

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

APRIL 2005

FISCAL OVERVIEW

—Allan Lundell

The U.S. economy continued to grow in March, but payroll employment and retail sales gains were modest. General Revenue Fund (GRF) receipts were \$214 million above estimate and program disbursements were \$70 million above estimate for the month. For the fiscal year to date, total GRF receipts are \$295 million above estimate, total program disbursements are \$68 million below estimate, and the cash balance is \$327 million above its expected level.

Tracking the Economy

The U.S. economy continued to grow in March, but payroll employment and retail sales gains were modest. Total nonfarm payroll employment nationwide rose 110,000 in March, and the employment figures for January and February were revised downward slightly. Retail sales rose a relatively modest 0.3% in March, to 5.8% above a year earlier. The slowdown may be related to weather and the impact of higher gasoline prices on purchasing power available for spending on other products. The consumer price index rose a relatively rapid 0.4% in February, in part as a result of a 2.0% rise in energy prices, to 3.0% above a year earlier. Crude oil prices surged to an all-time high in early April. Gasoline prices climbed to a nationwide average of \$2.25 for regular grade in the April 11 week, and a \$2.22 average in Ohio, both the highest on record.

Receipts

Total GRF receipts for March were \$214 million (10.5%) above estimate, state-source receipts were \$239 million (16.2%) above estimate, tax revenue was \$190 million (13.2%) above estimate, and revenue from the major taxes was \$178 million (13.5%) above estimate.¹ Revenue from the corporate franchise tax was \$94 million (36.9%) above estimate and revenue from the personal income tax was above estimate by \$78 million (17.8%). Federal grants were \$24 million (4.3%) below estimate.

For the fiscal year to date, total GRF receipts are \$295 million (1.7%) above estimate, state-source receipts are \$346 million (2.6%) above estimate, tax revenue is \$338 million (2.6%) above

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Tracking the Economy 173

- The nation's economy advanced again in the first quarter but with some indications of weakness in March
- Ohio's economy continues to trail that of the nation
- Inflation has picked up somewhat

STATUS OF THE GRF

Revenue 177

- GRF receipts \$214 million above estimate in March
- Corporate franchise tax revenue \$94 million above estimate and personal income tax revenue \$78 million above estimate
- Year-to-date state-source receipts 2.6% above estimate and up 6.4% over FY 2004

Disbursements 185

- Welfare & Human Services category posts \$126.7 million variance under estimate for the year to date
- Base Cost Funding in Education continues its push over estimate
- \$106.5 million in Tax Relief payments go out earlier than expected

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

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

	Month of March	Fiscal Year 2005 to Date	Last Year	Difference
Beginning Cash Balance	-\$598.0	\$533.1		
Plus Revenue and Transfers In	\$2,247.0	\$17,899.4		
Available Resources	\$1,649.1	\$18,432.5		
Less Disbursements and Transfers Out	\$2,002.4	\$18,785.8		
Ending Cash Balances	-\$353.3	-\$353.3	-\$893.1	\$539.8
Less Encumbrances and Accts. Payable		\$453.8	\$498.0	-\$44.2
Unobligated Balance		-\$807.2	-\$1,391.1	\$584.0
Plus BSF Balance		\$180.7	\$180.7	\$0.0
Combined GRF and BSF Balance		-\$626.4	-\$1,210.4	\$584.0

estimate, and revenue from the major taxes is \$346 million (2.8%) above estimate. The income tax is \$253 million (4.7%) above estimate, the nonauto sales tax is \$44 million (0.9%) above estimate, and the corporate franchise tax is \$95 million (15.8%) above estimate. Federal grants are \$50 million (1.2%) below estimate, revenue from the auto sales tax is \$28 million (3.4%) below estimate, and revenue from the public utility excise tax is \$15 million (21.0%) below estimate.

Disbursements

GRF program disbursements were \$70 million (3.6%) above estimate in March. Disbursements for property tax relief were \$106 million above estimate and debt service payments were \$16 million above estimate. If these two items are not counted, then March program disbursements were below estimate by \$53 million (2.8%). Disbursements for justice and corrections were \$36 million (16.3%) below estimate, disbursements for primary and secondary education were \$11 million (2.1%) below estimate, and disbursements for TANF were below estimate by \$7 million (24.4%).

For the fiscal year to date, GRF program disbursements are \$68 million (0.4%) below estimate. Disbursements for property tax relief are \$102 million (14.3%) above estimate and debt service payments are \$4 million (1.3%) above estimate. If these two items are not counted, then year-to-date program disbursements are below estimate by \$175 million (1.0%). Disbursements for health care/Medicaid are \$51 million (0.7%) below estimate and disbursements for TANF are \$41 million (13.7%) below estimate. Disbursements for primary and secondary education are below estimate by \$32 million (0.6%) and disbursements for higher education are below estimate by \$26 million (1.5%).

Cash Balance

As shown in Table 1, the GRF began March with a negative cash balance amounting to -\$598 million. Monthly revenues plus transfers in totaled \$2,247 million and disbursements plus transfers out totaled \$2,002 million. The monthly surplus of \$245 million raised the month-end cash balance to -\$353 million.² This amount is \$540 million higher (less negative) than a year ago, and \$327 million higher (less negative) than

the balance that would have resulted if receipts and 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 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 \$454 million combine with the cash balance to yield an unobligated balance of -\$807 million. This amount is \$584 million higher (less 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 -\$626 million is also \$584 million higher than it was a year ago.

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

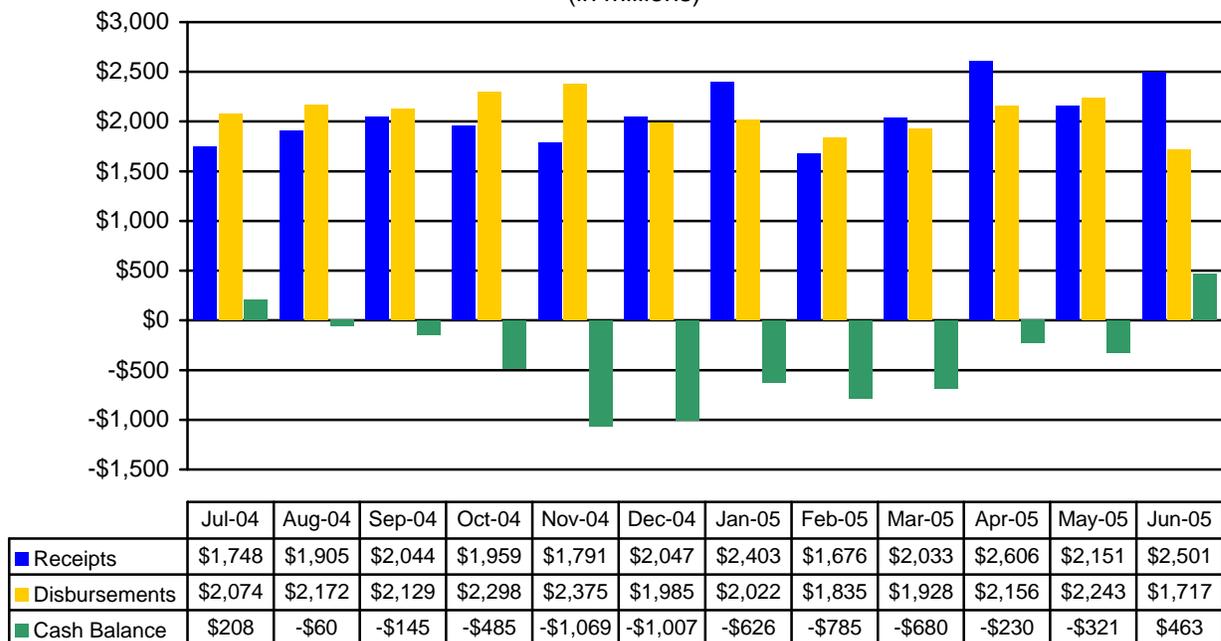
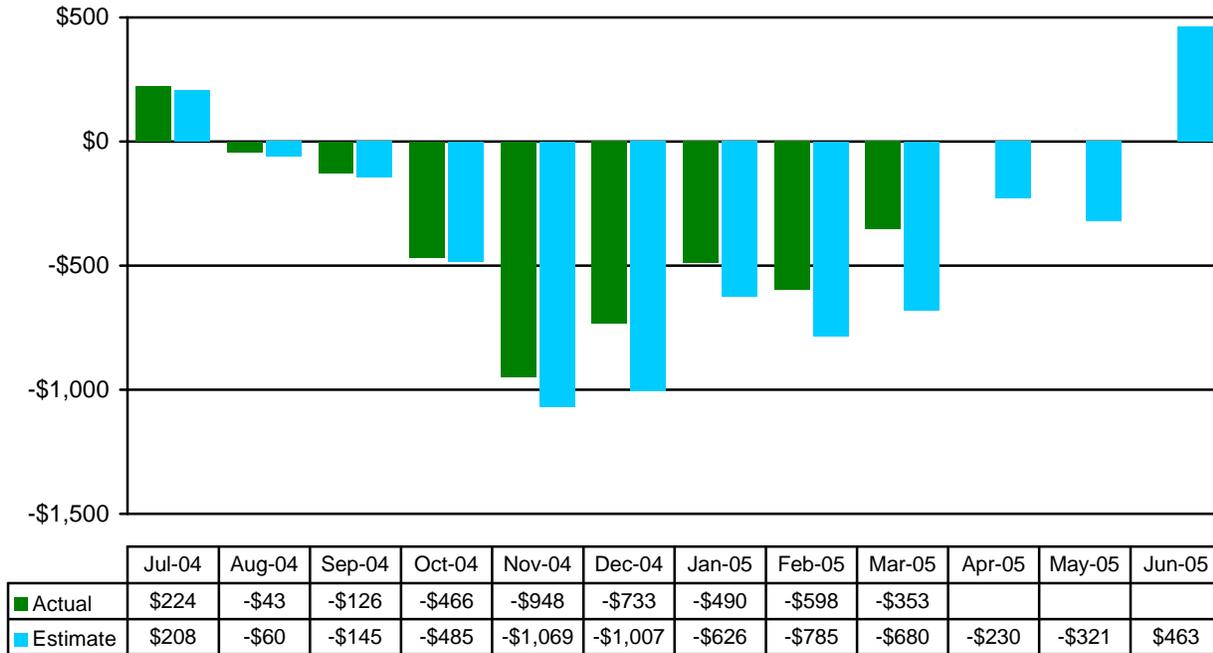


Chart 2: Actual and Estimated Ending Cash Balances
(in millions)



¹ 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). For FY 2005, the major taxes are expected to account for approximately 70% of total GRF receipts and 90% of state-source GRF receipts.

² 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 \$17,899 million and disbursements plus transfers out totaled \$18,786 million. The year-to-date deficit of \$887 million reduced the year-to-date cash balance to -\$353 million.

TRACKING THE ECONOMY

¾ Phil Cummins

The expansion in the nation's economy continued in the first three months of the year, though in March employment and retail sales gains were modest and factory output fell slightly. Total employment in Ohio was virtually unchanged last month. Purchasing managers continued to report rising business activity and increasing prices paid. In 2004, Ohio personal income rose less than that nationwide. Residential construction permits fell last year and early this year in Ohio, in contrast with the nation as a whole. Home sales continued at a high level nationwide. Inflation, overall, has picked up somewhat at the finished goods and services level. Revised gross domestic product figures for the nation showed a 3.8% rate of growth in last year's fourth quarter, the same as previously reported.

Modest Employment Gains

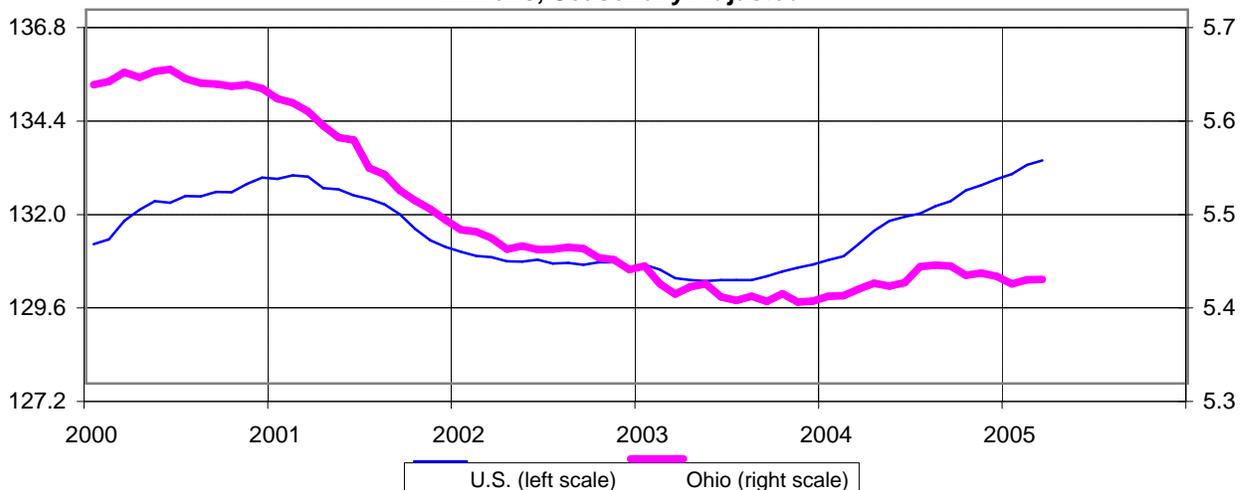
Total nonfarm payroll employment nationwide rose 110,000 in March, the smallest monthly rise since last July. Employment figures for January and February were revised downward slightly. Industries adding jobs recently include construction, primarily residential building but also

nonresidential specialty trades; health care, including both hospitals and walk-in care facilities; and mining, mainly oil and gas, supported by high prices. The country's unemployment fell from 5.4% of the labor force in February to 5.2% in March, matching the rate in January. The unemployment rate was last lower in 2001. Labor force participation, those working as well as those actively looking for work as a share of the working-age population, was stable at 65.8%, the lowest since 1988. Ohio total payroll employment was essentially unchanged in March, rising only 300 workers, but employment in February was revised upward more than 8,000 workers. Unemployment statewide edged down from 6.4% of the labor force in February to 6.3% in March. Total nonfarm payroll employment nationwide and in Ohio are shown in Chart 1.

Manufacturing Production Slips

Industrial production rose 0.3% in March as utility and mining output registered sizable gains, but factory output fell 0.1% and figures for the previous two months were revised downward. Production of consumer durables fell in March

**Chart 1: Total Nonfarm Payroll Employment
Millions, Seasonally Adjusted**



after a sizable rise in February, reflecting fluctuations not only in light vehicle assemblies but also in output of home electronics. Abstracting from month-to-month fluctuations, production of consumer goods has flattened, while output of business equipment and of defense and space equipment have continued to trend upward. Total factory output nationwide in March was 4.1% higher than a year earlier.

Purchasing Managers See Expansion Continuing

Purchasing managers at the nation's manufacturers said business activity continued to expand in March, according to the Institute for Supply Management's monthly survey. More reported growing orders, backlogs, inventories, and employment than noted declines. Increases in prices paid were widespread, more so than in February, and shortages were reported of caustic soda and various types of steel. A comparable report from purchasing managers with organizations other than manufacturers also showed continued economic growth, accompanied by rising prices for a broad variety of products, with steel, roofing materials, bearings, and conveyor belts in short supply.

Business Profitability Rising

Corporate profits rebounded in last year's fourth quarter from effects of hurricanes in late

summer and early fall, according to the United States Bureau of Economic Analysis as part of its latest report on gross domestic product. For all of 2004, corporate profits rose 16%, after increases of 17% in 2003 and 14% in 2002. This is the strongest three-year run of profit growth since the first half of the 1980s, when inflation was higher. As a result of this rise, 11.4% of national income went to corporate profits last year, one of the highest shares since the 1960s. The growth of profits appears likely to slow this year, reflecting smaller productivity gains. Also, wage and salary increases may turn higher as labor markets tighten, though the data to date show little evidence of this.

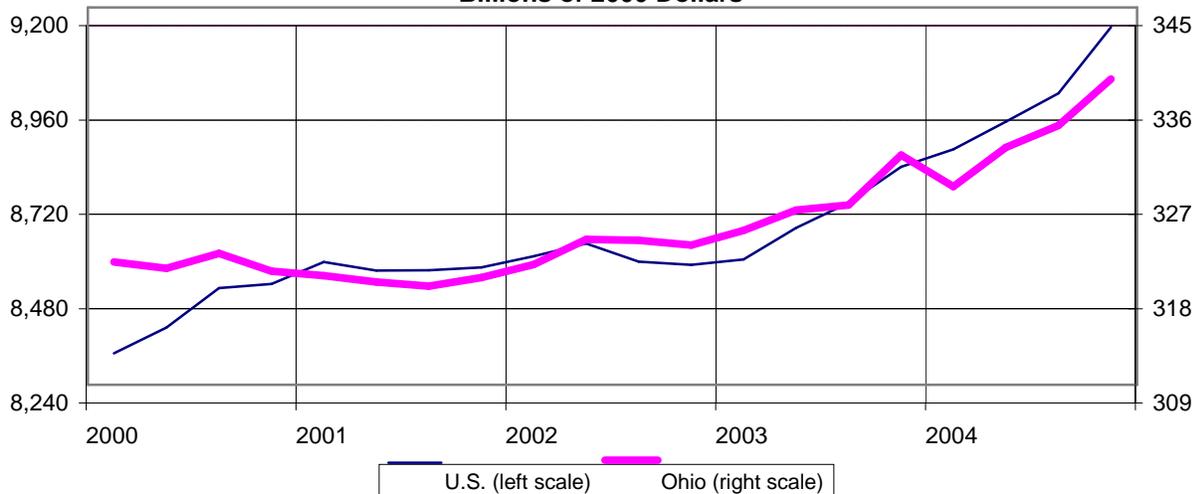
Ohio Income Growth Lags

In 2004, personal income in Ohio rose 4.2%, less than the 5.7% increase in personal income nationwide. Net of inflation, measured by the price deflator for consumer spending, Ohio personal income rose 1.9% last year versus a 3.4% increase for the nation. As shown in Chart 2, inflation-adjusted personal income growth nationwide turned higher starting in 2003 and has outpaced that in Ohio since then.

Consumer Spending Gains Slow

Retail sales rose a relatively modest 0.3% in March, to 5.8% above a year earlier. Sales fell during the month in several categories, including

**Chart 2: Inflation-Adjusted Personal Income
Billions of 2000 Dollars**



general merchandise, clothing, furniture, and electronics and appliances. The slowdown may be temporary, related to transitory factors such as weather. The impact of higher gasoline prices on purchasing power available for spending on other products may be longer lasting. Sales at motor vehicle dealers rose 0.7% in March, but excluding motor vehicles, retail sales increased only 0.1%. In the first three months of the year, sales were 1.3% higher than in the last three months of 2004 and 7.2% higher than a year earlier.

Housing Construction Slows in Ohio

Permits issued last year for the construction of new privately owned housing in Ohio declined from the year before, and the downtrend has continued this year. This contrasts with increases for the nation. Construction in winter months is particularly prone to weather-induced volatility in northern states, and year-over-year comparisons for the state may show less weakness for months with warmer weather. The number of housing units for which permits were issued in Ohio fell 6% in 2004, and permits in the first two months of 2005 were 12% below the number issued in the same months of 2004. Nationwide, permits issued rose 7% last year and were also 7% higher in January-February 2005 than in the year-earlier period. The changes last year are shown in Chart 3, which also illustrates the longer-term relative weakness of residential construction activity in Ohio. From

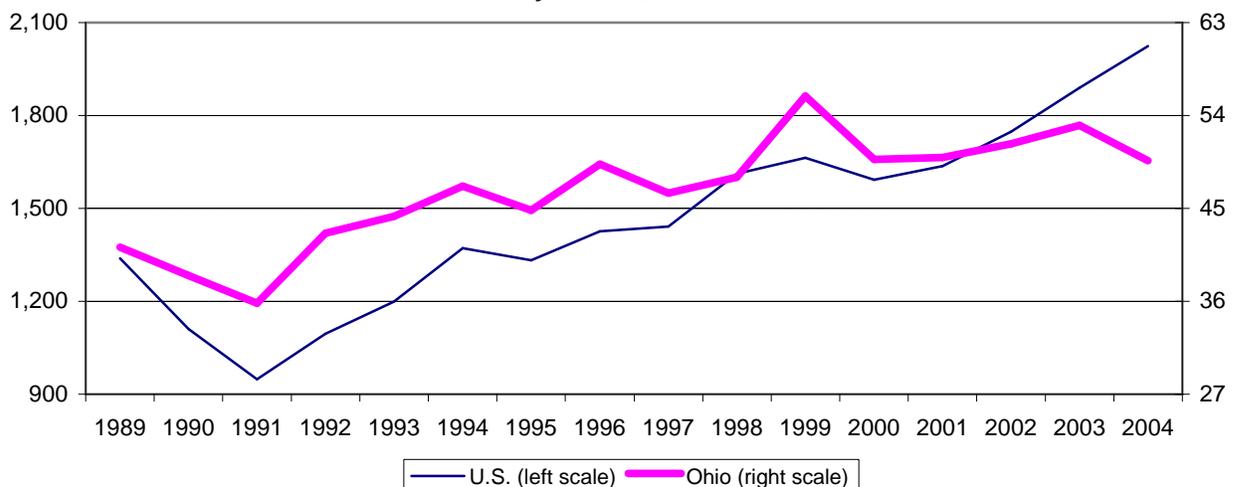
the 1991 lowpoint through last year, new residential building permits rose 113% nationwide, more than a doubling. In Ohio, permits in the peak year shown in the chart, 1999, were 56% above the 1991 low, and by 2004 were 11% below that peak.

New home sales in the nation strengthened in February, and year-to-date sales of new homes were 1% above a year earlier. In the Midwest, however, new home sales in this year's first two months were 17% lower than the year-earlier pace. Used home sales nationwide in the first two months of 2005 were 7% above a year earlier, according to National Association of Realtors figures. For all of 2004, sales figures for both new and used homes were the highest on record. Ohio unit home sales, reported by the Ohio Association of Realtors, were 6% higher than a year earlier in the first two months of 2005. Sales in all of 2004 in the state were the highest ever, 8% above 2003 and the fourth consecutive year that sales set a new record.

Inflation Picks Up

Price increases for finished goods and services have turned higher. This appears to reflect some slowing in productivity gains, which were rapid earlier in the expansion. Also, the rise in energy and other commodity prices over the past three years has been increasingly passed through to business customers. Nevertheless, the upturn in

**Chart 3: New Housing Units Authorized by Building Permits
Privately Owned, Thousands**



finished goods and services inflation to date has been limited, particularly after the more volatile components, food and energy, are excluded.

The producer price index for finished goods rose 0.4% in February to 4.7% above a year earlier, one of the largest year-over-year increases since the early 1990s. The latest rise reflected in part higher food and energy prices. Excluding food and energy, finished goods prices at the producer level rose only 0.1% in February but were 2.8% above a year earlier, the largest rise in this price index since 1992. At earlier stages of production, prices showed some signs of moderation through February, though crude oil prices subsequently surged to a new all-time high in early April. The producer price index for crude materials declined in the latest three months and was 8% higher in February than a year earlier, the first single-digit year-over-year increase since early last year.

The consumer price index rose a relatively rapid 0.4% in February, in part as a result of a 2.0% rise in energy prices, to 3.0% above a year earlier. Excluding food and energy, consumer prices rose

0.3% in February to 2.4% above a year earlier, the most rapid year-over-year increase in this measure since 2002. Since then, gasoline prices climbed to a nationwide average of \$2.25 for regular grade in the April 11 week, and a \$2.22 average in Ohio, both the highest on record.

Monetary Policy Tightens as Expected

As widely expected, the Federal Reserve again raised its short-term interest rate target at the March 22 meeting of its Federal Open Market Committee. The target for federal funds was raised by 0.25 percentage point to 2.75%. In its summary of the discussion at this meeting, the central bank indicated that meeting participants focused particular attention on inflation indicators and the outlook for inflation. Many of them thought broad inflation measures would slow, but they were more uncertain than earlier about the inflation outlook. With the economy continuing a solid expansion, they concluded that another 0.25 percentage point increase in their target interest rate was appropriate but that more rapid tightening of monetary policy was not necessary.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno, Glenn Wintrich, and Allan Lundell

March GRF receipts totaled \$2,247.0 million, \$214.2 million (10.5%) above estimate. State-source receipts were \$238.6 million (16.2%) above estimate, tax revenue was \$189.9 million (13.2%) above estimate, and revenue from the major taxes was \$178.1 million (13.5%) above estimate.¹

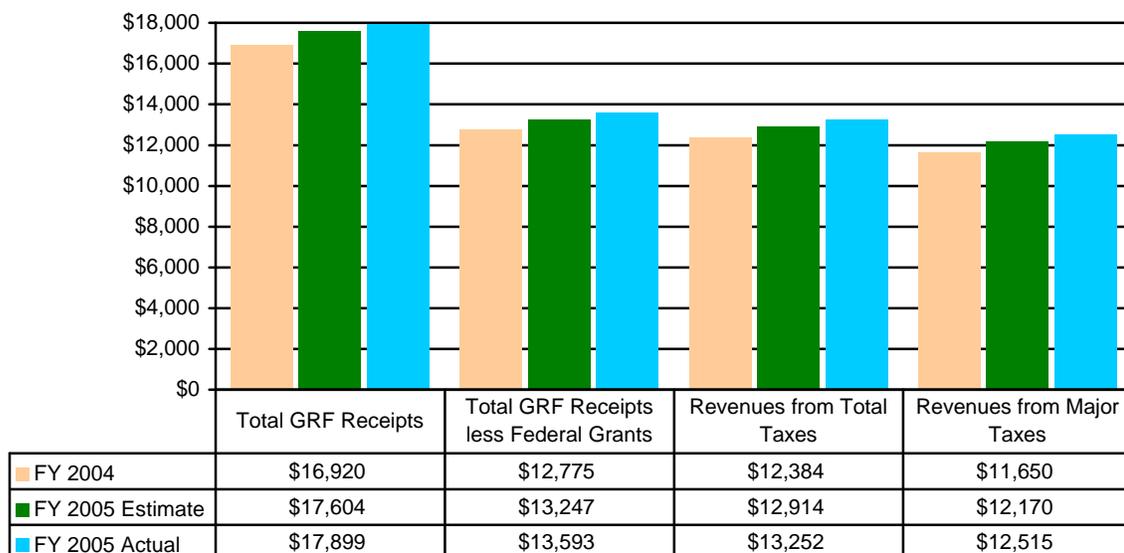
Revenue from the corporate franchise tax was above estimate by \$93.7 million (36.9%), revenue from the personal income tax was above estimate by \$78.5 million (17.8%), revenue from the foreign insurance tax was above estimate by \$14.4 million (22.6%), and revenue from the nonauto sales tax was \$7.9 million (1.6%) above estimate. Federal grants were \$24.4 million (4.3%) below estimate.² “Other transfers in” were above estimate by \$16.9 million (127.1%). The transfer from the School District Property Tax Replacement Fund to the GRF expected to be made in February was made in March. The \$30.2 million transfer was \$14.8 million less than expected because receipts

from the kilowatt-hour tax and the natural gas consumption tax were lower than expected.

For the fiscal year to date, total GRF receipts are \$295.3 million (1.7%) above estimate, state-source receipts are \$345.7 million (2.6%) above estimate, tax revenue is \$338.1 million (2.6%) above estimate, and revenue from the major taxes is \$345.9 million (2.8%) above estimate. The income tax is \$252.9 million (4.7%) above estimate, the nonauto sales tax is \$44.2 million (0.9%) above estimate, and the corporate franchise tax is \$94.9 million (15.8%) above estimate. Federal grants are \$50.4 million (1.2%) below estimate and revenue from the auto sales tax is \$27.6 million (3.4%) below estimate.

For the fiscal year to date, total GRF receipts are up 5.8% compared to FY 2004. State-source receipts are up 6.4%, total tax revenue is up 7.0%, and revenue from the major taxes is up 7.4%. Federal grants are up 3.9%. If the

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



\$193 million in one-time revenue received in October 2003 is removed from the FY 2004 total for federal grants, then FY 2005 federal grants are up 9.0%. Chart 1 compares FY 2005 receipts with FY 2004 receipts and FY 2005 estimates.

Personal Income Tax

The GRF received \$518.3 million from the personal income tax in March. This amount was \$78.5 million (17.8%) more than estimated. This was largely due to withholding that was \$43.2 million (6.6%) above estimate and refunds that were \$36.2 million (14.1%) less than estimated for the month. Taxes due were \$18.5 million below estimate for March.

For the fiscal year to date, the GRF has received \$5,666.1 million from the personal income tax, which is \$253 million (4.7%) above estimate. The \$5,820.5 million in revenue collected through withholding is \$46.5 million (0.8%) above estimate. Year-to-date quarterly estimated payments of \$914.5 million are

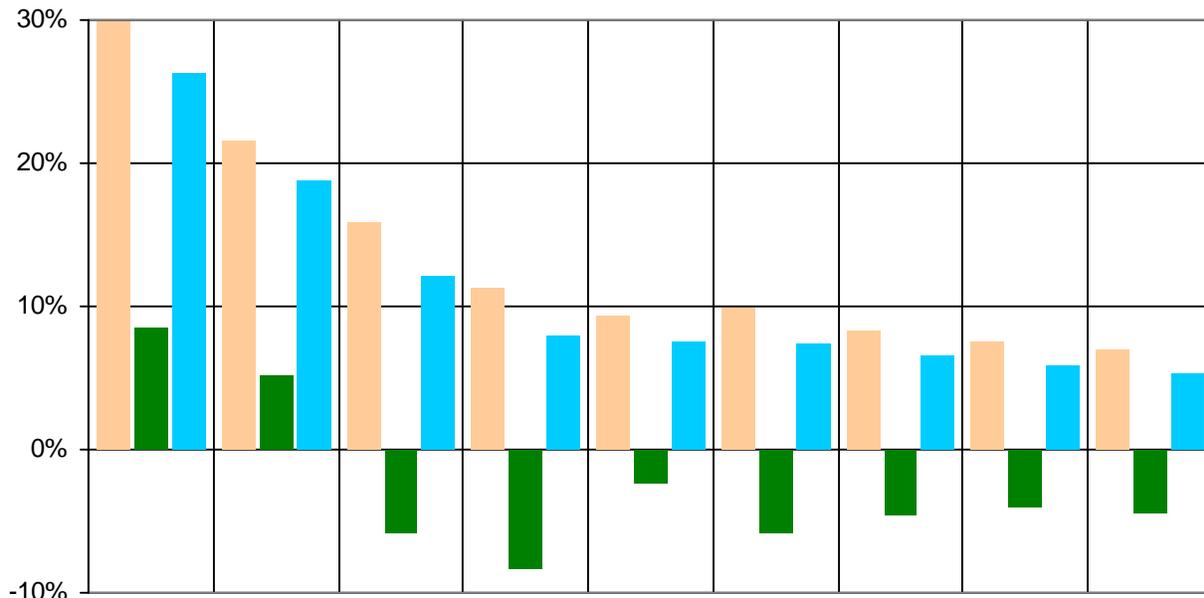
\$107 million (13.2%) above estimate.³ Refunds for the year total \$685.3 million, which is \$49.6 million (6.7%) below estimate.

Compared to a year ago, GRF revenue from the personal income tax is up 10.0%. Withholding, which reflects the condition of Ohio’s labor market, is up 6.0%. Quarterly estimated payments are up 17.1%, gross collections are up 7.6%, refunds are down 2.5%, and net collections are up 8.9%.

Sales and Use Tax

March 2005 sales and use tax revenues were \$608.0 million, \$9.3 million (1.6%) above projected revenues. Sales and use tax receipts in the month were \$3.3 million (0.5%) above March 2004 revenues. Receipts from the nonauto sales and use tax in March 2005 were 1.6% above estimate, while those from the auto sales and use tax were 1.5% above estimate. Tax receipts for a given month partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during that month.⁴

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



	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Nonauto	29.9%	21.5%	15.9%	11.3%	9.3%	9.8%	8.4%	7.5%	7.0%
Auto	8.5%	5.2%	-5.8%	-8.4%	-2.4%	-5.8%	-4.6%	-4.0%	-4.4%
Total	26.3%	18.7%	12.1%	7.9%	7.5%	7.4%	6.5%	5.9%	5.3%

Through March 2005, FY 2005 year-to-date sales and use tax revenues were \$5,841.1 million, \$16.6 million (0.3%) above estimates. FY 2005 year-to-date sales and use tax receipts were also \$293.8 million (5.3%) higher than fiscal year-to-date tax receipts in March 2004. Chart 2 compares year-to-date sales and use tax revenues in FY 2005 and FY 2004. Through March 2005, the nonauto sales and use tax shows a healthy year-over-year revenue growth of 7.0%, while receipts from the auto sales and use tax were 4.4% below receipts in the same period last year. The cumulative year-over-year percentage change in total sales and use tax receipts declined to 5.3%, down from 7.4% at the end of the second quarter of FY 2005.

Nonauto Sales and Use Tax

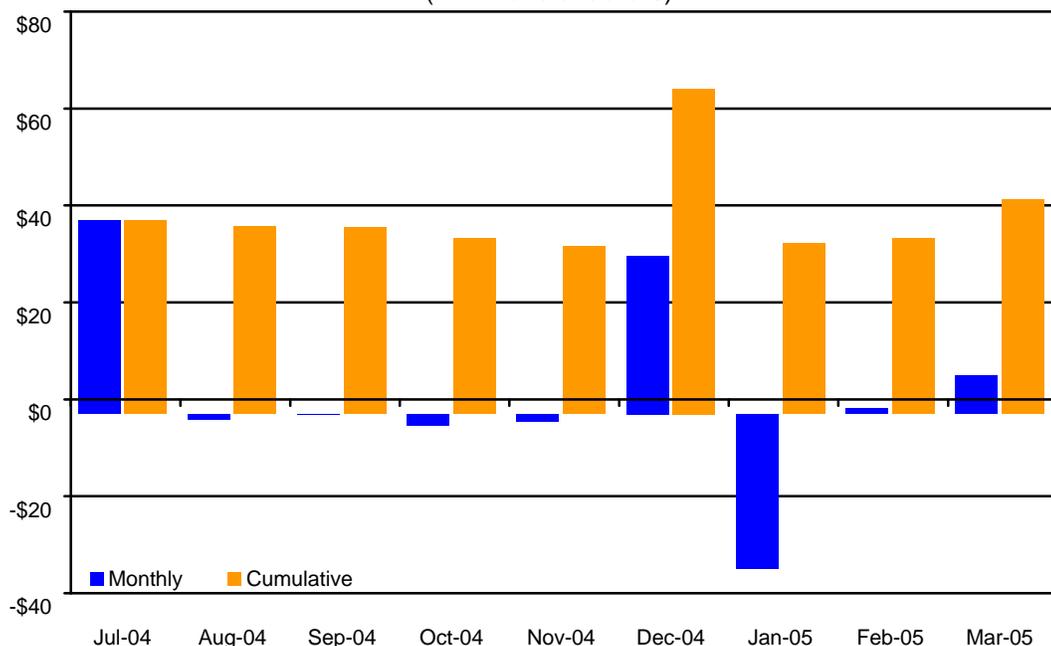
In March 2005, nonauto sales and use tax revenues were \$507.4 million, \$7.9 million (1.6%) above estimate. These receipts were \$11.2 million (2.3%) above revenues in the same month last year. Through March, FY 2005 year-

to-date nonauto sales and use tax revenues were \$5,059.4 million, \$44.2 million (0.9%) higher than estimate. At the end of the second quarter, the cumulative year-over-year percentage change in nonauto sales and use tax receipts was 9.8%. At the end of the third quarter, FY 2005 year-to-date receipts were \$330.1 million (7.0%) above revenues in the same period in FY 2004. It is likely that receipts from the nonauto sales and use tax this fiscal year will be above receipts in FY 2004. 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).

Auto Sales Tax

Auto sales and use tax receipts were \$100.6 million in March 2005, \$1.4 million (1.5%) above estimate. The clerks of court generally make auto tax payments on Monday for

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



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 March 2005 were \$7.9 million (7.3%) lower. In the first three months of CY 2005, auto sales tax receipts were about \$3.0 million (0.3%) below receipts in the same period in CY 2004, pointing to lower or flat auto sales in Ohio at the beginning of this calendar year. Auto sales tax receipts have been \$8.0 million (3.3%) below estimate for the first quarter of CY 2005. Through March 2005, FY 2005 year-to-date auto sales tax receipts were \$781.6 million, \$27.6 million (3.4%) below estimates. FY 2005 year-to-date auto sales and use tax receipts were also \$36.3 million (4.4%) below receipts in the same period in FY 2004. With three months left in the fiscal year, it is probable that receipts from the auto sales and use tax will be below FY 2004 receipts.

Nationwide, the growth in light vehicle sales has stalled. Total light vehicle unit sales (autos and light trucks) in the first quarter of CY 2005 were 0.4% below unit sales in the same quarter

of CY 2004.⁵ Unit sales of light trucks were 1.0% lower than last year's sales, while sales of cars improved 0.3%. The recent decline in light truck sales may be linked to higher gasoline prices. Automakers have responded to these declining sales with a new round of incentives this month targeted primarily at the light truck sector. General Motors (GM) and Ford (which saw sales fall 1.3% and 5% respectively in March 2005) became more active with their incentives at the beginning of April 2005. In March, GM offered additional incentives for cars and trucks that had been on the dealer's lot for more than 125 days. In April, GM is hiking by \$1,000 the incentive on all vehicles except the model Hummer 1.

Corporate Franchise Tax

Major tax receipts under the corporate franchise tax (CFT) 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, and the second major payment occurred in March. Because the

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

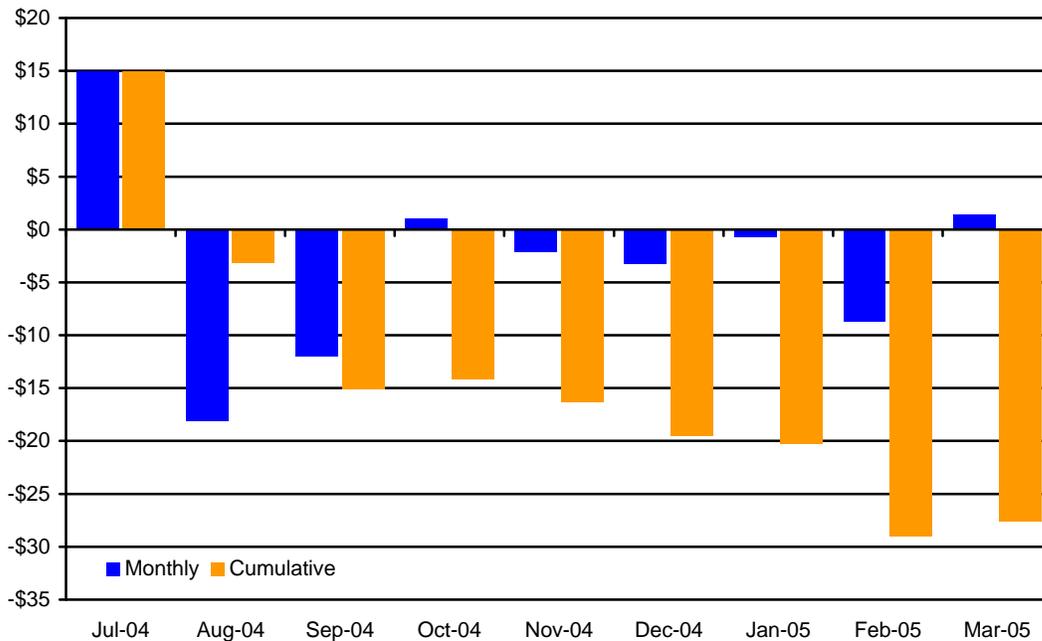
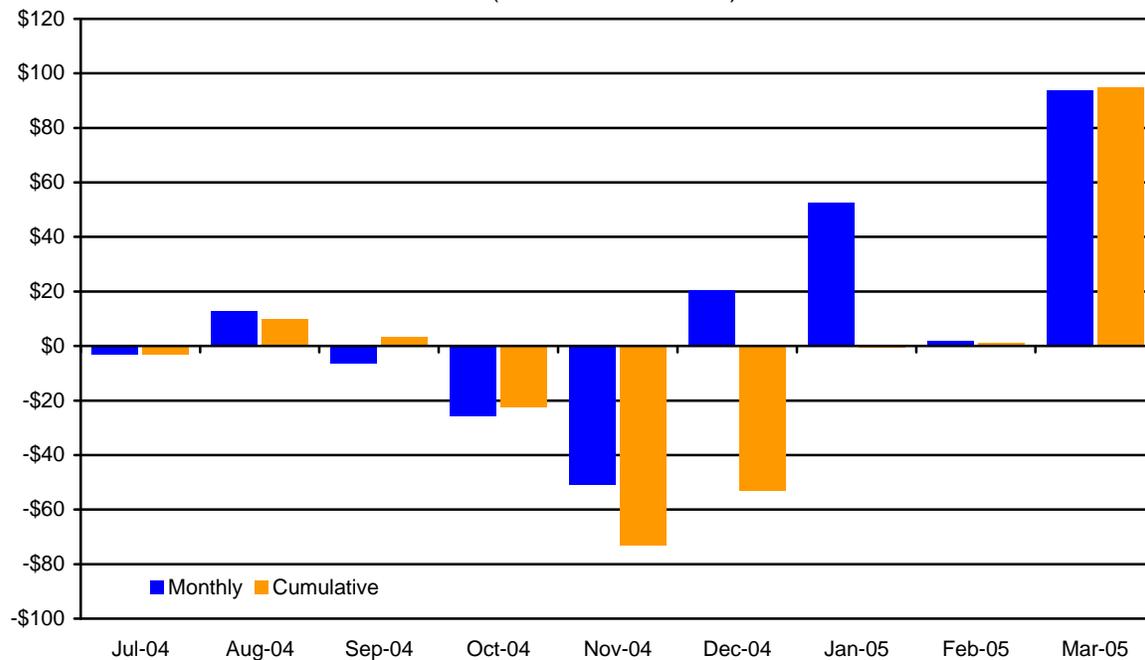


Chart 5: Corporate Franchise Tax Variance from August 2004 Estimates
(in millions of dollars)



payment date for the second payment fell on the last day of the month, tax collections most likely spilled over into April. March 2005 CFT receipts were \$348.1 million, \$93.7 million (36.9%) above estimate. Receipts were \$94.3 million (37.2%) greater than receipts in March 2004. This strong performance in March is, in part, due to the timing of receipts. The same timing effect may negatively affect CFT receipts in April.

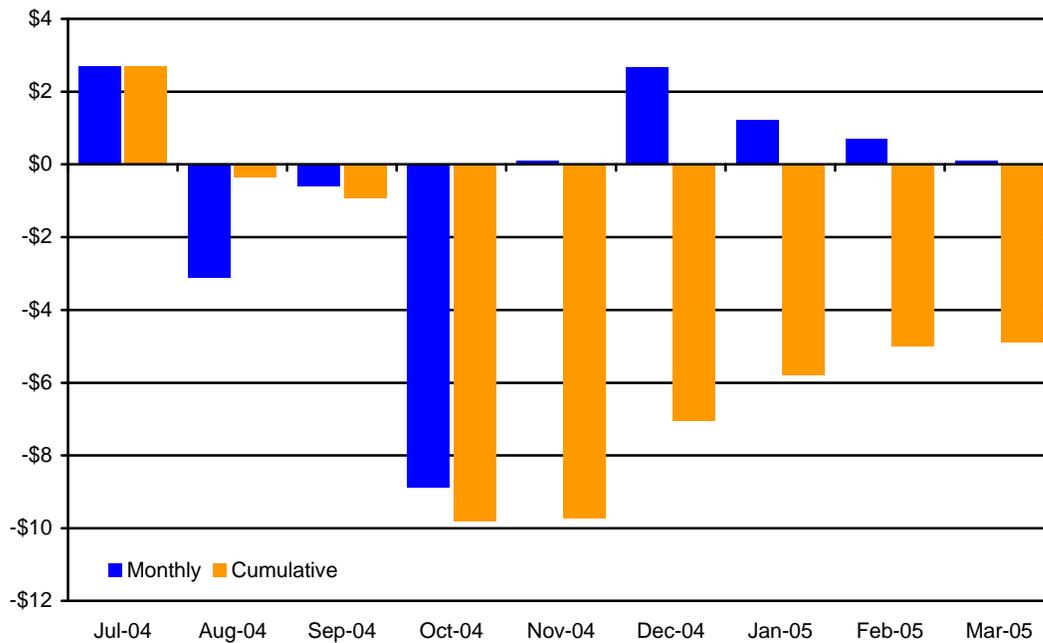
Through March, FY 2005 year-to-date CFT revenues were \$694.0 million, \$94.9 million (15.8%) above estimates, and \$144.6 million (26.3%) above year-to-date revenues in FY 2004. FY 2005 total corporate franchise tax revenues are expected to be about \$91 million (11.1%) above FY 2004 receipts. At the end of

March 2005, year-to-date CFT collections were on track to achieve these results.

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco products tax receipts in March were \$44.6 million, \$0.2 million (0.4%) above estimates. Receipts were \$2.8 million (5.9%) below receipts last year. Through March 2005, FY 2005 year-to-date cigarette and other tobacco tax receipts were \$382.8 million, \$4.9 million (1.3%) below estimates. Compared to revenues in the same period in FY 2004, year-to-date cigarette and other tobacco products tax revenues were \$0.8 million (0.2%) higher.

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



¹ 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 (LGRAFF), and the Library and Local Government Support Fund (LLGSF).

² “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 expenditures for human services programs that require federal participation. Any changes in state spending in these areas will change receipts from federal grants.

³ 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.

⁴ 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 months.

⁵ Ward’s AutoInfoBank, April 4, 2005: *Ward’s U.S. Light Vehicle Sales Summary*.

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

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$100,618	\$99,175	\$1,443	1.5%
Nonauto Sales & Use	\$507,371	\$499,500	\$7,871	1.6%
Total Sales & Use Taxes	\$607,989	\$598,675	\$9,314	1.6%
Personal Income	\$518,259	\$439,800	\$78,459	17.8%
Corporate Franchise	\$348,062	\$254,317	\$93,745	36.9%
Public Utility	-\$9,500	-\$7,600	-\$1,900	25.0%
Kilowatt Hour Excise	\$29,658	\$31,200	-\$1,542	-4.9%
Total Major Taxes	\$1,494,468	\$1,316,392	\$178,076	13.5%
Foreign Insurance	\$78,434	\$63,990	\$14,444	22.6%
Domestic Insurance	\$14	\$2,210	-\$2,196	-99.4%
Business & Property	\$41	\$75	-\$34	-45.7%
Cigarette	\$44,569	\$44,400	\$169	0.4%
Alcoholic Beverage	\$4,403	\$4,503	-\$100	-2.2%
Liquor Gallonage	\$2,382	\$2,263	\$119	5.2%
Estate	\$806	\$1,400	-\$594	-42.4%
Total Other Taxes	\$130,648	\$118,841	\$11,807	9.9%
Total Tax Revenue	\$1,625,116	\$1,435,233	\$189,883	13.2%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$7,252	\$640	\$6,612	1033.2%
Licenses and Fees	\$7,596	\$6,318	\$1,278	20.2%
Other Revenue	\$25,806	\$6,934	\$18,872	272.2%
Nontax State-Source Revenue	\$40,654	\$13,892	\$26,762	192.6%
TRANSFERS				
Liquor Transfers	\$14,000	\$9,000	\$5,000	55.6%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$30,210	\$13,300	\$16,910	127.1%
Total Transfers In	\$44,210	\$22,300	\$21,910	98.2%
TOTAL GRF before Federal Grants	\$1,709,980	\$1,471,425	\$238,555	16.2%
Federal Grants	\$537,060	\$561,431	-\$24,371	-4.3%
TOTAL GRF SOURCES	\$2,247,040	\$2,032,856	\$214,184	10.5%

* 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 March 2005
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2004	Percent Change
TAX REVENUE						
Auto Sales	\$781,639	\$809,230	-\$27,591	-3.4%	\$817,846	-4.4%
Nonauto Sales & Use	\$5,059,431	\$5,015,250	\$44,181	0.9%	\$4,729,379	7.0%
Total Sales & Use Taxes	\$5,841,070	\$5,824,480	\$16,590	0.3%	\$5,547,225	5.3%
Personal Income	\$5,666,148	\$5,413,200	\$252,948	4.7%	\$5,151,567	10.0%
Corporate Franchise	\$694,036	\$599,163	\$94,873	15.8%	\$549,446	26.3%
Public Utility	\$55,228	\$69,900	-\$14,672	-21.0%	\$143,017	-61.4%
Kilowatt Hour Excise	\$258,979	\$262,800	-\$3,821	-1.5%	\$259,061	0.0%
Total Major Taxes	\$12,515,462	\$12,169,543	\$345,919	2.8%	\$11,650,317	7.4%
Foreign Insurance	\$256,166	\$248,708	\$7,458	3.0%	\$246,908	3.7%
Domestic Insurance	\$222	\$4,012	-\$3,790	-94.5%	\$393	-43.6%
Business & Property	\$972	\$1,500	-\$528	-35.2%	\$1,469	-33.8%
Cigarette	\$382,798	\$387,700	-\$4,902	-1.3%	\$382,020	0.2%
Alcoholic Beverage	\$42,721	\$41,952	\$769	1.8%	\$41,721	2.4%
Liquor Gallonage	\$24,218	\$23,405	\$813	3.5%	\$23,286	4.0%
Estate	\$29,420	\$37,100	-\$7,680	-20.7%	\$38,056	-22.7%
Total Other Taxes	\$736,516	\$744,377	-\$7,861	-1.1%	\$733,853	0.4%
Total Tax Revenue	\$13,251,978	\$12,913,920	\$338,058	2.6%	\$12,384,170	7.0%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$21,006	\$16,000	\$5,006	31.3%	\$14,820	41.7%
Licenses and Fees	\$48,047	\$35,294	\$12,753	36.1%	\$33,310	44.2%
Other Revenue	\$95,793	\$88,785	\$7,008	7.9%	\$116,408	-17.7%
Nontax State-Source Revenue	\$164,847	\$140,079	\$24,767	17.7%	\$164,538	0.2%
TRANSFERS						
Liquor Transfers	\$91,000	\$81,000	\$10,000	12.3%	\$91,000	0.0%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$84,984	\$112,100	-\$27,116	-24.2%	\$135,200	-37.1%
Total Transfers In	\$175,984	\$193,100	-\$17,116	-8.9%	\$226,200	-22.2%
TOTAL GRF before Federal Grants	\$13,592,809	\$13,247,099	\$345,710	2.6%	\$12,774,908	6.4%
Federal Grants	\$4,306,555	\$4,356,984	-\$50,429	-1.2%	\$4,145,345	3.9%
TOTAL GRF SOURCES	\$17,899,364	\$17,604,083	\$295,281	1.7%	\$16,920,253	5.8%

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

DISBURSEMENTS

— Steve Mansfield*

March General Revenue Fund (GRF) disbursements (excluding transfers) totaled \$1,998 million and were \$69.7 million (3.6%) over estimate. Of the state's four major GRF program categories (Education, Welfare and Human Services, Government Operations, and Property Tax Relief), only Property Tax Relief was over its estimate in March (see Figure 1 and Table 4). For the year to date, however, GRF disbursements stand at \$68.2 million (3.2%) under estimate.

We can also see in Figure 1, and in Table 5, that the Education category and the Welfare and Human Services categories are both under estimate for the year to date and the Government Operations category is just slightly above estimate. We will discuss in the sections that follow the details of these variances between what was actually disbursed compared to the estimates prepared by the Office of Budget and Management. Along with the underestimate of

spending in the Property Tax Relief program, we will discuss the variances in the major program categories in the order of the magnitude of their contribution to the year-to-date variance.

Welfare/Human Services (-\$126.7 million)

The Welfare/Human Services category posted a disbursement variance of \$7.6 million (0.9%) under the estimate in March. For the year to date, outlays in this category are now \$126.7 million (1.4%) 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. Compared to the same point in the last fiscal year, disbursements in this category are \$391.6 million (4.7%) higher in the current fiscal year, with most of the difference traceable to the Health Care/Medicaid program.

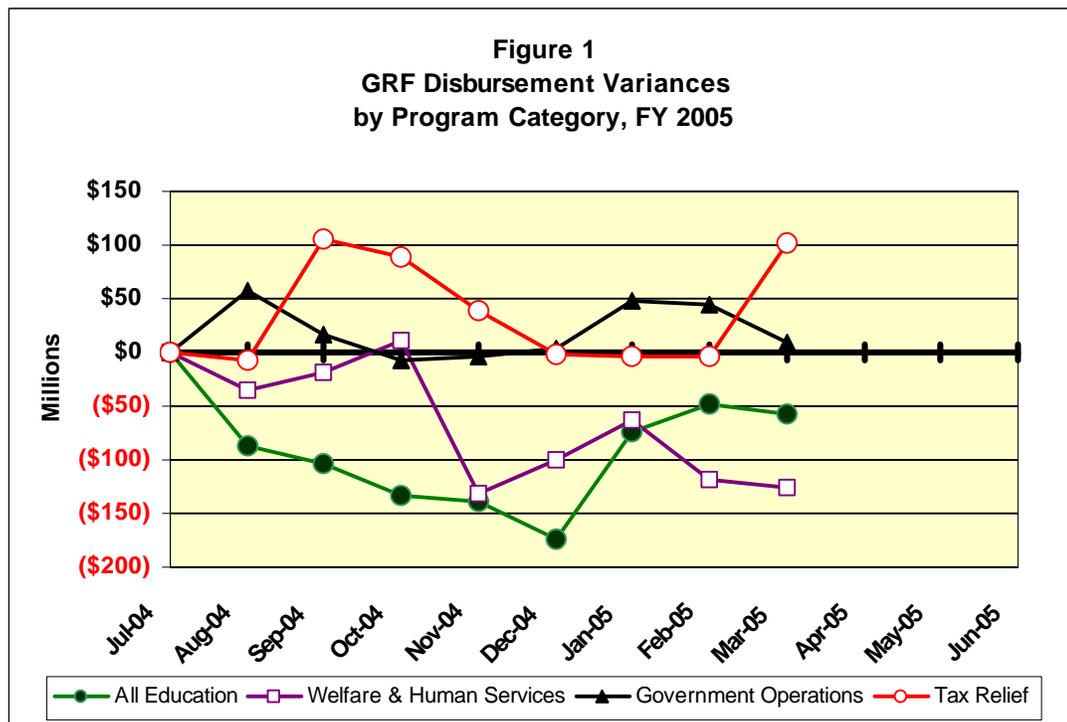


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of March 2005
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$508,577	\$519,440	-\$10,863	-2.1%
Higher Education	\$155,325	\$154,857	\$468	0.3%
Total Education	\$663,902	\$674,297	-\$10,395	-1.5%
Health Care/Medicaid	\$774,089	\$773,777	\$312	0.0%
Temporary Assistance to Needy Families (TANF)	\$20,422	\$27,000	-\$6,578	-24.4%
General/Disability Assistance	\$2,016	\$1,908	\$108	5.7%
Other Welfare (2)	\$29,306	\$30,553	-\$1,247	-4.1%
Human Services (3)	\$63,506	\$63,739	-\$233	-0.4%
Total Welfare & Human Services	\$889,338	\$896,977	-\$7,638	-0.9%
Justice & Corrections	\$183,055	\$218,829	-\$35,774	-16.3%
Environment & Natural Resources	\$6,415	\$9,066	-\$2,651	-29.2%
Transportation	\$7,222	\$1,311	\$5,911	450.9%
Development	\$16,767	\$18,948	-\$2,181	-11.5%
Other Government	\$53,029	\$53,288	-\$259	-0.5%
Capital	\$0	\$250	-\$250	-100.0%
Total Government Operations	\$266,487	\$301,691	-\$35,204	-11.7%
Property Tax Relief (4)	\$106,529	\$37	\$106,493	288246.1%
Debt Service	\$71,471	\$54,983	\$16,488	30.0%
Total Other Disbursements	\$178,001	\$55,020	\$122,981	223.5%
Total Program Disbursements	\$1,997,728	\$1,927,985	\$69,743	3.6%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$4,695	\$0	\$4,695	---
Total Transfers Out	\$4,695	\$0	\$4,695	---
TOTAL GRF USES	\$2,002,424	\$1,927,985	\$74,439	3.9%

(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.

Health Care/Medicaid. Year-to-date net disbursements through March in the Health Care/Medicaid program (primarily line item 600-525) total \$7,251.5 million, which is \$50.9 million (0.7%) under the estimate (see Table 6). For March, health care spending was \$0.3 million (0.04%) above estimate. Total net health care

payments so far in FY 2005 exceed FY 2004 payments at the same point of the year by \$435.8 million (6.4%).

As we see in Table 6, payments in the Nursing Facilities, Inpatient Hospitals, Outpatient Hospitals, Physicians, Medicare Buy-In, and DA

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

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2004	Percent Change
Primary & Secondary Education (1)	\$5,022,539	\$5,054,133	-\$31,594	-0.6%	\$5,073,566	-1.0%
Higher Education	\$1,749,122	\$1,775,413	-\$26,290	-1.5%	\$1,781,149	-1.8%
Total Education	\$6,771,661	\$6,829,545	-\$57,884	-0.8%	\$6,854,715	-1.2%
Health Care/Medicaid	\$7,200,510	\$7,251,454	-\$50,944	-0.7%	\$6,764,737	6.4%
Temporary Assistance to Needy Families (TANF)	\$256,078	\$296,740	-\$40,662	-13.7%	\$317,836	-19.4%
General/Disability Assistance	\$18,708	\$18,362	\$346	1.9%	\$17,294	8.2%
Other Welfare (2)	\$359,884	\$406,083	-\$46,199	-11.4%	\$357,053	0.8%
Human Services (3)	\$915,533	\$904,754	\$10,779	1.2%	\$902,221	1.5%
Total Welfare & Human Services	\$8,750,712	\$8,877,392	-\$126,681	-1.4%	\$8,359,142	4.7%
Justice & Corrections	\$1,495,030	\$1,496,071	-\$1,041	-0.1%	\$1,452,858	2.9%
Environment & Natural Resources	\$95,386	\$92,321	\$3,065	3.3%	\$88,811	7.4%
Transportation	\$25,991	\$22,242	\$3,749	16.9%	\$23,472	10.7%
Development	\$132,878	\$118,562	\$14,315	12.1%	\$113,887	16.7%
Other Government	\$314,538	\$322,906	-\$8,368	-2.6%	\$303,219	3.7%
Capital	\$0	\$2,180	-\$2,180	-100.0%	\$0	---
Total Government Operations	\$2,063,823	\$2,054,283	\$9,540	0.5%	\$1,982,247	4.1%
Property Tax Relief (4)	\$817,568	\$715,169	\$102,399	14.3%	\$686,272	19.1%
Debt Service	\$345,392	\$340,936	\$4,456	1.3%	\$288,492	19.7%
Total Other Disbursements	\$1,162,961	\$1,056,106	\$106,855	10.1%	\$974,764	19.3%
Total Program Disbursements	\$18,749,156	\$18,817,326	-\$68,170	-0.4%	\$18,170,868	3.2%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers Out	\$36,681	\$0	\$36,681	---	\$39,058	-6.1%
Total Transfers Out	\$36,681	\$0	\$36,681	---	\$39,058	-6.1%
TOTAL GRF USES	\$18,785,837	\$18,817,326	-\$31,489	-0.2%	\$18,209,927	3.2%

(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.

Medical service categories are all over estimate for the year to date. This pattern and the year-over-year comparison in Table 7 show very little change from what was reported in last month's "Disbursements" report.

The number of total Medicaid eligibles increased in March by about 11,100 and now totals about 1,731,000, which is about 5,200 below the budgeted level for this point in the fiscal year. The number of eligibles in the Covered Families and

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

Service Category	March				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Mar.	Estimate thru Mar.	Variance	Percent Variance
Nursing Facilities Payments	\$210,011	\$206,772	\$3,239	1.6%	\$2,046,636	\$2,005,946	\$40,690	2.0%
ICF/MR Payments	\$34,435	\$34,711	(\$276)	-0.8%	\$334,601	\$336,873	(\$2,272)	-0.7%
Inpatient Hospitals	\$124,290	\$116,426	\$7,865	6.8%	\$1,065,557	\$1,092,221	(\$26,663)	-2.4%
Outpatient Hospitals	\$59,467	\$52,092	\$7,374	14.2%	\$488,249	\$480,088	\$8,160	1.7%
Physicians	\$54,857	\$51,265	\$3,592	7.0%	\$466,959	\$435,350	\$31,610	7.3%
Prescription Drugs	\$168,817	\$171,156	(\$2,339)	-1.4%	\$1,482,724	\$1,512,659	(\$29,935)	-2.0%
ODJFS Waiver	\$16,784	\$18,607	(\$1,824)	-9.8%	\$164,695	\$178,372	(\$13,677)	-7.7%
All Other	\$78,955	\$89,030	(\$10,075)	-11.3%	\$711,992	\$747,142	(\$35,150)	-4.7%
MCP	\$90,959	\$100,375	(\$9,417)	-9.4%	\$796,221	\$843,693	(\$47,472)	-5.6%
Medicare Buy-In	\$17,370	\$15,102	\$2,268	15.0%	\$140,092	\$129,917	\$10,175	7.8%
Total Medicaid Payments	\$855,943	\$855,536	\$407	0.0%	\$7,697,727	\$7,762,261	(\$64,534)	-0.8%
DA Medical	\$5,803	\$5,015	\$788	15.7%	\$57,322	\$50,016	\$7,307	14.6%
Drug Rebates Offsets	(\$49,510)	(\$49,836)	\$326	-0.7%	(\$375,234)	(\$374,491)	(\$743)	0.2%
ICF/MR Franchise Fee Offsets	(\$1,734)	(\$1,730)	(\$4)	0.2%	(\$13,582)	(\$15,332)	\$1,750	-11.4%
NF Franchise Fee Offsets	(\$36,413)	(\$35,208)	(\$1,205)	3.4%	(\$160,480)	(\$166,215)	\$5,735	-3.5%
DSH Rebate Offsets	\$0	\$0	\$0		(\$5,244)	(\$4,785)	(\$459)	
Total Health Care (Net of Offsets)	\$774,089	\$773,777	\$312	0.0%	\$7,200,510	\$7,251,454	(\$50,944)	-0.7%
Est. Federal Share	\$454,453	\$454,270	\$183		\$4,227,282	\$4,257,190	(\$29,908)	
Est. State Share	\$319,636	\$319,507	\$129		\$2,973,228	\$2,994,264	(\$21,036)	

- 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 in 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 in Tables 4 and 5.

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

Children program is under estimate by about 10,500, while the number of eligibles in the Aged, Blind, and Disabled program is over estimate by about 5,300.

Job and Family Services. Disbursements for the Department of Job and Family Services' operating and subsidy programs were \$1.2 million (4.1%) under estimate in March and stand at \$46.2 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.

Like last month, the three largest contributors to the year-to-date disbursement variance in this subcategory are line items 600-528, Adoption Services (\$12.1 million under estimate), 600-416,

Computer Projects (\$10.6 million under estimate), and 600-440, Ohio's Best Rx (\$5.8 million under estimate). Disbursements for adoption services have been lower than expected largely because the cost per recipient was lower than anticipated. As is often the case with line item 600-416, vendor invoicing for computer projects has been slower than anticipated. And disbursements for Ohio's Best Rx program were delayed due to a slower than anticipated start to the program.

TANF. With a March disbursement that was \$6.6 million below the estimate, year-to-date disbursements in the Temporary Assistance for Needy Families (TANF) program now stand at \$40.7 million below estimate. March disbursements in the TANF program continue the trend of earlier months where more than expected was paid out of federal grant funds for county advances, rather than out of the state component

of the program's funding. The coming months will show a reduction in this variance.

Mental Health. The Department of Mental Health is a component of the Human Services subcategory in Tables 4 and 5. For the year to date, the subcategory is over the estimate by \$10.8 million. All of this variance, which is due to timing, is traceable to disbursements in the Department of Mental Health, which are over estimate for the year to date by \$11.5 million. The largest part of the variance is in the Department's largest GRF subsidy line item: 334-408, Community and Hospital Mental Health Services. Approximately half of this line item is for hospital payroll and the other half is subsidy funds for community mental health boards. The Department disburses subsidies to the community mental health boards on a quarterly basis. Depending on when the boards submit their requests for funds, disbursements can occur anytime during the course of a quarter (which may or may not be consistent with monthly disbursement estimates).

Education (-\$57.9 million)

In March, disbursements in the Education category were \$10.4 million (1.5%) under estimate. For the year to date, outlays in this category are \$57.9 million (0.8%) under the estimate. Compared to the same point in the last fiscal year, disbursements in this category are \$83.1 million (1.2%) lower in the current fiscal year.

Department of Education. March disbursements by the Department of Education were \$505.0 million, \$10.5 million (2.0%) under

Service Category	FY 2005	FY 2004	Dollar Change	Percent Increase
	Yr.-to-Date as of Mar. '05	Yr.-to-Date as of Mar. '04		
Nursing Facilities Payments	\$2,046,636	\$2,016,283	\$30,353	1.5%
ICF/MR Payments	\$334,601	\$330,549	\$4,052	1.2%
Inpatient Hospitals	\$1,065,557	\$987,564	\$77,993	7.9%
Outpatient Hospitals	\$488,249	\$444,544	\$43,705	9.8%
Physicians	\$466,959	\$432,819	\$34,140	7.9%
Prescription Drugs	\$1,482,724	\$1,318,116	\$164,608	12.5%
ODJFS Waiver	\$164,695	\$143,241	\$21,455	15.0%
All Other	\$711,992	\$674,943	\$37,048	5.5%
MCP	\$796,221	\$768,970	\$27,251	3.5%
Medicare Buy-In	\$140,092	\$118,197	\$21,894	18.5%
Total Medicaid Payments	\$7,697,727	\$7,235,227	\$462,500	6.4%
DA Medical	\$57,322	\$65,380	(\$8,058)	-12.3%
Drug Rebates Offsets	(\$375,234)	(\$297,063)	(\$78,171)	26.3%
ICF/MR Franchise Fee Offsets	(\$13,582)	(\$15,326)	\$1,744	-11.4%
NF Franchise Fee Offsets	(\$160,480)	(\$152,481)	(\$7,998)	5.2%
DSH Rebate Offsets	(\$5,244)	\$0	(\$5,244)	
Prior Period Encumbrance Subsidy	\$0	(\$71,000)	\$71,000	-100.0%
Total Health Care (Net of Offsets)	\$7,200,510	\$6,764,737	\$435,773	6.4%
Est. Federal Share	\$4,227,282	\$3,971,448	\$255,834	
Est. State Share	\$2,973,228	\$2,793,289	\$179,939	

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 appropriations encumbered in the previous year.

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.

the estimate for the month. For the year to date, the Department's disbursements are \$29.2 million (0.6%) under the estimate.

The largest part of March's variance is traceable to line item 200-437, Student Assessment, which was under the estimate by \$10.4 million. Appropriation item 200-437 is used to pay for developing, scoring, and reporting the results of the state's proficiency and achievement tests, as well as for developing the state's diagnostic assessments. The variance stems from the divergence of the estimates on the timing of payments to contractors. For the year to date, line item 200-437 is under the estimate by \$27.6 million.

Partially offsetting the item above was a disbursement variance in appropriation item 200-501, Base Cost Funding, which was over estimate for the month by \$6.0 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 \$57.9 million over estimate. The Department predicted a shortfall in FY 2005 of between \$200 million and \$300 million in appropriations for foundation formula items. As a result, the appropriation for line item 200-501 has been increased by \$150 million in Sub. S.B. 56. In addition, that act moves the 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 fund is used in conjunction with line item 200-501 to finance 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.

Board of Regents. Disbursements by the Board of Regents were \$0.5 million above the estimate for March, with the year-to-date disbursement variance now standing at \$26.4 million below estimate. Like last month, the year-to-date variance is explained almost completely by line item 235-420, Success Challenge, which is now under the estimate by \$26.2 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.

School Facilities Commission. March disbursements of \$57.5 million from appropriation item 230-908, Common Schools General Obligation Debt Service, exceeded the estimate of \$41.9 million by \$15.6 million. For the year to date the variance in this line item stands at \$420,098 over the estimate. The variance is the

result of a payment that was anticipated earlier; this variance offsets the earlier underspending. OBM anticipates that debt service in general will be about \$45.0 million under estimate for the whole fiscal year.

Government Operations (\$9.5 million)

In March, outlays in the Government Operations category were \$35.2 million (11.7%) below the estimate for the month, which pushed the year-to-date variance down to \$9.5 million (4.1%) above the estimate. Most of the variance for the month stems from a March payroll of the Department of Rehabilitation and Correction and the Department of Youth Services that posted in April.

The largest single source of the year-to-date variance is the disbursement activity of the Department of Development, which now stands at \$14.3 million above estimate. As reported in previous "Disbursements" articles, this variance stems largely from the fact that disbursements of prior-year grant money, as well as disbursements from two new line items, are not occurring as anticipated. The small decline in that variance that we see this month was expected, and we expect it to continue to decline in the coming months.

Another significant contributor to the year-to-date variance in the category is the Department of Rehabilitation and Correction, with a variance of \$10.5 million over the estimate. This variance stems from appropriation item 505-321, Institution Medical Services, which is running about \$11.0 million over the estimate. This overage in spending is very consistent with high inflation rates the Department has experienced in the delivery of medical services. The Department has had to seek Controlling Board approval in FY 2005 to transfer funds from other GRF lines in order to meet expenses related to medical services.

Tax Relief (\$102.4 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 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.

Tax Relief payments totaled \$106.5 million in March, when only a very small amount was estimated to be disbursed. March's disbursement variance of \$106.5 million over the estimate thus accounts for all of the year-to-date variance of \$102.4 million. Local government and school district requests for reimbursement came in March rather than in April as had been expected. Subsequent disbursements in this area will thus register an offset.

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