

# Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MARCH 2005

## FISCAL OVERVIEW

— Allan Lundell

The U.S. economic expansion continued in February and business activity rose in a number of industries in the Cleveland Federal Reserve District, which includes all of Ohio and parts of three adjacent states. General Revenue Fund (GRF) receipts were above estimate and disbursements were below estimate for the month. For the fiscal year to date, total GRF receipts are above estimate, total program disbursements are below estimate, and the cash balance is above its expected level.

### Tracking the Economy

The U.S. economy continued to grow in February and payroll employment growth strengthened. Employment in Ohio fell in January, but upward revisions to the payroll employment figures for the state now indicate a very modest recovery in the number of jobs here from a low point in late 2003. Business activity generally expanded in this region in the first two months of 2005, according to the Federal Reserve's latest "Beige Book."

### Receipts

Total GRF receipts for February were \$25 million (1.5%) above estimate, state-source receipts were \$57 million (4.6%) below estimate, tax revenue was \$15 million (1.3%) below estimate, and revenue from the major taxes was \$8 million (0.8%) below estimate.<sup>1</sup> Federal grants were \$82 million (19.1%) above estimate, revenue from licenses and fees was \$3 million (85.2%) above estimate, and revenue from the nonauto sales tax was \$1 million (0.3%) above estimate. Revenue from the auto sales tax was below estimate by \$9 million (12.5%), revenue from the foreign insurance tax was under estimate by \$6 million (10.5%), and revenue from the personal income tax was under estimate by \$3 million (0.8%). "Other transfers in" were below estimate by \$45 million (99.7%). A \$45 million transfer from the School District Property Tax Replacement Fund to the GRF expected to be made in February was not made. The transfer is now expected to be made in March.

### Volume 28, Number 7

- Tracking the Economy ..... 151
- Economic expansion continues
  - Ohio payroll employment revised upward
  - Interest rates are rising

### STATUS OF THE GRF

- Revenue ..... 154
- Timing issues pull down monthly GRF total receipts
  - Year-to-date state-source receipts 0.9% above estimate and up 5.7% over FY 2004
  - Year-to-date corporate franchise tax revenues on target with estimate

- Disbursements ..... 162
- Base cost funding in Education continues its push over estimate
  - Medicaid programs post variance of \$55.5 million under estimate

**Budget Footnotes** examines the fiscal position of the state General Revenue Fund on a periodic basis.

For questions or comments regarding specific sections:

GRF Revenue:  
Allan Lundell 644-7788

GRF Spending:  
Steve Mansfield 728-4815

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 2005 to Date	Last Year	Difference
<b>Beginning Cash Balance</b>	-\$489.6	\$533.1		
Plus Revenue and Transfers In	\$1,700.2	\$15,652.3		
<b>Available Resources</b>	<b>\$1,210.6</b>	<b>\$16,185.5</b>		
Less Disbursements and Transfers Out	\$1,808.6	\$16,783.4		
<b>Ending Cash Balances</b>	<b>-\$598.0</b>	<b>-\$598.0</b>	<b>-\$678.9</b>	<b>\$81.0</b>
Less Encumbrances and Accts. Payable		\$545.6	\$428.1	\$117.5
<b>Unobligated Balance</b>		<b>-\$1,143.5</b>	<b>-\$1,107.0</b>	<b>-\$36.5</b>
Plus BSF Balance		\$180.7	\$180.7	\$0.0
<b>Combined GRF and BSF Balance</b>		<b>-\$962.8</b>	<b>-\$926.3</b>	<b>-\$36.5</b>

For the fiscal year to date, total GRF receipts are \$81 million (0.5%) above estimate, state-source receipts are \$107 million (0.9%) above estimate, tax revenue is \$148 million (1.3%) above estimate, and revenue from the major taxes is \$168 million (1.5%) above estimate. The income tax is \$174 million (3.5%) above estimate, the nonauto sales tax is \$36 million (0.8%) above estimate, and the corporate franchise tax is \$1 million (0.3%) above estimate. Federal grants are \$26 million (0.7%) below estimate and revenue from the auto sales tax is \$29 million (4.1%) below estimate.

### ***Disbursements***

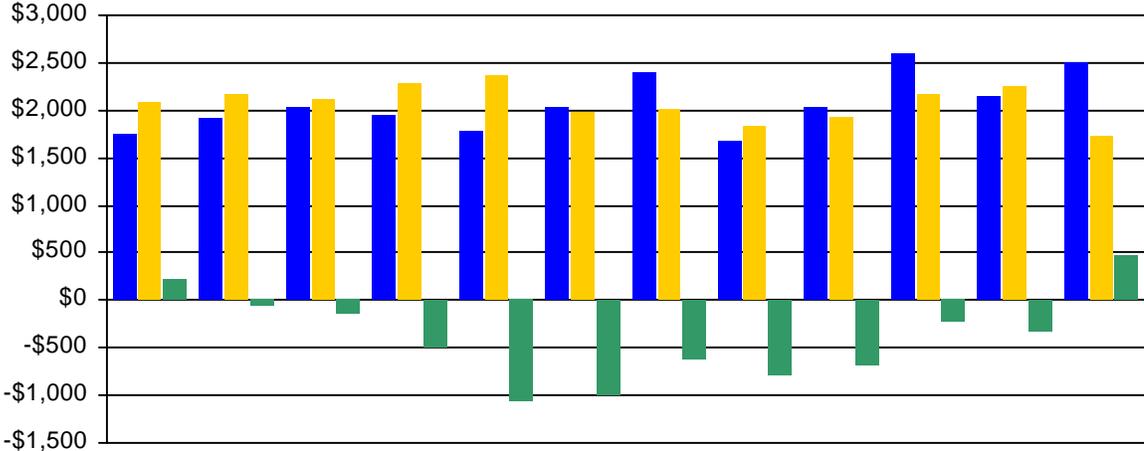
GRF program disbursements were \$26 million (1.4%) below estimate in February. Disbursements for health care/Medicaid were \$44 million (5.5%) below estimate, disbursements for TANF were under estimate by \$7 million (26.9%), and disbursements for justice and corrections were \$4 million (3.0%) below estimate. Disbursements for primary and secondary education were \$20 million (3.8%) above estimate, disbursements for higher education were \$7 million (3.3%) above estimate, and debt service payments were above estimate by \$5 million (48.7%).

For the fiscal year to date, GRF program disbursements are \$138 million (0.8%) below estimate and transfers out are \$32 million greater than estimate. Disbursements for health care/Medicaid are \$51 million (0.8%) below estimate and disbursements for TANF are \$34 million (12.6%) below estimate. Disbursements for primary and secondary education are below estimate by \$21 million (0.5%) and disbursements for higher education are below estimate by \$27 million (1.7%). Debt service payments are \$12 million (4.2%) below estimate. Disbursements for justice and corrections are \$35 million (2.7%) above estimate and disbursements for development are above estimate by \$16 million (16.6%).

### ***Cash Balance***

As shown in Table 1, the GRF began February with a negative cash balance of -\$490 million. Monthly revenues plus transfers in totaled \$1,700 million and disbursements plus transfers out totaled \$1,809 million. The monthly deficit of \$108 million lowered the month-end cash balance to -\$598 million.<sup>2</sup> This amount is \$81 million higher (less negative) than a year ago, and \$187 million higher (less negative) than the balance that would have resulted if receipts and

**Chart 1: Estimated FY 2005 Receipts, Disbursements, and Ending Cash Balances**  
(in millions)



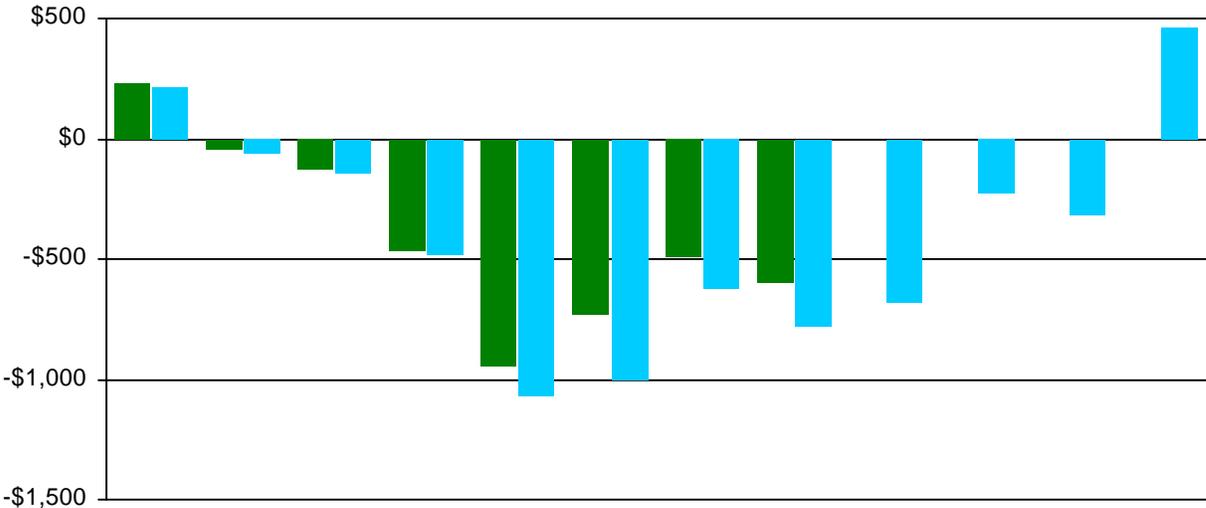
	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
■ Receipts	\$1,748	\$1,905	\$2,044	\$1,959	\$1,791	\$2,047	\$2,403	\$1,676	\$2,033	\$2,606	\$2,151	\$2,501
■ Disbursements	\$2,074	\$2,172	\$2,129	\$2,298	\$2,375	\$1,985	\$2,022	\$1,835	\$1,928	\$2,156	\$2,243	\$1,717
■ Cash Balance	\$208	-\$60	-\$145	-\$485	-\$1,069	-\$1,007	-\$626	-\$785	-\$680	-\$230	-\$321	\$463

disbursements had equaled their estimates for the first eight months of the fiscal year.

Although a negative cash balance may appear to be a cause for concern, the cash balance, due to the timing of revenues and disbursements, is

generally negative early in the fiscal year before turning positive later in the year. The expected pattern for FY 2005 is shown in Chart 1, which presents the monthly estimates of receipts and disbursements for FY 2005 and the estimated monthly ending cash balances based on those

**Chart 2: Actual and Estimated Ending Cash Balances**  
(in millions)



	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
■ Actual	\$224	-\$43	-\$126	-\$466	-\$948	-\$733	-\$490	-\$598				
■ Estimate	\$208	-\$60	-\$145	-\$485	-\$1,069	-\$1,007	-\$626	-\$785	-\$680	-\$230	-\$321	\$463

estimates. Chart 2 presents a comparison of actual monthly ending cash balances and the estimated monthly ending cash balances based on the monthly estimates of receipts and disbursements. The ending cash balance is tracking ahead of (less negative than) the estimate thus far this fiscal year.

Encumbrances and accounts payable of \$546 million combine with the cash balance to

yield an unobligated balance of -\$1,144 million. This amount is \$37 million lower (more negative) than a year ago. The \$181 million balance in the Budget Stabilization Fund (BSF) is the same as a year ago, so the combined GRF and BSF balance of -\$963 million is also \$37 million lower than it was a year ago.

---

<sup>1</sup> The “major taxes” are the personal income tax, the sales and use tax, the corporate franchise tax, the public utility excise tax, and the kilowatt-hour tax. In addition to providing revenue for the GRF, these taxes contribute to the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAAF), and the Library and Local Government Support Fund (LLGSF). For FY 2005, the major taxes are expected to account for approximately 70% of total GRF receipts and 90% of state-source GRF receipts.

<sup>2</sup> The GRF began FY 2005 with a \$533 million cash balance. This was \$137 million higher than the cash balance at the start of FY 2004 but was much lower than the balances during the years before the most recent recession. Through February, FY 2005 revenues plus transfers in totaled \$15,652 million and disbursements plus transfers out totaled \$16,783 million. The year-to-date deficit of \$1,131 million reduced the year-to-date cash balance to -\$598 million.

## TRACKING THE ECONOMY

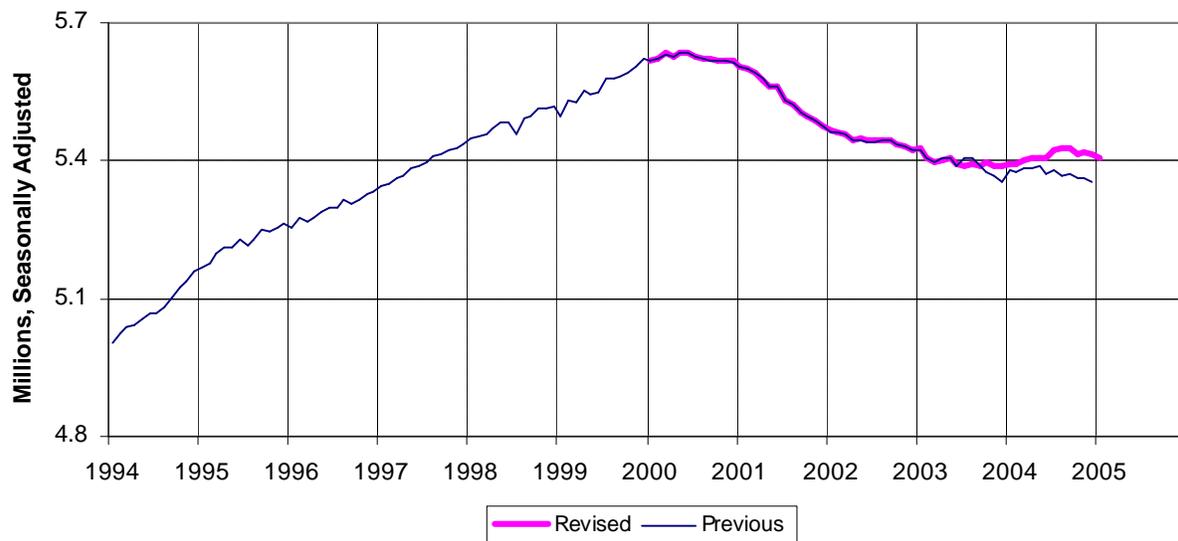
*¾ Phil Cummins*

Payroll employment growth nationwide strengthened in February. Employment in Ohio fell in January, but upward revisions to the payroll employment figures for the state now indicate a very modest recovery in the number of jobs here from a low point in late 2003. Purchasing managers nationwide indicate that economic expansion continued in February. Business activity generally expanded in this region in the first two months of 2005, according to the Federal Reserve's latest "Beige Book." Industrial production expanded again in February. Retail sales were also higher last month, indicating continued growth of consumer outlays. Housing starts continued very strong last month nationwide. Finished goods and services inflation remains well contained, but concerns about inflation prospects appear to be contributing to upward pressures on market interest rates. Growth of inflation-adjusted gross domestic product in the fourth quarter was revised upward to a 3.8% annual rate from 3.1% in the initial estimate. For all of last year, total output of the economy rose 4.4%, up from 3.0% the year before.

### *Ohio Payroll Employment Revised Upward*

Ohio employment and unemployment figures for January show a decline in the statewide unemployment rate to 5.9% from 6.1% in December, and a reduction of 8,200 in the number of employees on nonagricultural payrolls to about 5.4 million. December's unemployment rate was previously reported at 5.9% but was revised upward based on more complete data. The payroll employment figures were revised from 2000 forward to incorporate updated seasonal factors and benchmarking to a complete count of jobs in March 2004. Previously available figures showed a new cyclical low for Ohio nonfarm payrolls in December 2004. The revised data raised the level of employment in 2004 modestly, shifting the cyclical low point for the number of jobs in the state to November 2003. According to the new figures, payroll employment in the state recovered from the 2003 low by about 40,000 jobs as of August 2004 but has since fallen. In January 2005, Ohio nonfarm payrolls were 19,300 above the November 2003 low. Total

**Chart 1: Ohio Total Nonfarm Payroll Employment**



nonfarm payroll employment in Ohio, as revised and prior to the revision, is shown in Chart 1.

Nationwide, payroll employment growth strengthened in February, while unemployment rose to 5.4% of the labor force last month from 5.2% in January. The national unemployment rate was 5.4% or 5.5% throughout the last six months of 2004, after generally higher levels since late 2001. Total nonfarm payrolls increased 262,000 last month, one of the largest monthly gains since the upturn in hiring started in 2003. Most of the rise in February, as in earlier months, was in various service industries. Among goods producers, factory employment rose in February following declines in the previous five months, and construction employment also increased. Total nonfarm payroll employment in the nation and Ohio are shown in Chart 2.

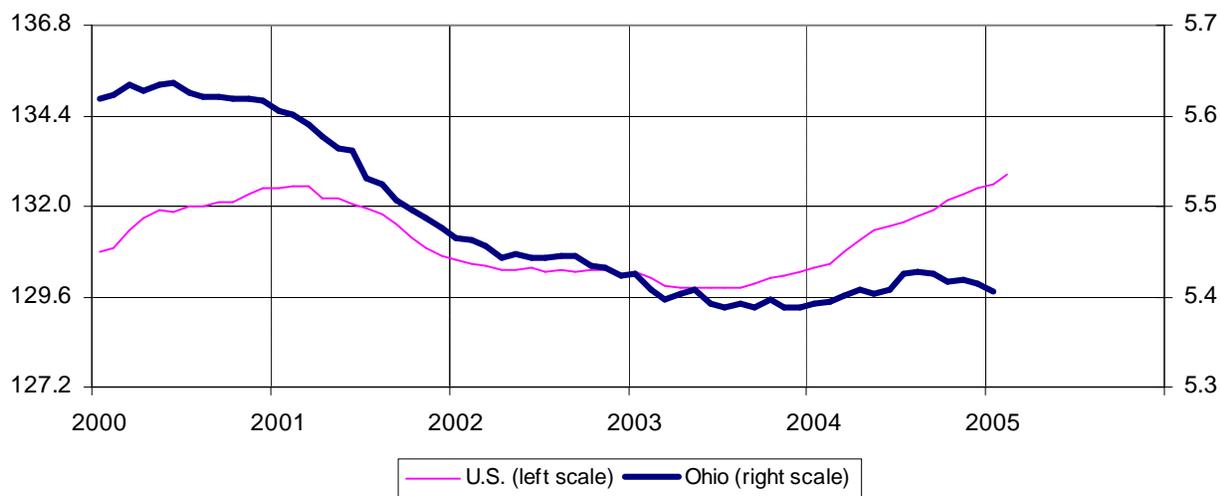
**Expansion Continuing in the Nation and This Region**

Purchasing managers at manufacturers around the country, in the Institute for Supply Management’s monthly survey, said that production and orders rose again in February, but reports of increases were not as widespread as in most months since mid-2003. Inventories were reduced, after an increase in January. In contrast, a comparable survey of purchasing managers in the nonmanufacturing sector noted more widespread increases in business activity and

orders last month, along with rising inventories. In both reports, commodities with price increases continued to outnumber substantially those with price declines, but the price increases were less widespread than in earlier months. Prices paid by manufacturers for some types of steel declined.

Business activity rose during January and February in a number of industries in the Cleveland Federal Reserve District, which includes all of Ohio and parts of three adjacent states. The District’s section of the “Beige Book,” a summary of reports from business and other contacts, indicated that retail sales were mixed to higher at discounters and specialty stores in the region, but weaker at department stores. Motor vehicle sales were supported by widespread incentive programs. Durable goods manufacturers’ production trended higher in early 2005, while nondurable goods output was about unchanged. Home sales improved, after adjustment for the typical seasonal slowdown in winter, but were below a year earlier for many builders. Nonresidential building increased modestly. Planned increases in numbers of employees were described as “isolated,” though staffing services appear to be doing well. As has been the case for months, trucking and shipping activity continues strong. “Beige Book” sections from other parts of the country indicate continued economic expansion, accompanied by generally unchanged or modestly higher retail prices. Exceptions include motor vehicles, for which increased sales

**Chart 2: Total Nonfarm Payroll Employment  
Millions, Seasonally Adjusted**



incentives are in effect a net reduction in selling prices, and declines in apparel prices.

### ***Industrial Output Growing***

Industrial production grew 0.3% in February, as factory output expanded 0.5% last month partly offset by lower output from utilities. Manufacturing production in February was 4.7% higher than a year earlier, reflecting strength in production of business equipment, which was 8.6% higher in February than a year ago. On the other hand, output of consumer goods last month was up a relatively modest 2.0% in February from a year earlier.

### ***Retail Sales Rise Again***

Retail sales rose 0.5% in February, and sales figures for the previous two months were revised upward. With these upward revisions, consumer spending appears to be growing at a healthy pace in the current quarter. Light vehicle sales, seasonally adjusted, ticked up slightly in February on stronger sales of trucks but remained below last year's sales rate. Total retail sales in February were 7.7% above a year earlier, paced by double-digit gains in sales at building materials dealers, gas stations, and nonstore retailers (catalog and Internet sellers).

### ***Housing Robust***

Housing starts nationwide in February rose 0.5% to a robust 2.20-million unit annual rate, seasonally adjusted. Total starts were at their highest level in 21 years. Beginning of construction of single-family homes rose to a 1.78 million unit annual rate, the highest rate on records maintained since 1959. (Statistics were kept earlier but because of conceptual differences are not directly comparable.) In the Midwest, starts rebounded 20% in February after slowing in January. Year-to-date housing starts were 15% higher than a year earlier nationwide and 12% higher in the Midwest.

Nationwide, new home sales in January slowed by 9% from December, seasonally adjusted, and were 4% below a year earlier. Though down from the peak selling pace of the last two years, sales

of new homes nevertheless remain above levels reached prior to that. In the Midwest, new home sales dropped 40% in January, seasonally adjusted. However, sales in the winter months are particularly volatile in response to weather variability in this region. In contrast, sales of used homes, reported by the National Association of Realtors, were about unchanged nationwide from December to January, at a pace 14% above a year earlier. In the Midwest, used home sales slowed 5% in January but were 11% higher than a year ago.

### ***Consumer Price Increases Remain Modest Overall***

Inflation at the finished goods and services level, as measured by the consumer price index, remained tame in January. Consumer prices, overall, rose 0.1% from the previous month and were 3.0% higher than in January 2004. Energy prices fell during the month. Gasoline prices have since rebounded. The index for food prices rose 0.1% in January. Consumer prices excluding food and energy rose 0.2%, the same as in the previous three months, to 2.3% higher than a year earlier.

### ***Rise in Borrowing Costs***

Longer-term interest rates have risen in the past month, though they are still low viewed in a long-term perspective. The ten-year U.S. Treasury note yield rose above 4.5%, its highest level since last July, from a low of around 4.0% in February. Financial market commentary noted concerns about the potential for higher inflation and for portfolio diversification away from dollars as reasons why longer-term interest rates have been rising. The central bank's monetary policy-setting group, the Federal Open Market Committee, next meets March 22, and is regarded as likely again to raise its target interest rate, the federal funds rate. Another 0.25 percentage point rise would increase this benchmark rate to 2.75%.

# Status of the General Revenue Fund

## REVENUE

— Jean Botomogno, Glenn Wintrich, and Allan Lundell

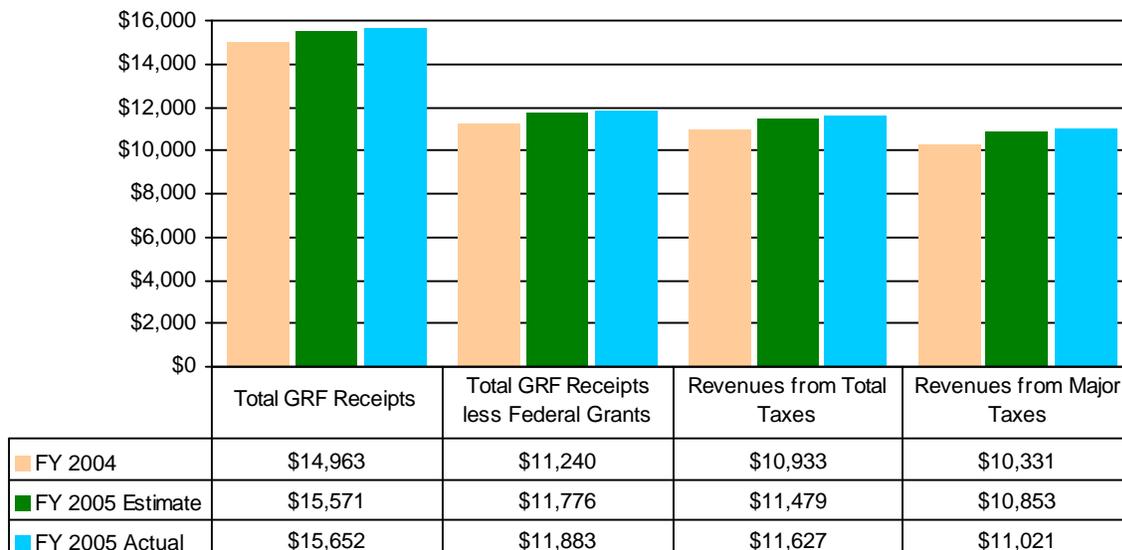
Total GRF receipts for February were \$24.6 million (1.5%) above estimate, state-source receipts were \$57.5 million (4.6%) below estimate, tax revenue was \$14.9 million (1.3%) below estimate, and revenue from the major taxes was \$8.1 million (0.8%) below estimate.<sup>1</sup>

Revenue from the auto sales tax was below estimate by \$8.8 million (12.5%), revenue from the foreign insurance tax was under estimate by \$6.5 million (10.5%), and revenue from the personal income tax was under estimate by \$3.2 million (0.8%). “Other transfers in” were below estimate by \$44.9 million (99.7%). A \$45 million transfer from the School District Property Tax Replacement Fund to the GRF expected to be made in February was not made. The transfer is now expected to be made in March. Federal grants were \$82.0 million (19.1%) above estimate.<sup>2</sup> Revenue from the nonauto sales tax was \$1.2 million (0.3%) above estimate.

For the fiscal year to date, total GRF receipts are \$81.1 million (0.5%) above estimate, state-source receipts are \$107.2 million (0.9%) above estimate, tax revenue is \$148.2 million (1.3%) above estimate, and revenue from the major taxes is \$167.8 million (1.5%) above estimate. The income tax is \$174.5 million (3.5%) above estimate, the nonauto sales tax is \$36.3 million (0.8%) above estimate, and the corporate franchise tax is \$1.1 million (0.3%) above estimate. Federal grants are \$26.1 million (0.7%) below estimate and revenue from the auto sales tax is \$29.0 million (4.1%) below estimate.

For the fiscal year to date, total GRF receipts are up 4.6% compared to FY 2004. State-source receipts are up 5.7%, total tax revenue is up 6.3%, and revenue from the major taxes is up 6.7%. Federal grants are up 1.2%. If the \$193 million in one-time revenue received in October 2003 is removed from the FY 2004 total

**Chart 1: Year-to-Date GRF Receipts**  
(in millions)



for federal grants, then FY 2005 federal grants are up 6.8%. Chart 1 compares FY 2005 receipts with FY 2004 receipts and FY 2005 estimates.

### Personal Income Tax

The GRF received \$380.8 million from the personal income tax in February. This amount was \$3.2 million (0.8%) less than estimated. This was largely due to withholding that was \$12.2 million (1.9%) below estimate for the month and refunds that were \$15.2 million (6.2%) more than expected.

For the fiscal year to date, the GRF has received \$5,147.9 million from the personal income tax, which is \$174.5 million (3.5%) above estimate. Withholding is \$3.3 million (0.1%) above estimate, quarterly estimated payments are \$108.3 million (13.7%) above estimate,<sup>3</sup> and refunds are \$13.4 million (2.8%) below estimate.

Compared to a year ago, GRF revenue from the personal income tax is up 8.8%. Withholding, which reflects the condition of Ohio's labor market, is up 5.1%. Quarterly estimated payments are

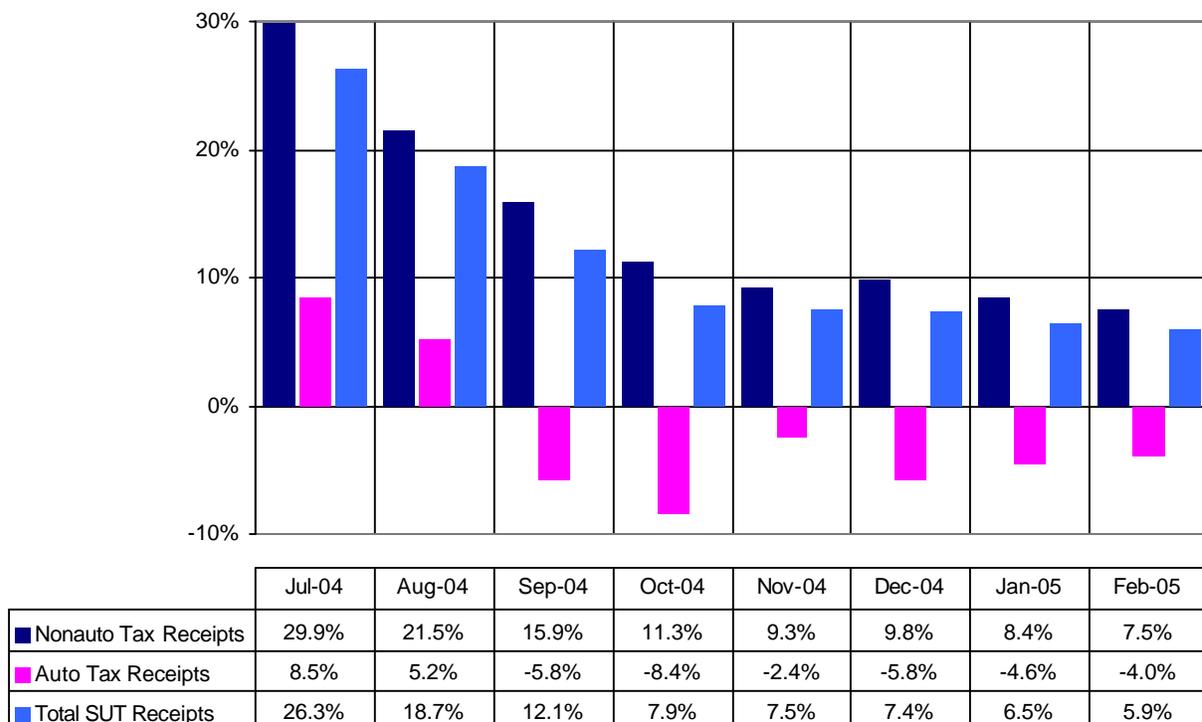
up 17.8%, gross collections are up 7.0%, net collections are up 7.6%, and refunds are up 0.1%.

### Sales and Use Tax

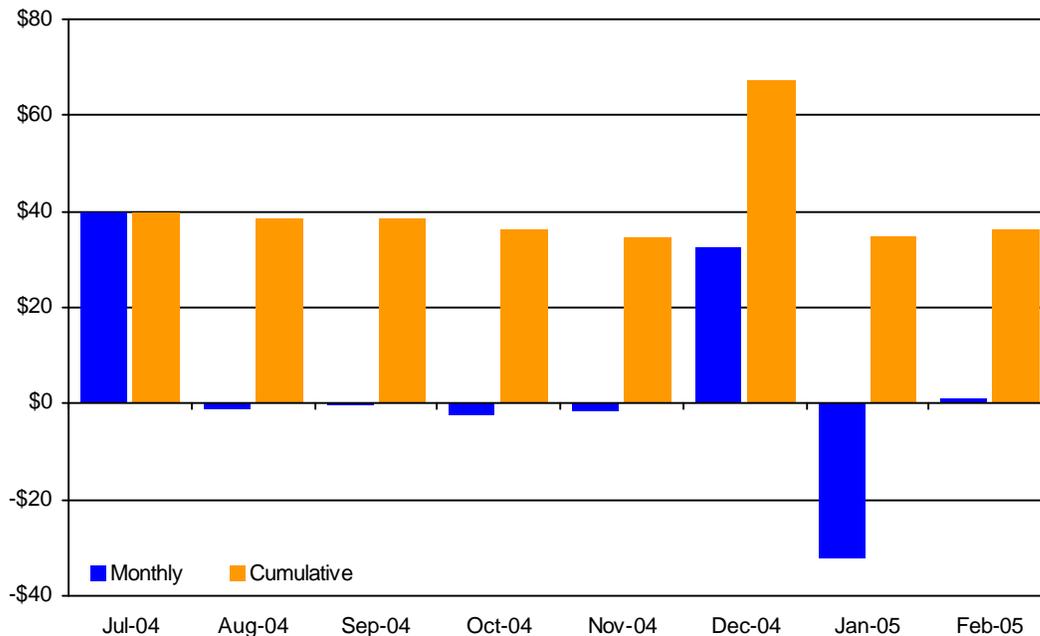
February 2005 sales and use tax revenues were \$514.7 million, \$7.6 million (1.5%) below projected revenues. Sales and use tax receipts in the month were \$1.5 million (0.3%) above February 2004 revenues. Receipts from the nonauto sales and use tax in February 2005 were 0.3% above estimate, while those from the auto sales and use tax were 12.5% below estimate. Tax receipts partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during that month.<sup>4</sup>

Through February, FY 2005 year-to-date sales and use tax revenues were \$5,233.1 million, \$7.3 million (0.1%) above estimate. FY 2005 year-to-date sales and use tax receipts were also \$290.5 million (5.9%) higher than year-to-date tax receipts in February 2004. Chart 2 compares year-to-date sales and use tax revenues in FY 2005 and FY 2004. Through February 2005, the nonauto sales tax shows a healthy year-over-

**Chart 2: Cumulative Year-over-Year Percentage Changes in Sales and Use Tax Receipts**



**Chart 3: Nonauto Sales Tax Variance from August 2004 Estimates**  
(in millions)



year revenue growth of 7.5%, while receipts from the auto sales tax were 4.0% below receipts in the same period last year. The cumulative year-over-year percentage change in total sales and use tax receipts declined to 5.9%, down from 6.5% at the end of January 2005.

### Nonauto Sales and Use Tax

In February 2005, nonauto sales and use tax revenues were \$453.4 million, \$1.2 million (0.3%) above estimate. These receipts were \$0.3 million (0.1%) below revenues in the same month last year. Through February, FY 2005 year-to-date nonauto sales and use tax revenues were \$4,552.1 million, \$36.3 million (0.8%) higher than estimate. FY 2005 year-to-date receipts were also \$318.8 million (7.5%) above revenues in the same period in FY 2004. At the end of January 2005, the cumulative year-over-year percentage change in nonauto sales and use tax receipts was 8.4%. FY 2005 nonauto sales and use tax receipts are inflated by the effects of the tax rate increase on July 1, 2003, by receipts from the sales tax on local phone calls (Am. Sub. H.B. 95, effective January 1, 2005), and by receipts from the sales tax base expansion (with collections that started generally in September 2003). Retail sales

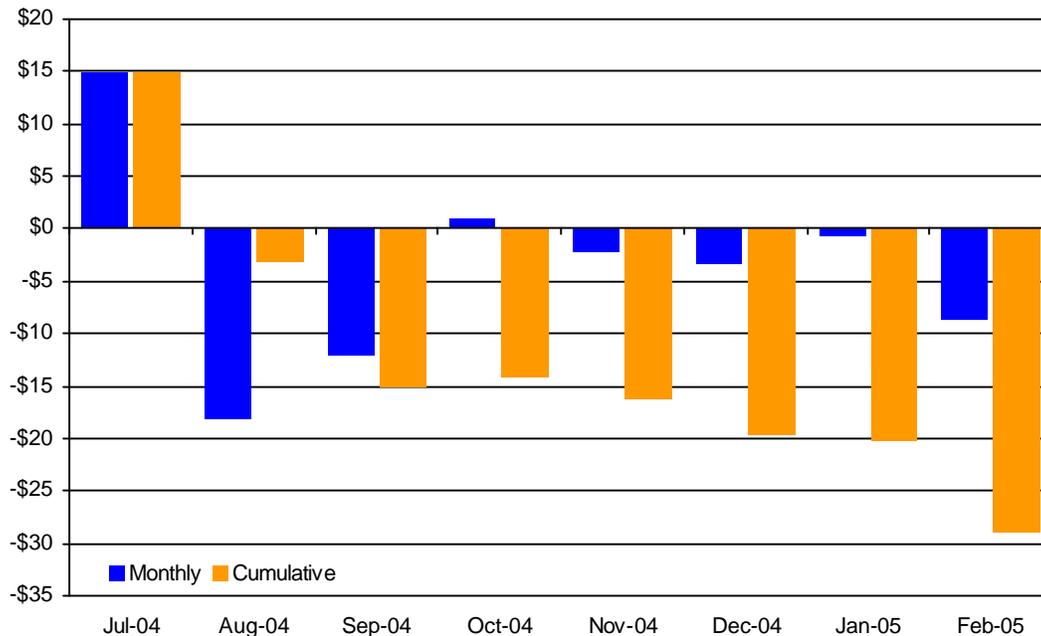
continue to support the growth of nonauto sales and use tax revenues. Nationwide, retail sales (excluding motor vehicle sales) grew 6% in the first two months of CY 2005, compared to retail sales in CY 2004.

### Auto Sales Tax

Auto sales and use tax receipts were \$61.2 million in February 2005, \$8.8 million (12.5%) below estimates.<sup>5</sup> The clerks of court generally make auto tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales tax receipts largely reflect vehicles sold and titled during the month. Compared to revenues in the same month a year ago, auto sales and use tax receipts in February 2005 were \$1.9 million (3.1%) higher. Through February 2005, FY 2005 year-to-date auto sales tax receipts were \$681.0 million, \$29.0 million (4.1%) below estimates. FY 2005 year-to-date auto sales and use tax receipts were also \$28.3 million (4.0%) below receipts in the same period in FY 2004.

In the first two months of CY 2005, auto sales tax receipts (although below estimates), improved

**Chart 4: Auto Sales Tax Variance from August 2004 Estimate**  
(in millions)



4.1% compared to receipts in the same period in CY 2004. In contrast, the growth in nationwide unit sales has been negative. Total light vehicle unit sales (autos and light trucks) in the first two months of CY 2005 were 3.6% below unit sales in the first two months of CY 2004. The decline in sales of light trucks (4.9%) was more pronounced than that of autos (1.9%). Automakers have responded to these declining sales with a new round of incentives this month.

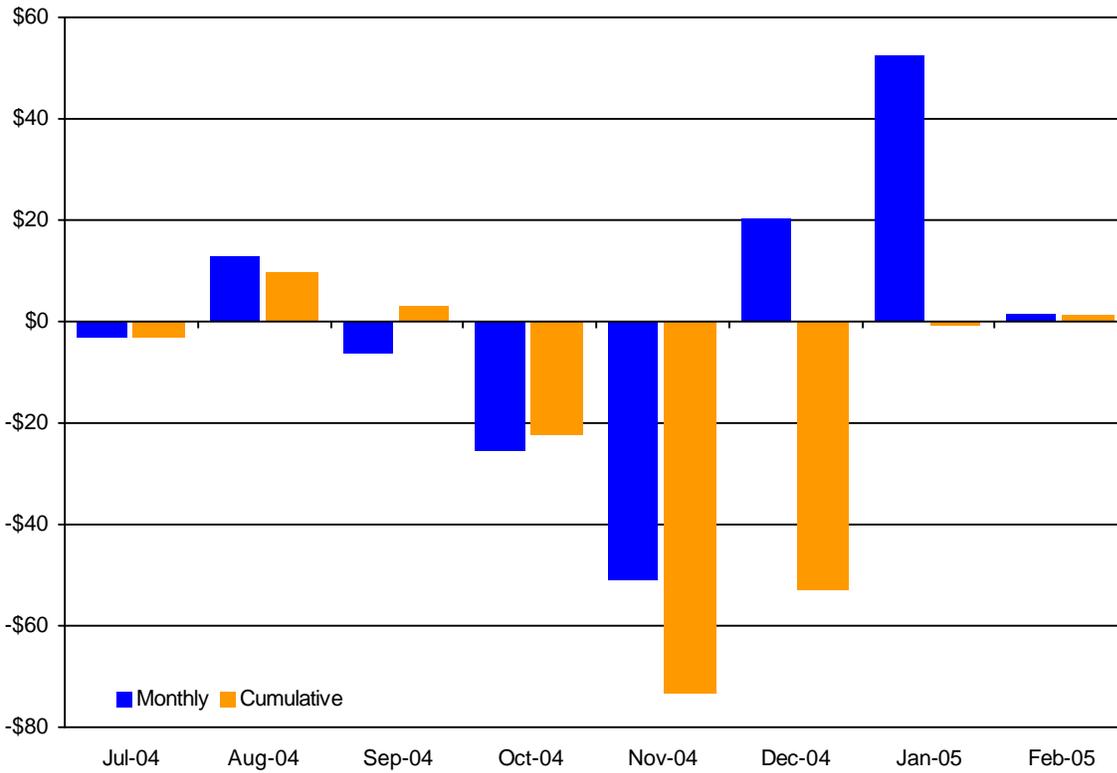
### ***Corporate Franchise Tax***

Major tax receipts under the corporate franchise tax are due in the second half of the fiscal year. Activities under the corporate franchise tax in the first half of the fiscal year are generally refunds, tax payments due to audit findings, late payments, and other tax reconciliations. The first major tax payment occurred in January 2005. Because the payment date for the first payment falls on the last day of the month, there is usually a spillover of tax collections into February. February 2005 corporate franchise tax receipts were \$107.7 million, \$1.8 million (1.7%) above estimate. However, these receipts were \$53.7 million (33.3%) below February 2004 receipts, which highlights the volatility in monthly revenues from this tax.

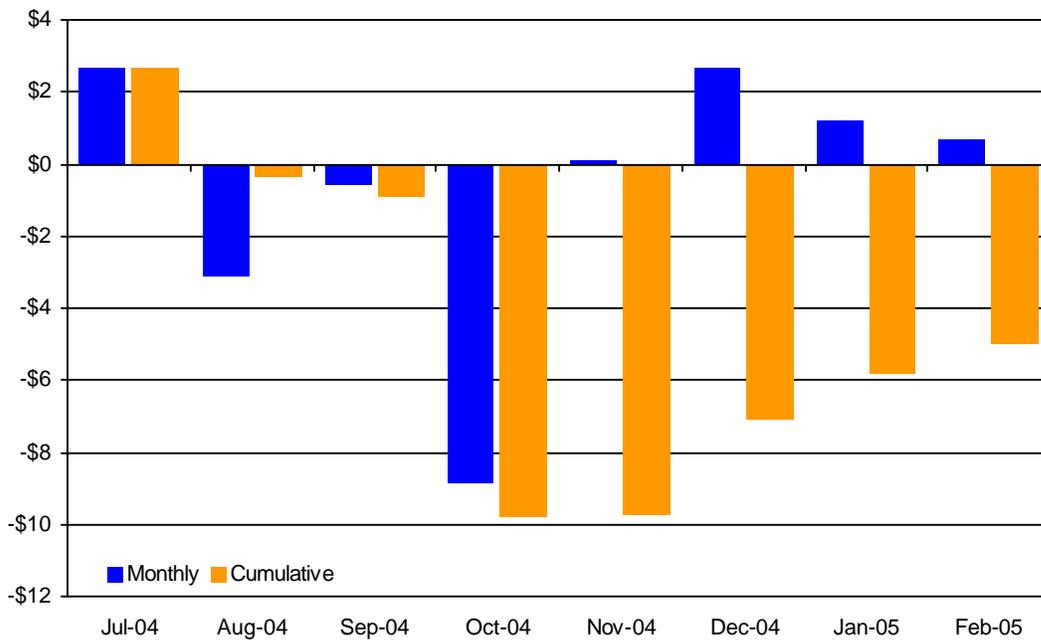
For franchise tax purposes, the second half of the fiscal year may be divided into three distinct tax periods: the January-February tax period, the March-April tax period, and the May-June tax period. In the January-February tax period in FY 2005, corporate franchise tax revenues were \$362.8 million, \$83.9 million (30.0%) higher than corporate franchise tax revenues in the same two-month period last year. Revenues were also \$54.2 million (17.6%) above estimates for the January-February tax period in the current fiscal year. Through February 2005, FY 2005 year-to-date corporate franchise tax revenues were \$345.9 million, \$1.1 million (0.3%) above estimates, and \$50.2 million (17.0%) above year-to-date revenues in FY 2004.

Although receipts from the first major tax payment improved the corporate franchise tax's prospects, it is still too early to predict how well this tax will do this fiscal year. FY 2005 corporate franchise tax revenues are expected to be about \$91 million (11.1%) above FY 2004 receipts. At the end of February 2005, year-to-date collections were on track to achieve these results.

**Chart 5: Corporate Franchise Tax Variance from August 2004 Estimates**  
(in millions)



**Chart 6: Cigarette Tax Variance from August 2004 Estimates**  
(in millions)



***Cigarette and Other Tobacco Products Tax***

Cigarette and other tobacco products tax receipts in February 2005 were \$40.6 million, \$0.8 million (2.0%) above estimates. Receipts were also \$4.7 million (13.1%) above receipts last

year. Through February 2005, FY 2005 year-to-date cigarette and other tobacco tax receipts were \$338.2 million, \$5.1 million (1.5%) below estimates. Compared to revenues in the same period in FY 2004, year-to-date cigarette and other tobacco products tax revenues were \$3.6 million (1.1%) above last year's receipts.

---

<sup>1</sup> The "major taxes" are the personal income tax, the sales and use tax, the corporate franchise tax, the public utility excise tax, and the kilowatt-hour tax. In addition to providing revenue for the GRF, these taxes contribute to the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAf), and the Library and Local Government Support Fund (LLGSF).

<sup>2</sup> "Federal grants" are federal reimbursements for programs administered by the Department of Job and Family Services such as Medicaid and Temporary Assistance for Needy Families (TANF). The amount received depends on expenses for human services programs that require federal participation. Any changes in state spending in these areas will change receipts from federal grants.

<sup>3</sup> Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than \$500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. These payments are usually made by taxpayers with significant nonwage income. This income often comes from investments, especially capital gains realized in the stock market. Most estimated payments are made by high-income taxpayers.

<sup>4</sup> Am. Sub. H.B. 40 of the 125th General Assembly changed the historical patterns of remittance of sales and use tax receipts starting in April 2003. Under prior law, monthly sales and use tax receipts reflected taxable transactions in the prior month. Under current law, certain large taxpayers must remit sales tax payments in the same month the transactions occur. Thus, monthly sales tax receipts reflect taxable transactions in both the current and the prior month.

<sup>5</sup> A payment of \$13.5 million intended for Monday, February 28 was not received until Tuesday, March 1. If this payment is included in the February total, then receipts for February were above estimate by \$4.7 million (6.3%).

**Table 2**  
**General Revenue Fund Sources**  
**Actual vs. Estimate**  
**Month of February 2005**  
(\$ in thousands)

	Actual	Estimate*	Variance	Percent
<b>TAX REVENUE</b>				
Auto Sales	\$61,221	\$69,985	-\$8,764	-12.5%
Nonauto Sales & Use	\$453,431	\$452,250	\$1,181	0.3%
Total Sales & Use Taxes	\$514,652	\$522,235	-\$7,583	-1.5%
Personal Income	\$380,845	\$384,000	-\$3,155	-0.8%
Corporate Franchise	\$107,687	\$105,918	\$1,769	1.7%
Public Utility	\$28,958	\$28,400	\$558	2.0%
Kilowatt Hour Excise	\$32,006	\$31,700	\$306	1.0%
<b>Total Major Taxes</b>	<b>\$1,064,147</b>	<b>\$1,072,253</b>	<b>-\$8,106</b>	<b>-0.8%</b>
Foreign Insurance	\$55,170	\$61,620	-\$6,450	-10.5%
Domestic Insurance	\$38	\$680	-\$642	-94.4%
Business & Property	\$0	\$75	-\$75	-99.9%
Cigarette	\$40,581	\$39,800	\$781	2.0%
Alcoholic Beverage	\$4,006	\$4,389	-\$383	-8.7%
Liquor Gallonage	\$2,318	\$2,294	\$24	1.0%
Estate	\$0	\$0	\$0	---
Total Other Taxes	\$102,113	\$108,858	-\$6,745	-6.2%
<b>Total Tax Revenue</b>	<b>\$1,166,260</b>	<b>\$1,181,111</b>	<b>-\$14,851</b>	<b>-1.3%</b>
<b>NONTAX STATE-SOURCE REVENUE</b>				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$7,006	\$3,782	\$3,224	85.2%
Other Revenue	\$5,366	\$7,333	-\$1,968	-26.8%
Nontax State-Source Revenue	\$12,372	\$11,115	\$1,256	11.3%
<b>TRANSFERS</b>				
Liquor Transfers	\$10,000	\$9,000	\$1,000	11.1%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$114	\$45,000	-\$44,886	-99.7%
Total Transfers In	\$10,114	\$54,000	-\$43,886	-81.3%
<b>TOTAL GRF before Federal Grants</b>	<b>\$1,188,745</b>	<b>\$1,246,226</b>	<b>-\$57,481</b>	<b>-4.6%</b>
Federal Grants	\$511,435	\$429,392	\$82,043	19.1%
<b>TOTAL GRF SOURCES</b>	<b>\$1,700,181</b>	<b>\$1,675,618</b>	<b>\$24,562</b>	<b>1.5%</b>
* August 2004 estimates of the Office of Budget and Management. Detail may not sum to total due to rounding.				

**Table 3**  
**General Revenue Fund Sources**  
**Actual vs. Estimate**  
**FY 2005 as of February 2005**  
(\$ in thousands)

	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>	<b>FY 2004</b>	<b>Percent Change</b>
<b>TAX REVENUE</b>						
Auto Sales	\$681,021	\$710,055	-\$29,034	-4.1%	\$709,319	-4.0%
Nonauto Sales & Use	\$4,552,061	\$4,515,750	\$36,311	0.8%	\$4,233,208	7.5%
Total Sales & Use Taxes	\$5,233,081	\$5,225,805	\$7,276	0.1%	\$4,942,528	5.9%
Personal Income	\$5,147,889	\$4,973,400	\$174,489	3.5%	\$4,730,387	8.8%
Corporate Franchise	\$345,974	\$344,846	\$1,128	0.3%	\$295,691	17.0%
Public Utility	\$64,728	\$77,500	-\$12,772	-16.5%	\$133,456	-51.5%
Kilowatt Hour Excise	\$229,322	\$231,600	-\$2,278	-1.0%	\$228,459	0.4%
<b>Total Major Taxes</b>	<b>\$11,020,994</b>	<b>\$10,853,151</b>	<b>\$167,843</b>	<b>1.5%</b>	<b>\$10,330,522</b>	<b>6.7%</b>
Foreign Insurance	\$177,732	\$184,718	-\$6,986	-3.8%	\$171,111	3.9%
Domestic Insurance	\$208	\$1,802	-\$1,594	-88.4%	\$148	40.5%
Business & Property	\$932	\$1,425	-\$493	-34.6%	\$1,410	-33.9%
Cigarette	\$338,229	\$343,300	-\$5,071	-1.5%	\$334,662	1.1%
Alcoholic Beverage	\$38,318	\$37,449	\$869	2.3%	\$37,260	2.8%
Liquor Gallonage	\$21,836	\$21,142	\$694	3.3%	\$21,027	3.8%
Estate	\$28,613	\$35,700	-\$7,087	-19.9%	\$37,272	-23.2%
Total Other Taxes	\$605,868	\$625,536	-\$19,667	-3.1%	\$602,889	0.5%
<b>Total Tax Revenue</b>	<b>\$11,626,862</b>	<b>\$11,478,687</b>	<b>\$148,175</b>	<b>1.3%</b>	<b>\$10,933,411</b>	<b>6.3%</b>
<b>NONTAX STATE-SOURCE REVENUE</b>						
Earnings on Investments	\$13,754	\$15,360	-\$1,606	-10.5%	\$14,768	-6.9%
Licenses and Fees	\$40,451	\$28,976	\$11,475	39.6%	\$26,688	51.6%
Other Revenue	\$69,987	\$81,851	-\$11,864	-14.5%	\$110,163	-36.5%
Nontax State-Source Revenue	\$124,192	\$126,187	-\$1,995	-1.6%	\$151,619	-18.1%
<b>TRANSFERS</b>						
Liquor Transfers	\$77,000	\$72,000	\$5,000	6.9%	\$77,000	0.0%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$54,774	\$98,800	-\$44,026	-44.6%	\$77,681	-29.5%
Total Transfers In	\$131,774	\$170,800	-\$39,026	-22.8%	\$154,681	-14.8%
<b>TOTAL GRF before Federal Grants</b>	<b>\$11,882,829</b>	<b>\$11,775,674</b>	<b>\$107,155</b>	<b>0.9%</b>	<b>\$11,239,711</b>	<b>5.7%</b>
Federal Grants	\$3,769,495	\$3,795,553	-\$26,058	-0.7%	\$3,723,779	1.2%
<b>TOTAL GRF SOURCES</b>	<b>\$15,652,324</b>	<b>\$15,571,227</b>	<b>\$81,097</b>	<b>0.5%</b>	<b>\$14,963,490</b>	<b>4.6%</b>

\* August 2004 estimates of the Office of Budget and Management.  
Detail may not sum to total due to rounding.

# DISBURSEMENTS

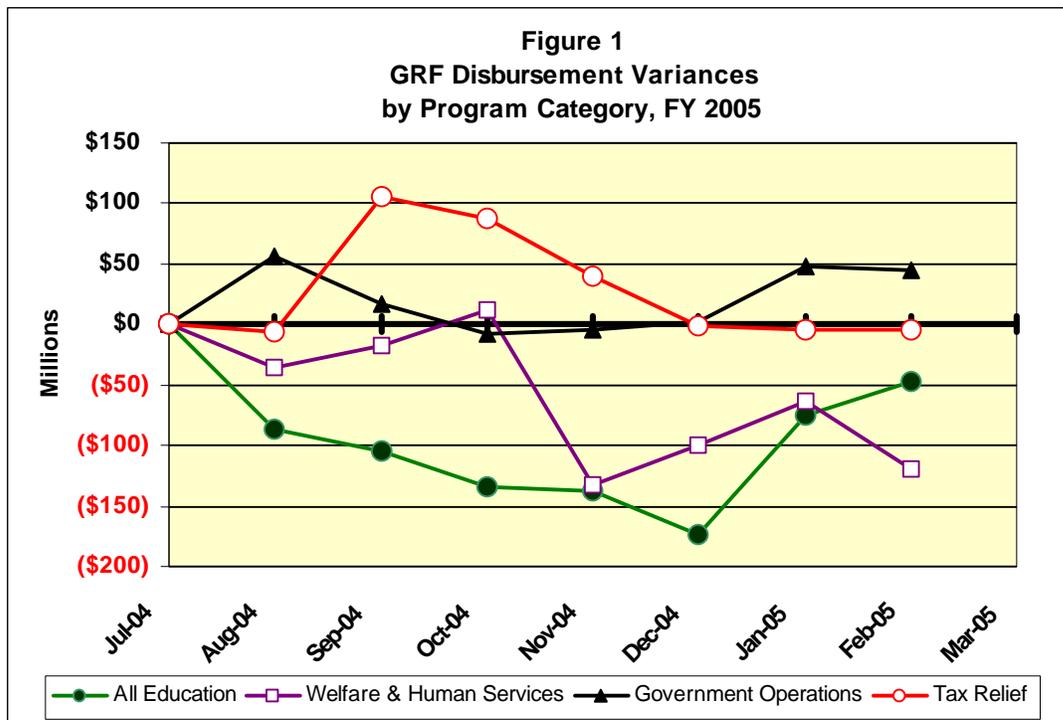
— Steve Mansfield\*

Compared to January, total General Revenue Fund (GRF) outlays in February declined by \$400.1 million. Of the state's four major GRF program categories (Education, Welfare and Human Services, Government Operations, and Property Tax Relief), only the Education category showed an increase in outlays from January's levels, with the increase traceable to the Higher Education subcategory. As we see in Table 5, below, actual outlays for FY 2005 to date are 4.7% higher than at the same point in FY 2004. The Government Operations category shows the largest year-over-year increase (6.2%).

In February total disbursements from the GRF, excluding transfers, were \$26.4 million below estimate. That pushed total year-to-date disbursements to \$137.9 million under estimate. When we look at Figure 1, which tracks the monthly variances in disbursements between what was actually disbursed and the estimates of disbursements prepared by the Office of Budget and Management, we see that in February, three of the state's four major GRF program categories (Welfare and Human Services, Government

Operations, and Tax Relief) had disbursement variances below the estimate, thus pushing down the year-to-date variance for those categories, while the other category (Education) posted a variance above the estimate.

Further detail of GRF disbursement activity for the most recent month is presented in Table 4. Fiscal year spending data are presented in Table 5. And a detailed analysis of disbursement activity in the Health Care/Medicaid program is presented in Tables 6 and 7. As Table 5 indicates, disbursements under the estimate are widespread among the subcategories of GRF programs. The only significant exceptions are the Justice and Corrections and the Development subcategories in the Government Operations group. In the sections that follow, we examine in more detail these areas of spending over the estimate, along with the disbursement activity in each of the four major GRF program categories in the order of magnitude of its contribution to the \$137.9 million in year-to-date underspending.



**Table 4**  
**General Revenue Fund Uses**  
**Actual vs. Estimate**  
**Month of February 2005**  
(\$ in thousands)

<b>PROGRAM</b>	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>
Primary & Secondary Education (1)	\$551,573	\$531,289	\$20,285	3.8%
Higher Education	\$213,186	\$206,445	\$6,741	3.3%
<b>Total Education</b>	<b>\$764,759</b>	<b>\$737,734</b>	<b>\$27,025</b>	<b>3.7%</b>
Health Care/Medicaid	\$754,147	\$797,824	-\$43,677	-5.5%
Temporary Assistance to Needy Families (TANF)	\$19,377	\$26,500	-\$7,123	-26.9%
General/Disability Assistance	\$2,134	\$1,908	\$226	11.8%
Other Welfare (2)	\$26,663	\$31,127	-\$4,464	-14.3%
Human Services (3)	\$73,838	\$74,295	-\$457	-0.6%
<b>Total Welfare &amp; Human Services</b>	<b>\$876,159</b>	<b>\$931,653</b>	<b>-\$55,494</b>	<b>-6.0%</b>
Justice & Corrections	\$115,722	\$119,348	-\$3,627	-3.0%
Environment & Natural Resources	\$8,476	\$6,623	\$1,853	28.0%
Transportation	\$2,073	\$2,015	\$58	2.9%
Development	\$7,898	\$8,198	-\$300	-3.7%
Other Government	\$16,589	\$17,494	-\$905	-5.2%
Capital	\$0	\$150	-\$150	-100.0%
<b>Total Government Operations</b>	<b>\$150,757</b>	<b>\$153,828</b>	<b>-\$3,071</b>	<b>-2.0%</b>
Property Tax Relief (4)	\$260	\$559	-\$299	-53.5%
Debt Service	\$16,626	\$11,182	\$5,444	48.7%
<b>Total Other Disbursements</b>	<b>\$16,885</b>	<b>\$11,741</b>	<b>\$5,144</b>	<b>43.8%</b>
<b>Total Program Disbursements</b>	<b>\$1,808,560</b>	<b>\$1,834,956</b>	<b>-\$26,395</b>	<b>-1.4%</b>
<b>TRANSFERS</b>				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$0	\$0	\$0	---
<b>Total Transfers Out</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>---</b>
<b>TOTAL GRF USES</b>	<b>\$1,808,560</b>	<b>\$1,834,956</b>	<b>-\$26,395</b>	<b>-1.4%</b>

(1) Includes Primary, Secondary, and Other Education.

(2) Includes 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 2004 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

### **Welfare/Human Services (-\$119.0 million)**

The Welfare and Human Services category posted a disbursement variance of \$55.5 million (6.0%) under the estimate in February. For the year to date, outlays in this category are now \$119.0 million (1.5%) under the estimate. Three program subcategories (Health Care/Medicaid,

Other Welfare, and TANF)—all in the Department of Job and Family Services—are the most significant contributors to the variance and are discussed in more detail below.

**Health Care/Medicaid.** Year-to-date net disbursements through February for the Health Care/Medicaid program (primarily line item

**Table 5**  
**General Revenue Fund Uses**  
**Actual vs. Estimate**  
**FY 2005 as of February 2005**  
(\$ in thousands)

<b>PROGRAM</b>	<b>Actual</b>	<b>Estimate*</b>	<b>Variance</b>	<b>Percent</b>	<b>FY 2004</b>	<b>Percent Change</b>
Primary & Secondary Education (1)	\$4,513,961	\$4,534,693	-\$20,731	-0.5%	\$4,330,466	4.2%
Higher Education	\$1,593,798	\$1,620,556	-\$26,758	-1.7%	\$1,619,821	-1.6%
<b>Total Education</b>	<b>\$6,107,759</b>	<b>\$6,155,249</b>	<b>-\$47,490</b>	<b>-0.8%</b>	<b>\$5,950,287</b>	<b>2.6%</b>
Health Care/Medicaid	\$6,426,421	\$6,477,677	-\$51,256	-0.8%	\$5,938,905	8.2%
Temporary Assistance to Needy Families (TANF)	\$235,656	\$269,740	-\$34,084	-12.6%	\$311,506	-24.3%
General/Disability Assistance	\$16,692	\$16,454	\$238	1.4%	\$15,419	8.3%
Other Welfare (2)	\$330,578	\$375,529	-\$44,951	-12.0%	\$332,978	-0.7%
Human Services (3)	\$852,027	\$841,015	\$11,012	1.3%	\$818,894	4.0%
<b>Total Welfare &amp; Human Services</b>	<b>\$7,861,373</b>	<b>\$7,980,416</b>	<b>-\$119,042</b>	<b>-1.5%</b>	<b>\$7,417,702</b>	<b>6.0%</b>
Justice & Corrections	\$1,311,976	\$1,277,242	\$34,733	2.7%	\$1,243,235	5.5%
Environment & Natural Resources	\$88,971	\$83,255	\$5,716	6.9%	\$79,859	11.4%
Transportation	\$18,769	\$20,931	-\$2,162	-10.3%	\$22,267	-15.7%
Development	\$116,111	\$99,614	\$16,497	16.6%	\$95,513	21.6%
Other Government	\$261,509	\$269,618	-\$8,109	-3.0%	\$251,691	3.9%
Capital	\$0	\$1,930	-\$1,930	-100.0%	\$0	---
<b>Total Government Operations</b>	<b>\$1,797,336</b>	<b>\$1,752,591</b>	<b>\$44,744</b>	<b>2.6%</b>	<b>\$1,692,565</b>	<b>6.2%</b>
Property Tax Relief (4)	\$711,039	\$715,132	-\$4,093	-0.6%	\$686,234	3.6%
Debt Service	\$273,921	\$285,953	-\$12,032	-4.2%	\$253,459	8.1%
<b>Total Other Disbursements</b>	<b>\$984,960</b>	<b>\$1,001,085</b>	<b>-\$16,125</b>	<b>-1.6%</b>	<b>\$939,693</b>	<b>4.8%</b>
<b>Total Program Disbursements</b>	<b>\$16,751,428</b>	<b>\$16,889,341</b>	<b>-\$137,913</b>	<b>-0.8%</b>	<b>\$16,000,247</b>	<b>4.7%</b>
<b>TRANSFERS</b>						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers Out	\$31,985	\$0	\$31,985	---	\$38,718	-17.4%
<b>Total Transfers Out</b>	<b>\$31,985</b>	<b>\$0</b>	<b>\$31,985</b>	<b>---</b>	<b>\$38,718</b>	<b>-17.4%</b>
<b>TOTAL GRF USES</b>	<b>\$16,783,413</b>	<b>\$16,889,341</b>	<b>-\$105,928</b>	<b>-0.6%</b>	<b>\$16,038,966</b>	<b>4.6%</b>

(1) Includes Primary, Secondary, and Other Education.

(2) Includes 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 2004 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

600-525) total \$6.4 billion and are \$51.3 million (0.8%) under the estimate (see Table 6). For December, health care spending was \$43.7 million (5.5%) under the estimate. Total net health care payments so far in FY 2005 exceed FY 2004 payments at the same point of the year by \$487.5 million (8.2%).

As we see in Table 6, payments to Nursing Facilities, Intermediate Care Facilities for the Mentally Retarded (ICF/MR), Inpatient Hospitals, Physicians, Medicare Buy-In, and DA Medical service categories are all over estimate for the month. Of these service categories, the Nursing Facilities Payments, Outpatient Hospitals, Physicians, Medicare Buy-In, and DA Medical

**Table 6**  
**Health Care/Medicaid Spending in FY 2005**  
**(ALI 600-525 Only)**  
(\$ in thousands)

Service Category	February				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Feb.	Estimate thru Feb.	Variance	Percent Variance
Nursing Facilities Payments	\$236,589	\$228,926	\$7,663	3.3%	\$1,836,625	\$1,799,174	\$37,452	2.1%
ICF/MR Payments	\$38,455	\$38,430	\$25	0.1%	\$300,166	\$302,162	(\$1,996)	-0.7%
Inpatient Hospitals	\$130,874	\$125,392	\$5,481	4.4%	\$941,267	\$975,795	(\$34,528)	-3.5%
Outpatient Hospitals	\$53,981	\$55,851	(\$1,869)	-3.3%	\$428,782	\$427,996	\$786	0.2%
Physicians	\$50,151	\$48,760	\$1,390	2.9%	\$412,103	\$384,085	\$28,018	7.3%
Prescription Drugs	\$146,520	\$165,365	(\$18,845)	-11.4%	\$1,313,907	\$1,341,503	(\$27,596)	-2.1%
ODJFS Waiver	\$17,327	\$18,607	(\$1,280)	-6.9%	\$147,912	\$159,765	(\$11,853)	-7.4%
All Other	\$78,252	\$84,501	(\$6,249)	-7.4%	\$633,037	\$658,112	(\$25,075)	-3.8%
MCP	\$94,490	\$99,616	(\$5,127)	-5.1%	\$705,263	\$743,318	(\$38,055)	-5.1%
Medicare Buy-In	\$17,333	\$15,074	\$2,259	15.0%	\$122,722	\$114,815	\$7,906	6.9%
<b>Total Medicaid Payments</b>	<b>\$863,971</b>	<b>\$880,524</b>	<b>(\$16,553)</b>	<b>-1.9%</b>	<b>\$6,841,784</b>	<b>\$6,906,725</b>	<b>(\$64,941)</b>	<b>-0.9%</b>
DA Medical	\$5,461	\$5,015	\$446	8.9%	\$51,519	\$45,000	\$6,519	14.5%
Drug Rebates Offsets	(\$50,611)	(\$49,836)	(\$774)	1.6%	(\$325,724)	(\$324,655)	(\$1,069)	0.3%
ICF/MR Franchise Fee Offsets	(\$1,726)	(\$1,730)	\$4	-0.3%	(\$11,848)	(\$13,602)	\$1,754	-12.9%
NF Franchise Fee Offsets	(\$62,490)	(\$36,149)	(\$26,341)	72.9%	(\$124,067)	(\$131,007)	\$6,940	-5.3%
DSH Rebate Offsets	(\$459)	\$0	(\$459)		(\$5,244)	(\$4,785)	(\$459)	
<b>Total Health Care (Net of Offsets)</b>	<b>\$754,147</b>	<b>\$797,824</b>	<b>(\$43,677)</b>	<b>-5.5%</b>	<b>\$6,426,421</b>	<b>\$6,477,677</b>	<b>(\$51,257)</b>	<b>-0.8%</b>
Est. Federal Share	\$442,745	\$468,387	(\$25,642)		\$3,772,829	\$3,802,921	(\$30,092)	
Est. State Share	\$311,402	\$329,437	(\$18,035)		\$2,653,592	\$2,674,757	(\$21,165)	

- 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 \$4.30 per bed per day for FYs 2004 and 2005.
  - Waivers provide home-care alternatives to consumers whose medical conditions/functional abilities would otherwise require long-term care facility residence.
  - "All Other" includes all other health services funded by line item 600-525, and payments from funds encumbered from the previous year.
  - CHIP II provides health care coverage for children under age 19 whose family incomes are between 150% and 200% of FPL. The state receives enhanced FMAP for CHIP II.
  - DA Medical is a state-only funded program.
  - The federal medical assistance percentage (FMAP) used in this table is a blended rate of 58.71%.
- 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.

services categories are over estimate for the year to date.

The service category with the largest variance over the estimate for the year to date is Nursing Facilities Payments, which is over the estimate by \$37.5 million. Like last year, the Department reports that "bed days" in nursing facilities are higher than expected, while per diems for Nursing Facilities have behaved as expected. The largest service category under the estimate is Managed Care Plan, which is under the estimate by \$38.1 million for the year to date. According to the Department, this is due to a lower than anticipated utilization rate.

Looking at the year-over-year comparisons in Table 7, we see significant increases in ODJFS Waiver (especially for the Ohio Home Care Waiver), Medicare Buy-In, and Prescription Drugs payments. The caseload in the Home Care

Waiver has grown from February 2004 to February 2005 by about 16%. The Medicare Buy-In program's increase stems largely from an increase in Medicare premiums, coinsurance, and deductible costs. And the increase in the Prescription Drugs service category is a continuation of the trend of a relatively high inflation rate in the cost of prescription drugs combined with higher utilization rates. The total number of Medicaid eligibles is now at 1,721,000, about 7,000 below what was anticipated. The number of eligibles in the Covered Families and Children program is under estimate by about 12,000, while the number of eligibles in the Aged, Blind, and Disabled program is over estimate by about 5,000.

We also see in Table 7 a \$70.0 million increase in the non-GRF Drug Rebates Offsets. This is due largely to the impact of supplemental drug rebates being negotiated by the Department.

**Table 7**  
**FY 2005 to FY 2004 Comparison of Year-to-Date Health Care/Medicaid Spending**  
**(ALI 600-525 Only)**  
( \$ in thousands)

Service Category	FY 2005	FY 2004	Dollar Change	Percent Increase
	Yr.-to-Date as of Feb. '05	Yr.-to-Date as of Feb. '04		
Nursing Facilities Payments	\$1,836,625	\$1,804,810	\$31,816	1.8%
ICF/MR Payments	\$300,166	\$295,372	\$4,794	1.6%
Inpatient Hospitals	\$941,267	\$845,176	\$96,091	11.4%
Outpatient Hospitals	\$428,782	\$381,771	\$47,011	12.3%
Physicians	\$412,103	\$372,063	\$40,040	10.8%
Prescription Drugs	\$1,313,907	\$1,132,351	\$181,556	16.0%
ODJFS Waiver	\$147,912	\$124,338	\$23,574	19.0%
All Other	\$633,037	\$584,688	\$48,349	8.3%
MCP	\$705,263	\$686,014	\$19,248	2.8%
Medicare Buy-In	\$122,722	\$104,374	\$18,348	17.6%
<b>Total Medicaid Payments</b>	<b>\$6,841,784</b>	<b>\$6,330,957</b>	<b>\$510,827</b>	<b>8.1%</b>
DA Medical	\$51,519	\$58,504	(\$6,985)	-11.9%
Drug Rebates Offsets	(\$325,724)	(\$255,706)	(\$70,018)	27.4%
ICF/MR Franchise Fee Offsets	(\$11,848)	(\$13,573)	\$1,726	-12.7%
NF Franchise Fee Offsets	(\$124,067)	(\$110,276)	(\$13,791)	12.5%
DSH Rebate Offsets	(\$5,244)	\$0	(\$5,244)	
Prior period encumbrance subsidy	\$0	(\$71,000)	\$71,000	-100.0%
<b>Total Health Care (Net of Offsets)</b>	<b>\$6,426,421</b>	<b>\$5,938,905</b>	<b>\$487,516</b>	<b>8.2%</b>
Est. Federal Share	\$3,772,829	\$3,486,618	\$286,211	
Est. State Share	\$2,653,592	\$2,452,287	\$201,304	

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 \$4.30 per bed per day for FYs 2004 and 2005.  
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, and payments from funds  
4. CHIP II provides health care coverage for children under age 19 whose family incomes are between 150% and 200% of FPL. The state receives enhanced FMAP for CHIP II.  
5. DA Medical is a state-only funded program.  
6. The federal medical assistance percentage (FMAP) used in this table is a blended rate of 58.71%.

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

Finally, it is noteworthy that expenditures in the Disability Assistance (DA) Medical program are \$7.0 million less for the year to date, compared to the same point in FY 2004, and year-over-year caseloads show a reduction of about 15%.

**Job and Family Services.** Disbursements for the Department of Job and Family Services' operating and subsidy programs were \$4.5 million (14.3%) under estimate in February and stand at \$44.9 million under the estimate for the year to date. In Tables 4 and 5, these disbursements are captured in the Other Welfare subcategory, which excludes the separately tracked Medicaid, TANF, and Disability Assistance Cash Assistance programs.

The three largest contributors to the year-to-date disbursement variance in this subcategory are line items 600-416, Computer Projects

(\$18.1 million under estimate), 600-528, Adoption Services (\$9.6 million under estimate), and 600-440, Ohio's Best Rx (\$5.0 million under estimate). As is often the case with line item 600-416, vendor invoicing for computer projects has been slower than anticipated. Disbursements for adoption services have been lower than expected largely because the cost per recipient was lower than anticipated by the estimates. And disbursements for Ohio's Best Rx program were delayed due to a slower than anticipated start to the program.

**TANF.** With a February disbursement variance of \$7.1 million below the estimate, year-to-date disbursements in the Temporary Assistance for Needy Families (TANF) program now stand at \$34.1 million below estimate.

This is largely the result of paying county advances out of the federal rather than the state component of the program's funding. The coming months will show a reduction in this variance.

### **Education (-\$47.5 million)**

In February, disbursements in the Education category were \$27.0 million (3.7%) over estimate. This reduced the category's year-to-date underspending to \$47.5 million under the estimate (0.8%).

**Department of Education.** February disbursements by the Department of Education were \$548.2 million, \$21.2 million (4.0%) over the estimate for the month. For the year to date, the Department's disbursements are \$18.8 million (0.4%) under the estimate.

The largest part of February's variance is traceable to line item 200-501, Base Cost Funding, which was over estimate for the month by \$13.9 million. This appropriation item is the largest item in the Department's budget. These funds are paid to school districts according to the base cost formula developed by the General Assembly and are used to provide educational services to Ohio public school students. The total appropriation for this line item for FY 2005 is \$4,412.2 million. For the year to date, line item 200-501 is \$51.9 million over estimate. The Department is predicting a shortfall in FY 2005 of between \$200 million and \$300 million in appropriations for foundation formula items. The appropriation for line item 200-501 has been increased by \$150 million in S.B. 56. In addition, that bill moves payment of a \$30 million set-aside for this line item into FY 2006, and increases the appropriation for line item 200-612, Base Cost Funding, from the Lottery Profits Education Fund, by \$30 million. This appropriation is used together with line item 200-501 to fund the foundation formula. The remainder of the shortfall will be met with forgiveness of Executive-ordered cuts totaling about \$13 million and transfers from other appropriation items.

There are several smaller appropriation items that are under estimate for the year to date and offset the over estimate with line item 200-501. Among these are line item 200-437, Student Assessment (\$17.1 million under estimate), line item 200-513, Student Intervention Services (\$11.5 million under estimate), and line item 200-410, Professional Development (\$9.9 million under estimate). Each of these items appears to be under estimate largely for reasons of timing in their billing processes.

**Board of Regents.** Disbursements by the Board of Regents were \$6.7 million above the estimate for February, with the year-to-date disbursement variance now standing at \$26.8 million below estimate. The year-to-date variance is explained almost completely by line item 235-420, Success Challenge, which is now under the estimate by \$26.3 million. This line item is used to support universities' efforts to promote successful degree completion by "at risk"

baccalaureate students and timely degree completion by all students. This variance is a matter of timing.

### ***Tax Relief (-\$4.1 million)***

The Property Tax Relief program, which carries an FY 2005 GRF appropriation of over \$1.4 billion, reimburses school districts and local governments for revenue that is lost due to tax relief provided by state law to property owners and businesses through the homestead exemption, the property tax rollbacks, and the \$10,000 tangible tax exemption programs. Tax relief funds are distributed 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.

Tax relief payments totaled \$11.3 million in January and about \$260,000 in February. For the year to date, however, a total of \$711.0 million has been disbursed, representing a variance of \$4.1 million (0.6%) under the estimate.

This \$4.1 million variance is composed of a \$14.5 million underestimate in disbursements in the Tax Relief program in the Department of Education (mostly in line item 200-906, Tangible Tax Exemption-Education) and a partially offsetting overestimate of \$10.4 million in the Tax Relief program in the Department of Taxation (mostly in the homestead exemption and property tax rollback programs). As noted in the January edition of the "Disbursements" report, the variance in the Tangible Tax Exemption program stems largely from basing the estimates on the appropriation level for each line rather than on the expected level of reimbursement.

### ***Government Operations (\$44.7 million)***

With a relatively small disbursement variance of \$3.1 million under the estimate in February, outlays in the Government Operations category stand at \$44.7 million over the estimate for the year to date. There are several small and mostly offsetting variances in the category. Two notable

exceptions are in the disbursements by the Department of Rehabilitation and Correction and the Department of Development. Disbursement activity for the Department of Rehabilitation and Correction is above estimate by \$35.0 million for the year to date. This stems from the continuing impact of an extra payroll posting in January that was not anticipated in the estimates and which has yet to be offset with payrolls that allow the estimates to catch up with spending.

For the year to date, disbursements by the Department of Development are \$16.0 million

below estimate. There was in February, however, no significant variance from the estimate for disbursements by the Department of Development. As reported in previous “Disbursements” articles, the variance for the year to date stems largely from the fact that the disbursements of prior-year grant money, as well as disbursements from two new line items, are not occurring as anticipated in the estimates. LSC expects these variances to be reduced in the coming months.

*\*LSC colleagues who contributed to the development of this disbursement report include, in alphabetical order, Melaney Carter, Ivy Chen, Phil Cummins, Erin Pettegrew, David Price, Joe Rogers, Maria Seaman, and Kerry Sullivan.*