variance | FY 2002 | Percent Change |
|---|---|---|---|---|---|
| Primary & Secondary Education (1) | $4,322,002 | $4,405,621 | ($83,619) | $4,247,926 | 1.74% |
| Higher Education | $1,670,855 | $1,658,213 | $12,642 | $1,685,062 | -0.84% |
| **Total Education** | $5,992,857 | $6,063,835 | ($70,977) | $5,932,988 | 1.01% |
| Health Care/Medicaid | $5,410,447 | $5,379,018 | $31,429 | $4,902,602 | 10.36% |
| Temporary Assistance to Needy Families (TANF) | $337,719 | $320,215 | $17,505 | $366,395 | -7.83% |
| General/Disability Assistance | $18,259 | $16,767 | $1,492 | $57,942 | -68.49% |
| Other Welfare (2) | $350,683 | $386,680 | ($35,997) | $355,114 | -1.25% |
| Human Services (3) | $838,481 | $877,814 | ($39,332) | $813,061 | 3.13% |
| **Total Welfare & Human Services** | $6,955,590 | $6,980,493 | ($24,904) | $6,495,114 | 7.09% |
| Justice & Corrections | $1,234,519 | $1,268,934 | ($34,416) | $1,227,720 | 0.55% |
| Environment & Natural Resources | $91,435 | $92,157 | ($722) | $97,540 | -6.26% |
| Transportation | $26,000 | $31,276 | ($5,276) | $35,471 | -26.70% |
| Development | $132,247 | $135,088 | ($2,841) | $130,402 | 1.42% |
| Other Government | $261,302 | $274,778 | ($13,476) | $278,146 | -6.06% |
| Capital | $0 | $1,535 | ($1,535) | $8,982 | -100.00% |
| **Total Government Operations** | $1,745,503 | $1,803,769 | ($58,266) | $1,778,260 | -1.84% |
| Property Tax Relief (4) | $692,429 | $710,065 | ($17,636) | $633,498 | 9.30% |
| Debt Service | $219,089 | $224,516 | ($5,427) | $185,535 | 18.08% |
| **Total Program Payments** | **$15,605,467** | **$15,782,677** | **($177,210)** | **$15,025,394** | **3.86%** |
| ***TRANSFERS*** | | | | | |
| Local Govt Distribution | $0 | $0 | $0 | $0 | --- |
| Budget Stabilization | $0 | $0 | $0 | $13,104 | -100.00% |
| Other Transfers Out | $18,587 | $15,836 | $2,752 | $16,858 | 10.26% |
| **Total Transfers Out** | $18,587 | $15,836 | $2,752 | $29,962 | -37.96% |
| **TOTAL GRF USES** | **$15,624,054** | **$15,798,513** | **($174,458)** | **$15,055,356** | **3.78%** |

(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.

*Totals may not add up due to rounding.*

**Regents.** For February, the Board of Regents posted a $41.3 million positive disbursement variance, thus pushing up its disbursement variance for the year to date into positive territory at $12.6 million above estimate. This year-to-date variance is largely traceable to the effects of a $32.3 million positive disbursement variance in February from line item 235-420, Success Challenge. This payment was originally anticipated for November. The Success Challenge program supports universities' efforts to promote successful degree completion by at-risk baccalaureate students and timely degree completion by all baccalaureate students. Also contributing to the year-to-date positive disbursement variance is line item 235-503, Ohio Instructional Grants, which is $9.2 million above estimate for disbursements through the end of February. The disbursement variance in line item 235-503 is the product of the timing of payouts, which depends on submittals of eligibility data.

### *Government Operations (-$58.3 million)*

For the year to date, disbursements for the Government Operations category as a whole stand at $58.3 million under the estimate, with the Department of Rehabilitation and Correction (DRC) contributing $25.9 million of that figure. The second largest contributor to that figure is the Department of Administrative Services (DAS), which posted a year-to-date negative disbursement variance of $8.5 million. For the month of February, the category as a whole posted a negative disbursement variance of $15.9 million, with the Supreme Court (JSC) contributing $4.5 million and DRC contributing $4.3 million to that figure.

**Rehabilitation & Correction.** The Department of Rehabilitation & Correction's year-to-date negative disbursement variance is wholly traceable to the department's institutional GRF line items (especially line item 501-321, Institutional Operations), which have experienced budget reductions.

### *Welfare/Human Services (-$24.9 million)*

Disbursements in the Welfare/Human Services category as a whole stand at $24.9 million below the estimate for the year to date. February's positive disbursement variance reduced this figure by $37.4 million. The bulk of February's positive disbursement variance was composed of a $33.8 million positive variance in the Health Care/Medicaid program. The following paragraphs discuss the disbursements in the components of this category in more detail.

**Health Care/Medicaid.** At the end of February, after two months of being below the estimates, the Health Care/Medicaid program (primarily line item 600-525) posted a $33.8 million positive disbursement variance, pushing the program's year-to-date disbursement variance back into positive territory at $31.4 million over the estimate for the year to date. Tables 6 and 7 compare FY 2003 actual Health Care/Medicaid spending by service category to the estimates and to last year.

**TANF.** 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, Day Care Match/MOE, and a portion of line item 600-321, Support Services, which was recently created by Controlling Board action to facilitate the program budgeting by the Department of Job and Family Services. 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, and by county expenditures for part of the program's administrative costs.

At the end of February, year-to-date disbursement reports on the GRF portion of TANF show a positive disbursement variance of $17.5 million. The year-to-date positive disbursement variance was produced by an overage of $32.5 million in line item 600-413, Day Care Match/MOE, with a $15.0 million offsetting negative disbursement variance in line item 600-410, TANF State. Because of the cumulative overage in earlier months, February's disbursement in line item 600-413, like December and January, was under estimate by more than $10 million. The disbursement variance can be attributed to the department shifting the timing of the use of the various funding sources for child day care. In the coming months, this positive disbursement variance will be reduced.

Figures on TANF spending (reported to the federal government in February) through the end of the quarter ending December 31, 2002, show that Ohio's total unspent federal TANF funds stand at $664,439,990, with $297,384,826 of this total reported as unliquidated obligations and $367,055,155 reported as the unobligated balance. The federal TANF legislation provides that "a State may reserve amounts paid to the State under [this legislation] for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under [this legislation]." Unobligated reserves from prior years may be spent only for the purpose of providing benefits that meet the definition of "assistance" or on related administrative costs. The TANF final rule defines "assistance" as including "cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses)." The TANF final rule requires that a state that obligates funds "must liquidate these obligations by September 30 of the immediately succeeding Federal fiscal year for which the funds were awarded." Any obligated funds that go unliquidated in this second year revert to an unobligated status. As the TANF final rule puts it, obligated funds not liquidated in the year succeeding the year in which they were awarded "must be

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

| Service Category | February Actual | February Estimate | February Variance | February Percent Variance | YTD Actual thru Feb. | YTD Estimate thru Feb. | YTD Variance | YTD Percent Variance |
|---|---|---|---|---|---|---|---|---|
| Nursing Facilities | $183,580 | $195,506 | ($11,926) | -6.1% | $1,616,467 | $1,712,752 | ($96,285) | -5.6% |
| Payments | $222,777 | $236,127 | ($13,349) | -5.7% | $1,722,595 | $1,830,345 | ($107,751) | -5.9% |
| NF Franchise Fees Offset[1] | ($39,197) | ($40,621) | $1,424 | -3.5% | ($106,128) | ($117,593) | $11,466 | -9.8% |
| ICF/MR | $35,029 | $36,499 | ($1,470) | -4.0% | $274,394 | $284,148 | ($9,754) | -3.4% |
| Payments | $36,742 | $38,256 | ($1,515) | -4.0% | $288,034 | $298,063 | ($10,029) | -3.4% |
| ICF/MR Franchise Fees Offset | ($1,712) | ($1,757) | $45 | -2.5% | ($13,640) | ($13,915) | $275 | -2.0% |
| Inpatient Hospitals | $100,077 | $98,961 | $1,115 | 1.1% | $831,522 | $856,265 | ($24,743) | -2.9% |
| Outpatient Hospitals | $42,258 | $35,932 | $6,326 | 17.6% | $353,480 | $319,670 | $33,810 | 10.6% |
| Physicians | $42,171 | $38,274 | $3,898 | 10.2% | $340,027 | $331,736 | $8,291 | 2.5% |
| Prescription Drugs | $120,567 | $112,683 | $7,884 | 7.0% | $997,767 | $973,063 | $24,704 | 2.5% |
| HMO | $61,267 | $53,579 | $7,688 | 14.3% | $462,447 | $418,025 | $44,423 | 10.6% |
| Medicare Buy-In | $12,676 | $11,051 | $1,625 | 14.7% | $96,265 | $86,629 | $9,636 | 11.1% |
| ODJFS Waiver[2] | $12,857 | $15,135 | ($2,278) | -15.1% | $114,506 | $125,790 | ($11,284) | -9.0% |
| All Other[3] | $59,563 | $63,841 | ($4,279) | -6.7% | $495,243 | $537,279 | ($42,036) | -7.8% |
| CHIP II[4] | $4,821 | $4,381 | $440 | 10.0% | $37,749 | $36,385 | $1,364 | 3.7% |
| DA Medical[5] | $7,185 | $5,625 | $1,560 | 27.7% | $61,343 | $51,625 | $9,718 | 18.8% |
| **Total ALI 600-525** | $682,051 | $671,467 | $10,584 | 1.6% | $5,681,211 | $5,733,367 | ($52,156) | -0.9% |
| DSH Offset | $0 | $0 | | | ($89,037) | $0 | | |
| Drug Rebates | ($30,470) | ($31,070) | | | ($182,822) | ($187,424) | | |
| FY 2002 Encumbrance | $0 | $0 | | | ($83,539) | ($82,208) | | |
| **Total Health Care (Net of Offsets)** | **$651,580** | **$640,396** | **$11,184** | **1.7%** | **$5,325,813** | **$5,463,735** | **($137,922)** | **-2.5%** |
| Est. Federal Share[6] | $379,693 | $373,977 | $5,716 | | $3,101,750 | $3,188,437 | ($86,688) | |
| Est. State Share | $271,887 | $266,419 | $5,468 | | $2,224,063 | $2,275,297 | ($51,234) | |
| Prior Period ALI 600-525 | $0 | $0 | | | $84,635 | $85,075 | | |
| BSF Shortfall[7] | $0 | ($22,639) | | | | ($169,791) | | |
| **Total Hlth Care w/o BSF** | **$651,580** | **$617,758** | **$33,823** | **5.5%** | **$5,410,448** | **$5,379,018** | **$31,429** | **0.6%** |

1. Some of the money generated from 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, whose family incomes are between 150% and 200% of FPL. The state receives enhanced federal Medicaid assistance percentages 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.*

included in the Unobligated Balance Line Item for the year in which they were awarded."

To get a full picture of Ohio's unspent TANF funds it is helpful to consider both the unobligated balance and unliquidated obligations. Some of the unspent funds that make up the unliquidated obligations are committed at the state level. A large part of the unliquidated obligations, however, are in the form of grants or allocations that have been distributed to the counties. With these funds, counties provide services directly or contract for services, and there may be a lag between the time the state allocates the funds to the counties and the time that the counties in turn obligate the funds for services. Also, a portion of those funds may go unspent by the counties. If this happens, the unspent funds would become unobligated and could be redirected to other TANF purposes. With the exception of incentive awards made to the counties, unspent TANF allocations to the counties do not roll over from year to year. In any case, we should see disbursements from these obligations increase as the year progresses and, also as the year progresses, we should see the typical shift away from using state funds to pay cash benefits and toward using federal funds for this purpose. The pattern of disbursements for cash benefit payments is for state funds to be used more heavily in the fall and winter quarters, and federal funds to be used more heavily in the spring and summer quarters.

In February, the number of TANF cash assistance cases decreased by more than 1,000 from January to stand at 86,172. The number of recipients decreased by more than 3,000 to stand at 194,278. In February of 2002, these same figures were 86,666 and 200,435, respectively.

**Job and Family Services.** Disbursement activity in the Department of Job and Family Services' operating expenses and subsidy programs, which is captured in the "Other Welfare" subcategory in Tables 4 and 5 and which excludes Medicaid, TANF, and Disability Assistance (and are tracked as separate components of the Welfare and Human Services program category), fell $0.5 million under the estimate for February. For the year to date, disbursements in the "Other Welfare" subcategory were $35.5 million under estimate.

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

| Service Category | FY 2003 Yr.-to-Date as of Feb. '02 | FY 2002 Yr.-to-Date as of Feb. '01 | Dollar Change | Percent Increase |
|---|---|---|---|---|
| Nursing Facilities | $1,616,467 | $1,611,985 | $4,482 | 0.28% |
| Payments | $1,722,595 | $1,660,341 | $62,254 | 3.75% |
| NF Franchise Fees Offset[1] | ($106,128) | ($48,356) | ($57,772) | 119.47% |
| ICF/MR | $274,394 | $269,931 | $4,462 | 1.65% |
| Payments | $288,034 | $280,688 | $7,346 | 2.62% |
| ICF/MR Franchise Fees Offset) | ($13,640) | ($10,756) | ($2,884) | 26.81% |
| Inpatient Hospitals | $831,522 | $711,829 | $119,693 | 16.81% |
| Outpatient Hospitals | $353,480 | $291,479 | $62,001 | 21.27% |
| Physicians | $340,027 | $307,993 | $32,035 | 10.40% |
| Prescription Drugs | $997,767 | $823,453 | $174,314 | 21.17% |
| HMO | $462,447 | $376,896 | $85,551 | 22.70% |
| Medicare Buy-In | $96,265 | $87,362 | $8,903 | 10.19% |
| ODJFS Waiver[2] | $114,506 | $107,401 | $7,105 | 6.62% |
| All Other[3] | $495,243 | $383,046 | $112,197 | 29.29% |
| CHIP II[4] | $37,749 | $29,025 | $8,724 | 30.06% |
| DA Medical[5] | $61,343 | $44,213 | $17,130 | 38.74% |
| **Total Health Care** | **$5,681,211** | **$5,044,614** | **$636,597** | **12.62%** |
| DSH Offset | ($89,037) | $0 | ($89,037) | |
| Drug Rebates | ($182,822) | ($148,047) | ($34,775) | |
| Prior Year Encumbrance | ($83,539) | $1,547 | ($85,086) | |
| **Total Health Care (Net of Offsets)** | **$5,325,813** | **$4,898,113** | **$427,700** | **8.73%** |
| Est. Federal Share[6] | $3,101,750 | $2,856,713 | $245,037 | |
| Est. State Share | $2,224,063 | $2,041,400 | $182,663 | |

1. Some of the money generated from 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, whose family incomes are between 150% and 200% of FPL. The state receives enhanced federal Medicaid assistance percentages 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 was 58.78% and the enhanced FMAP was 71.15%.

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

As these figures suggest, not much has changed compared to January. Some small differences in disbursement activity did, however, result in a reordering of the relative size of the contributors to the year-to-date variance. By posting a variance of $9.2 million for the year to date, line item 600-321, Support Services, is now the largest contributor. As we reported in January, this disbursement variance seems to reflect a cutback on expenditures in anticipation of the recently announced budget cuts. Line item 600-416, Computer Projects, with year-to-date underspending of $8.5 million (most of which is in an encumbrance of prior year funds) moved to second place. And line item 600-528, Adoption Services, continues in third place with a year-to-date negative disbursement variance of $7.6 million. The underspending in Adoption Services stems in large part from the rate of growth in the program being lower than expected.

**MR/DD.** In February, the Department of Mental Retardation and Developmental Disabilities posted a $4.3 million positive disbursement variance, thereby reducing its negative year-to-date variance to $19.6 million. The bulk of the year-to-date negative disbursement variance is traceable to the department's largest GRF subsidy line item, 322-413, Residential and Support Services. This line item funds residential services including, among other things, the Supported Living program and the GRF share of two home and community-based Medicaid waivers. The negative variance in line item 322-413 stems from the timing of Medicaid waiver payments.

**Mental Health.** Disbursement activity in the Department of Mental Health shows that with a negative disbursement variance of $3.3 million in

February, the department's year-to-date disbursement variance stands at $12.3 million below estimate. The negative disbursement variance is traceable to the department's two largest subsidy line items: $7.6 million in 334-408, Community and Hospital Mental Health Services, and $4.9 million in 335-508, Services for the Severely Mentally Disabled. The department disburses these subsidies to community mental health boards on a quarterly basis. Depending on when the boards submit their requests for funds, disbursements can occur in the course of three months (which may or may not be consistent with monthly disbursement estimates). Disbursements in the coming months are expected to balance out this variance.

### *Tax Relief (-$17.6 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 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.

Readers are reminded that the disbursement estimates for the Tax Relief program that are used in the Central Accounting System (CAS) reports were revised by the Office of Budget and Management (OBM) in September. We, however, continue to compare actual disbursements to OBM's estimates as of August 2002. Consequently, the analysis in this disbursements article regarding the Tax Relief program diverges from OBM's *Monthly Financial Report*.

For the year to date, the property tax program in the Department of Education stands at $7.8 million under estimate, and the program in the Department of Taxation stands at $9.8 million under estimate.

**LSC colleagues who contributed to the development of this disbursement report included, in alphabetical order, Melaney Carter, Ivy Chen, David Price, Joseph Rogers, Maria Seaman, Clay Weidner, and Holly Wilson.*