

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MAY 2005

FISCAL OVERVIEW

—Allan Lundell

General Revenue Fund (GRF) receipts were \$150 million below estimate and program disbursements were \$23 million below estimate for April. For the fiscal year to date, total GRF receipts are \$145 million above estimate, total program disbursements are \$91 million below estimate, and the cash balance is \$196 million above its expected level.

Tracking the Economy

The U.S. economy continued to grow in April and economic indicators showed an upturn in the pace of expansion. Total nonfarm payroll employment nationwide rose 274,000 in April, and the employment figures for February and March were revised upward. Retail sales rose 1.4% in April, to 8.6% above a year earlier. The consumer price index rose 0.5% in April, largely due to a 4.5% rise in energy prices, to 3.5% above a year earlier. The special index for energy is up 17.1% compared to a year ago.

Receipts

Total GRF receipts for April were \$150 million (5.8%) below estimate, state-source receipts were \$135 million (6.3%) below estimate, tax revenue was \$146 million (6.9%) below estimate, and revenue from the major taxes was \$138 million (6.7%) below estimate.¹ Revenue from the corporate franchise tax was \$12 million (17.1%) above estimate. Revenue from the personal income tax was below estimate by \$109 million (8.8%) and sales and use tax revenue was \$39 million (5.6%) below estimate. Federal grants were \$15 million (3.3%) below estimate.

For the fiscal year to date, total GRF receipts are \$145 million (0.7%) above estimate, state-source receipts are \$211 million (1.4%) above estimate, tax revenue is \$192 million (1.3%) above estimate, and revenue from the major taxes is \$208 million (1.5%) above estimate. The income tax is \$144 million (2.2%) above estimate, the nonauto sales and use tax is \$20 million (0.3%) above estimate, and the corporate franchise tax is \$107 million (16.0%)

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Tracking the Economy 197

- The pace of expansion in the national economy picked up in April
- Reports on business in this region were mixed
- Inflation pressures have risen, but some energy prices have eased

STATUS OF THE GRF

Revenue 201

- Revenue from income and sales taxes below estimate in April; corporate franchise tax above
- Year-to-date state-source receipts 1.4% above estimate and up 5.2% over FY 2004
- Filing electronically reduces cost of processing income tax returns

Disbursements 210

- Welfare & Human Services disbursements stand at \$180 million under the estimate for the year to date
- Tax Relief payments continue to go out earlier than expected

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 April	Fiscal Year 2005 to Date	Last Year	Difference
Beginning Cash Balance	-\$353.3	\$533.1		
Plus Revenue and Transfers In	\$2,456.0	\$20,355.3		
Available Resources	\$2,102.6	\$20,888.5		
Less Disbursements and Transfers Out	\$2,136.5	\$20,922.3		
Ending Cash Balances	-\$33.8	-\$33.8	-\$123.1	\$89.3
Less Encumbrances and Accts. Payable		\$372.7	\$322.3	\$50.4
Unobligated Balance		-\$406.5	-\$445.4	\$38.9
Plus BSF Balance		\$180.7	\$180.7	\$0.0
Combined GRF and BSF Balance		-\$225.8	-\$264.7	\$38.9

above estimate. Federal grants are \$66 million (1.4%) below estimate and revenue from the auto sales tax is \$42 million (4.6%) below estimate.

Disbursements

GRF program disbursements were \$23 million (1.1%) below estimate in April. Disbursements for health care/Medicaid were \$51 million (6.5%) below estimate and disbursements for primary and secondary education were \$23 million (4.0%) below estimate. Disbursements for TANF were \$24 million (63.1%) above estimate and higher education were above estimate by \$13 million (7.2%). Disbursements for property tax relief were \$51 million (33.8%) above estimate. If this item is not counted, then April program disbursements were below estimate by \$74 million (3.7%).

For the fiscal year to date, GRF program disbursements are \$91 million (0.4%) below estimate. Disbursements for health care/Medicaid are \$102 million (1.3%) below estimate and disbursements for TANF are \$17 million (4.9%) below estimate. Disbursements for primary and secondary education are below estimate by \$55 million (1.0%) and disbursements for higher

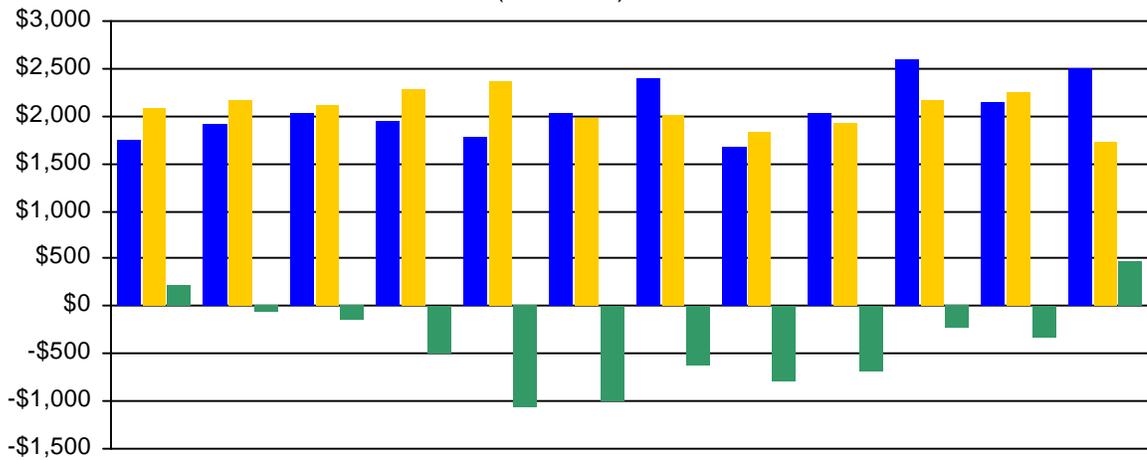
education are below estimate by \$13 million (0.7%). Disbursements for property tax relief are \$154 million (17.7%) above estimate. If this item is not counted, then year-to-date program disbursements are below estimate by \$245 million (1.2%).

Cash Balance

As shown in Table 1, the GRF began April with a negative cash balance amounting to -\$353 million. Monthly revenues plus transfers in totaled \$2,456 million and disbursements plus transfers out totaled \$2,136 million. The monthly surplus of \$320 million raised the month-end cash balance to -\$34 million.² This amount is \$89 million higher (less negative) than a year ago, and \$196 million higher (less negative) than the balance that would have resulted if receipts and disbursements had equaled their estimates for the first ten 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

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

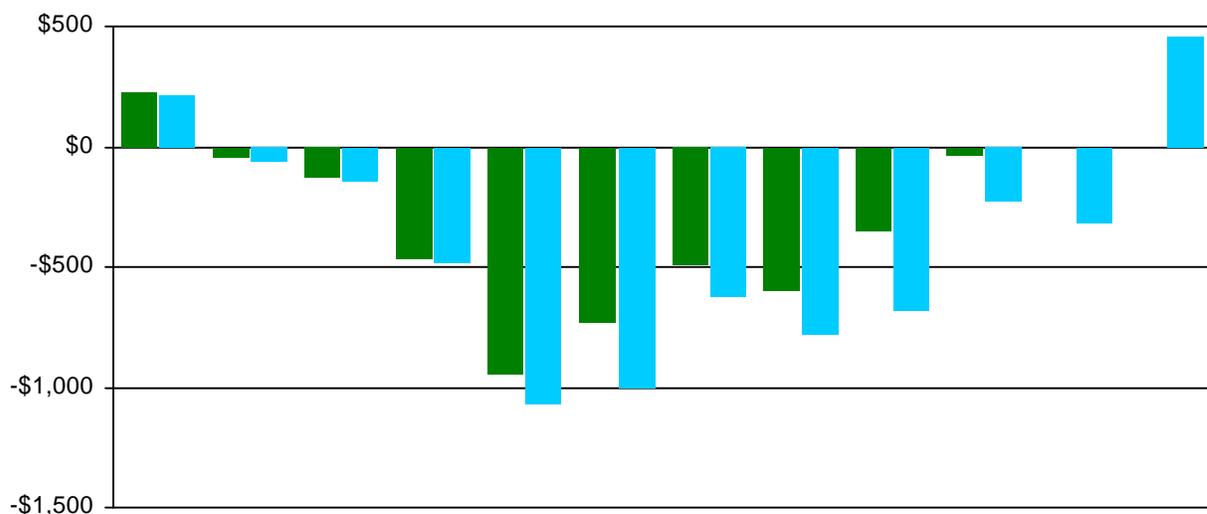


	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
Receipts	\$1,748	\$1,905	\$2,044	\$1,959	\$1,791	\$2,047	\$2,403	\$1,676	\$2,033	\$2,606	\$2,151	\$2,501
Disbursements	\$2,074	\$2,172	\$2,129	\$2,298	\$2,375	\$1,985	\$2,022	\$1,835	\$1,928	\$2,156	\$2,243	\$1,717
Cash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

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.

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	-\$353	-\$34		
Estimate	\$208	-\$60	-\$145	-\$485	-\$1,069	-\$1,007	-\$626	-\$785	-\$680	-\$230	-\$321	\$463

Encumbrances and accounts payable of \$373 million combine with the cash balance to yield an unobligated balance of -\$407 million. This amount is \$39 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 -\$226 million is also \$39 million higher than it was a year ago.

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 (LGRA), 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 April, FY 2005 revenues plus transfers in totaled \$20,355 million and disbursements plus transfers out totaled \$20,922 million. The year-to-date deficit of \$567 million reduced the year-to-date cash balance to -\$34 million.

TRACKING THE ECONOMY

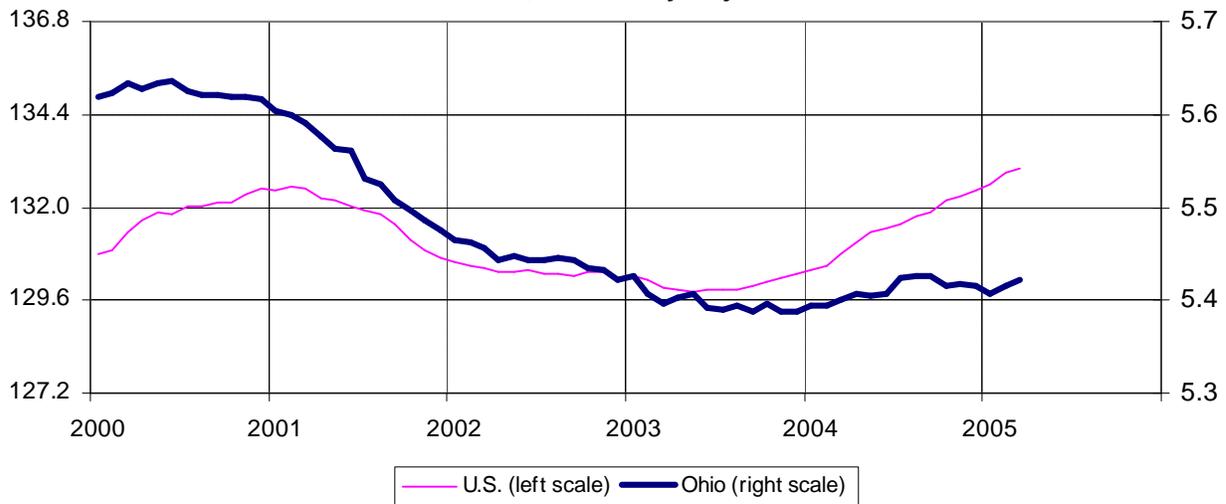
¾ Phil Cummins

Broad economic indicators for April show an upturn in the pace of expansion, after March's slowdown. However, expansion in the manufacturing sector appears to have slowed further. The increase in nonfarm payrolls nationwide last month was one of the larger monthly gains since growth in the number of jobs resumed nearly two years ago. A sizable increase also was reported for retail sales in April. The more rapid rise in employment and retail sales last month followed smaller gains in March that raised concerns about weakness in the economy resulting from adverse effects of high oil prices on household and business purchasing power. Industrial production slowed in April, reflecting lower output at utilities and flat factory output. Inflationary pressures continue, though at the finished goods and services level, price increases in April mainly reflected higher energy costs. Housing starts rebounded last month after slowing in March. The nation's central bank continued to raise short-term interest rates. Longer-term interest rates also have risen but remain low. The government's initial estimate of total national output in the first quarter showed a 3.1% annual rate of growth in gross domestic product, down from 4.4% growth for all of last year.

National Employment Rebounds

Total nonfarm payroll employment nationwide rose a relatively strong 274,000 in April, and figures for the previous two months were revised upward. Ohio employment rose 6,400 in April and was revised higher in March. The uptrend in national and Ohio employment is shown in Chart 1. Increases in national employment in the latest month were widespread among industries, including construction, mining, and various services. Estimated hours worked economy-wide, an indicator of production during the month, rose strongly. Manufacturing employment fell, however, and has trended lower since August of last year after a weak recovery earlier in 2004. Unemployment nationwide as a share of the labor force was unchanged last month at 5.2%, as the number of people employed and the number wanting to work both rose. The portion of the population aged 16 and older who had jobs increased to 62.6%, the highest since October 2002. The number of so-called "discouraged workers," persons available for work who searched for a job within the past year but were not looking last month because of discouragement over job prospects, fell below 400,000 in April,

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



**Table 1: Total Nonfarm Payroll Employment
% Change in Annual Averages**

Growth Ranking	State	2000 to 2004	Growth Ranking	State	2000 to 2004
1	Nevada	12.2%	46	North Carolina	-2.6%
2	Alaska	7.1%	47	Ohio	-3.9%
3	Wyoming	6.7%	48	Illinois	-3.9%
4	Montana	6.3%	49	Massachusetts	-4.3%
5	New Mexico	6.2%	50	Michigan	-6.1%

one of the few months in which this labor market measure has been that low since 2002. Ohio's unemployment rate in April declined to 6.1% from 6.3% in March.

Ohio Trails in Employment Comparisons among States

As is clear from Chart 1, Ohio payroll employment has recovered only to a very limited extent from the downturn that began five years ago in 2000. In contrast, payroll employment nationwide peaked in 2001, nearly a year later than in Ohio, and after falling for two years has been rising since 2003, reaching a new all-time high in the latest month. Employment growth in Ohio also has trailed that of most other states considered individually. In Table 1, percentage changes in employment (annual averages) from 2000 to 2004 are shown for the five states in which the number of jobs expanded most strongly during this period and for the five states where employment was weakest. The year 2000 was chosen as the base or starting point for this comparison because Ohio employment peaked in that year. In the 50-state comparison, Ohio ranked 47th, about matching Illinois and ahead of only Massachusetts and Michigan. States with stronger growth generally were in the West, followed by the South.

Industrial production fell in April reflecting cutbacks at natural gas and electric utilities and no growth in total manufacturing output. Consumer goods production has slowed from its peaks, while output of business equipment, defense and space equipment, and construction supplies continues to trend upward. Industrial materials production appears to have peaked, at least for now.

Recovery at Ohio Steel Producers

Steel sales and output in Ohio recovered last year to their highest levels since 2000, according to a report from the Ohio Steel Council. Steel production in 2004 increased 14% to 14.9 million tons in the state. Steel shipments rose 9% to 15.3 million tons. With their markets strong, Ohio steelmakers more than doubled their capital spending last year, raising investment outlays 143% to \$352 million. However, employment at these firms was reduced by over 4% last year to 15,324.

Reports of Expansion Less Widespread among Manufacturers

Purchasing managers at manufacturers said that growth in activity continued in April, in the Institute for Supply Management's monthly survey. But reports of expansion were less widespread than in earlier months, continuing a slowing trend evident for about a year. Production and new orders rose for the 24th consecutive month. Order backlogs increased, but inventories were trimmed. Increases in prices paid continued to be widespread, and steel and caustic soda remained in short supply. Business activity, orders, and other measures reported by surveyed purchasing managers in the nonmanufacturing sector showed continued expansion and upward pressures on costs.

Strength in Retail Sales

Retail sales rose strongly in April, increasing 1.4% to 8.6% above a year earlier. The jump in sales in the latest month reflected in part higher motor vehicle sales, but excluding motor vehicles

and parts, retail sales were up 1.1% last month. Sectors with sizable gains in April include clothing and accessories, following a drop in March; gasoline stations, reflecting the peak in fuel prices last month; and general merchandise sales.

Housing Remains Vigorous

Starts on construction of new homes and apartments recovered in April after slowing in March. Year-to-date starts were 5% higher than a year earlier nationwide but 6% lower in the Midwest. Starts nationwide are above a 2 million-unit annual rate so far this year. The last time starts exceeded 2 million units for an entire year was in 1978.

In March, sales of new homes in the nation rose sharply to the highest monthly rate on records maintained since 1963. Sales rose in all regions of the country except the Northeast. Year-to-date sales were 9% above a year earlier nationwide but 4% lower than a year ago in the Midwest. In Ohio, issuance of permits for construction of single-family housing in this year's first three months was 19% below a year earlier; including multifamily housing, the number of units for which permits were issued was 17% lower.

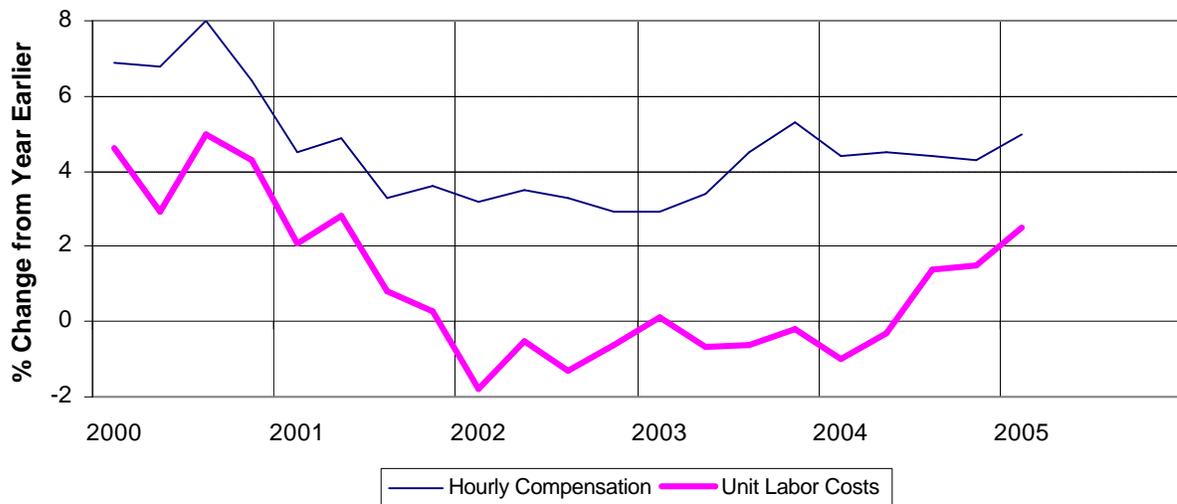
Sales of used homes nationwide in March were at a near-record pace, the third highest on the National Association of Realtors' records. In the first three months of this year, unit sales were 6%

above a year earlier in the nation and 4% higher in the Midwest. The Ohio Association of Realtors also reported a 6% year-over-year increase in unit home sales in this year's first three months.

Reports Mixed on Business in This Region

The Federal Reserve System's Beige Book, a summary of anecdotal and other information on the economy gathered from contacts in the business community and elsewhere, reported that activity continued to expand around the country. The pace of expansion varied by region, with improvement characterized as uneven in the Cleveland Federal Reserve District, which includes all of Ohio. Durable goods manufacturers' production in this region, overall, continued to trend up, but steel shipments have softened and auto assemblies are below year-ago levels. Output at nondurable goods manufacturers was described as steady. Retailers' reports were mixed, with higher gasoline prices seen as causing weaker sales at discounters. Residential builders' sales were below year-ago levels, including notable weakness in sales of lower-priced homes. Nonresidential building activity improved, particularly public projects. Shipping activity for firms in this region remained at a high level, but some contacts in the industry thought activity may be starting to soften. Reports from around the country suggested stronger upward pressures on prices, with firms able to pass along at least part of cost increases.

**Chart 2: Productivity and Costs
Nonfarm Business**



Mixed Indicators on Inflation

Strong business productivity gains during 2001-2004 held down costs, contributing to profitability gains during a period of generally low finished goods and services inflation. Pressures on business costs have been rising during the past year, as illustrated in Chart 2. The chart shows trends in labor compensation per hour, including benefits as well as wages and salaries, and in the cost to nonfarm business of labor per unit of output, after taking account of rising labor productivity. Implicitly, the difference or spread between the lines represents the increase from a year earlier in output per labor hour. These gains in labor productivity have become smaller in recent quarters. The rate of increase in nonfarm business unit labor costs is still relatively low; nevertheless businesses can be expected to try to recoup these rising costs by passing them along to their customers whenever market conditions allow them to do so.

The producer price index for finished goods increased a relatively rapid 0.6% in April to 4.8% above a year earlier, mainly reflecting increases in energy prices. Excluding food and energy, producer finished goods prices rose more slowly last month by 0.3%. At earlier stages of production, price indices also were pushed higher by increases in energy prices. Since April, crude

oil prices have trended lower, from peaks in March and April. Retail gasoline prices have declined from a peak early last month.

The consumer price index jumped 0.5% in April to 3.5% above a year earlier. However, excluding sharply higher energy costs and an upturn in prices for food, the consumer price index was unchanged from March to April and a relatively tame 2.2% above a year earlier.

Short-term Interest Rates Higher

The central bank's primary policy-setting group, the Federal Open Market Committee (FOMC), again raised its main policy lever, the target rate for overnight federal funds, by one-quarter percentage point on May 3. This rate has now been raised a total of 2 percentage points to 3% since June 2004. Based on its statement announcing the change, the FOMC appears likely to continue raising short-term interest rates by one-quarter percentage point at each of its meetings for a while longer. The next scheduled meeting of the group is June 29-30. Longer-term interest rates are above lows reached nearly two years ago or, for some lower quality credits, early this year. But these longer-term borrowing costs have been trending lower since late March and remain at some of the lowest levels of the past 40 years.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno, Glenn Wintrich, and Allan Lundell

April General Revenue Fund (GRF) receipts totaled \$2,456.0 million, \$150.2 million (5.8%) below estimate. The \$1,998.7 million in state-source receipts were \$134.8 million (6.3%) below estimate. Tax revenue was \$146.3 million (6.9%) below estimate and revenue from the major taxes was \$137.6 million (6.7%) below estimate.¹

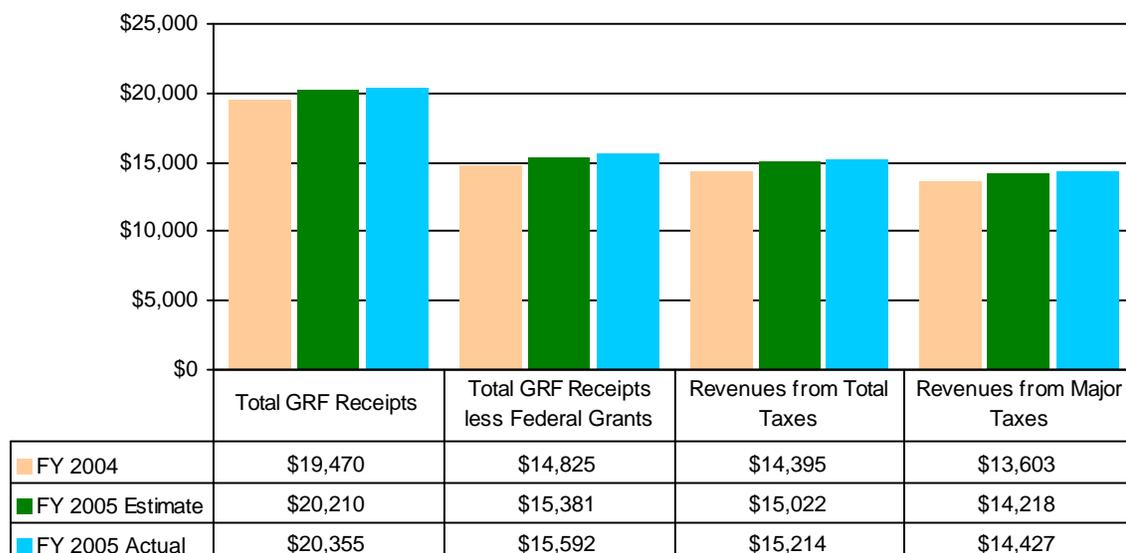
Revenue from the personal income tax was below estimate by \$109.1 million (8.8%), the nonauto sales tax was below estimate by \$24.6 million (4.1%), and the auto sales tax was \$14.8 million (13.3%) below estimate. Corporate franchise tax revenues were above estimate by \$11.7 million (17.1%). Federal grants were \$15.5 million (3.3%) below estimate.²

For the fiscal year to date, the \$20,355.3 million in total GRF receipts is \$145.1 million (0.7%) above estimate and the \$15,591.5 million in state-source receipts is \$211.0 million (1.4%) above estimate. Tax

revenue is \$191.8 million (1.3%) above estimate and revenue from the major taxes is \$208.3 million (1.5%) above estimate. The income tax is \$143.9 million (2.2%) above estimate, the nonauto sales tax is \$19.6 million (0.3%) above estimate, and the corporate franchise tax is \$106.5 million (16.0%) above estimate. Federal grants are \$65.9 million (1.4%) below estimate and revenue from the auto sales tax is \$42.4 million (4.6%) below estimate.

For the fiscal year to date, total GRF receipts are up 4.5% compared to FY 2004. State-source receipts are up 5.2%, total tax revenue is up 5.7%, and revenue from the major taxes is up 6.1%. Federal grants are up 2.6%. If the \$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 7.0%. Chart 1 compares FY 2005 receipts with FY 2004 receipts and FY 2005 estimates.

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



Personal Income Tax

The GRF received \$1,136.3 million from the personal income tax in April. This amount was \$109.1 million (8.8%) less than estimated. Gross collections were \$148.2 million (9.3%) below estimate for the month. This was primarily because taxes due were \$157.8 million (20.7%) below estimate. The Department of Taxation indicated that it was still processing tax payments into the first week of May, which may explain some of the variance for April. Withholding was \$39.2 million (6.1%) below estimate for the month. Refunds were \$39.6 million (15.5%) less than expected for April, and net collections were \$108.6 million (8.1%) less than expected.

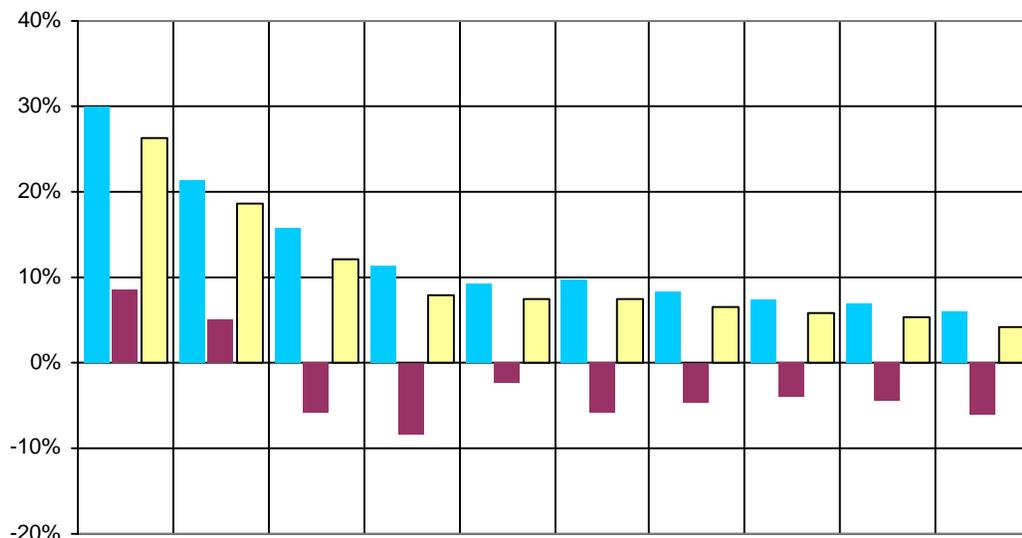
For the fiscal year to date, the GRF has received \$6,802.5 million from the personal income tax, which is \$143.9 million (2.2%) above estimate. The \$6,425.4 million in revenue collected through withholding is \$7.3 million (0.1%) above estimate. Year-to-date quarterly estimated payments of \$1,116.5 million are \$125.4 million (12.7%) above estimate.³ Refunds

for the year total \$900.7 million, which is \$89.2 million (9.0%) below estimate.

Compared to a year ago, GRF revenue from the personal income tax is up 7.3%. Withholding, which reflects the condition of Ohio’s labor market, is up 5.1%. Quarterly estimated payments are up 16.9%, gross collections are up 5.3%, net collections are up 6.6%, and refunds are down 4.1%.

Tax season has come and gone, and it appears that Ohio taxpayers are embracing paperless tax return filing. Of the approximately 4.3 million returns that the Ohio Department of Taxation (ODT) has processed so far, 2.7 million (63%) have been paperless. ODT estimates that it costs \$3 to process a paper return and \$1.15 to process an electronic return. Thus, the state has saved approximately \$5 million in processing costs so far this year and, with approximately 1 million returns still to be processed, an additional \$1.2 million in savings may still be realized.

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	Apr-05
■ Nonauto Tax Receipts	29.9%	21.5%	15.9%	11.3%	9.3%	9.8%	8.4%	7.5%	7.0%	6.1%
■ Auto Tax Receipts	8.5%	5.2%	-5.8%	-8.4%	-2.4%	-5.8%	-4.6%	-4.0%	-4.4%	-6.0%
■ Total SUT Receipts	26.3%	18.7%	12.1%	7.9%	7.5%	7.4%	6.5%	5.9%	5.3%	4.3%

Sales and Use Tax

Sales and use tax revenues in April 2005 were \$665.8 million, \$39.4 million (5.6%) below expected revenues. Receipts from the nonauto sales and use tax were 4.1% below estimate, while those from the auto sales and use tax were 13.3% below estimate. Tax receipts partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during that month.⁴

Through April, FY 2005 year-to-date sales and use tax revenues were \$6,506.9 million, \$22.8 million (0.3%) below estimates. FY 2005 year-to-date sales and use tax receipts were also \$267.9 million (4.3%) higher than fiscal year-to-date tax receipts through April 2004. Chart 2 compares year-to-date sales and use tax revenues in FY 2005 and FY 2004. Through April 2005, the nonauto sales and use tax shows a healthy year-over-year revenue growth of 6.1%, while receipts from the auto sales and use tax were 6.0% below receipts in the same period last year. The cumulative year-over-year percentage change in total sales and use tax receipts declined to 4.3%, down from 5.3% at the end of third quarter of FY 2005.

Nonauto Sales and Use Tax

Nonauto sales and use tax revenues were \$569.4 million, \$24.6 million (4.1%) below estimate. These receipts were \$6.3 million (1.1%) below revenues in the same month last year. FY 2005 year-to-date nonauto sales and use tax revenues were \$5,628.8 million, \$19.6 million (0.3%) higher than estimate. At the end of March, the cumulative year-over-year percentage change in nonauto sales and use tax receipts was 7.0%. At the end April, FY 2005 year-to-date receipts were \$323.7 million (6.1%) above revenues in the same period 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). Although higher gasoline prices were a drag on consumer spending on other retail items, nationwide retail sales (excluding autos and gasoline sales) were 6.8% higher than similar retail sales in April 2004. In contrast, nonauto sales tax receipts were \$6.3 million (1.1%) below receipts in April 2004. It appears that higher

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

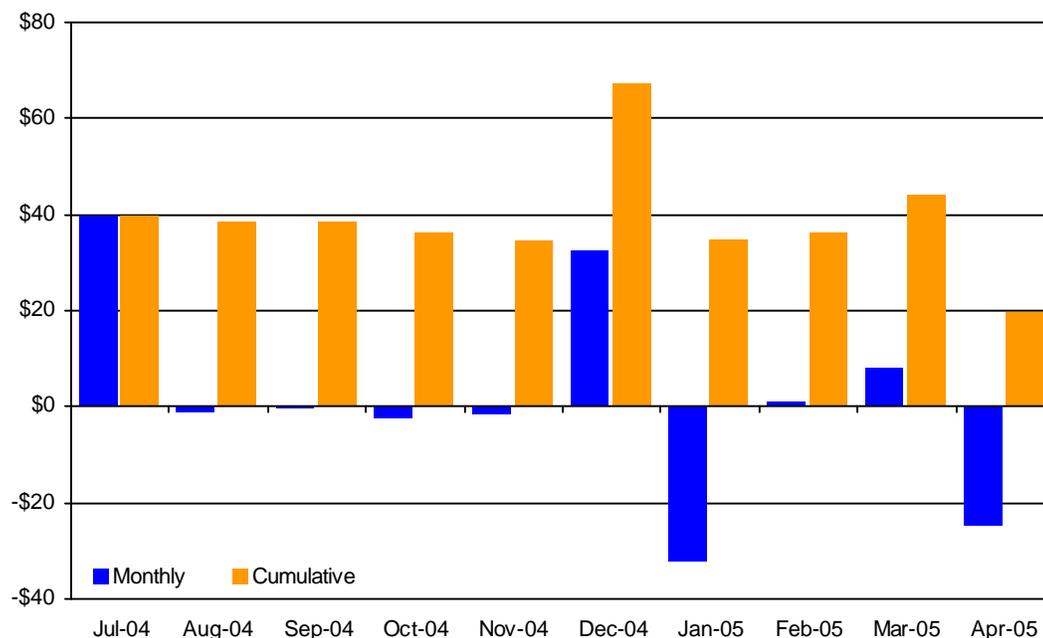
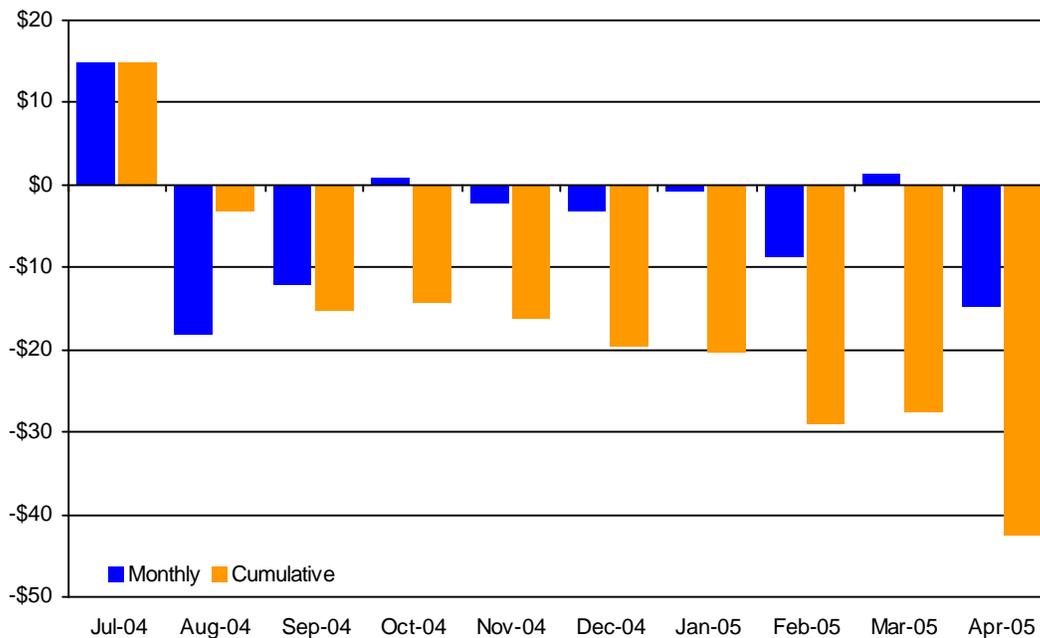


Chart 4: Auto Sales Tax Variance from August 2004 Estimate
(in millions)



gasoline prices may have had a more deleterious effect on Ohio taxable spending than on nationwide consumer spending.

Auto Sales and Use Tax

Auto sales and use tax receipts were \$96.4 million, \$14.8 million (13.3%) below estimate. 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 April 2005 were \$19.7 million (16.9%) lower. In the first four months of CY 2005, auto sales tax receipts were about \$22.2 million (2.4%) below receipts in the same period in CY 2004, pointing to a smaller auto taxable base in Ohio this year. (Auto sales tax receipts were also \$22.9 million (6.4%) below estimate from January through April 2005.)

Through April, FY 2005 year-to-date auto sales tax receipts were \$878.1 million, \$42.4 million (4.6%) below estimate. FY 2005 year-to-date auto sales and use tax receipts were

also \$55.9 million (6.0%) below receipts in the same period in FY 2004. It is likely that receipts from the auto sales and use tax in this fiscal year will be substantially below FY 2004 receipts.

One explanation for the poor performance of this tax source is the rise in the number of auto leases. Taxes collected from auto leases are recorded in the nonauto sales tax portion of the sales tax, not the auto sales tax. As the cost of financing “zero” or low-interest deals has increased due to higher interest rates, automakers and dealers have gradually relied on cash incentives and increased lease offers.⁵ As a result, the share of vehicles leased has increased quickly. The Department of Taxation indicated that leases are 37.5% of current auto registrations, up from 22.5% of auto registrations last year. If interest rates keep rising, so will the share of auto leasing.

Another explanation for the shortfall in auto tax receipts is the potential change in the composition of vehicles purchased. Consumers might be turning away from large sport utility vehicles (SUVs) in favor of smaller SUVs and passenger cars, in part due to higher gasoline prices. Sales of large SUVs have plummeted 25% this year compared to the same period in 2004. For

Exhibit 1: Impact of Vehicle Purchased on the Auto Taxable Base and Revenues

Type of Motor Vehicle	Assumed Price (Tax Base)	Sales Tax Rate	Sales Tax Revenue	Estimated Revenue Loss
Small Passenger Car	\$13,465	6.0%	\$808	-\$1,174
Compact SUV (less than 182.0 inches)	\$19,425	6.0%	\$1,166	-\$816
Mid-Size SUV (182.1 inches to 193.0 inches)	\$27,165	6.0%	\$1,630	-\$352
Full-Size SUV (more than 193.0 inches)	\$33,030	6.0%	\$1,982	\$0

example, in April 2005, General Motors reported that sales of its Chevrolet Suburban and Tahoe models plunged 30% and 34%, respectively. This change in purchasing behavior results in a smaller overall taxable base for the same number of vehicles sold, as shown in Exhibit 1. For example, a consumer opting to purchase a passenger car or a compact SUV instead of a full-size SUV would decrease the taxable base and tax revenues. The auto tax revenue loss would be \$816 if the buyer decides to buy a compact SUV instead of the full-size SUV. If the buyer decides to purchase a small passenger car instead, the decrease in auto tax revenues would be greater, at \$1,174.

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. The second major payment occurred on March 31, 2005. Because the payment date for the second payment fell on the last day of the month, tax collections spilled over into April. March CFT receipts were \$348.1 million, \$93.7 million (36.9%) above estimate, and April CFT receipts were \$79.9 million, \$11.7 million (17.1%) above estimate. April receipts were also \$33.4 million (72.0%) above receipts in April 2004. The strong performance in March and April 2005 may be in part due to the timing of receipts. The same timing effect may negatively affect CFT receipts in the May-June reporting period.

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

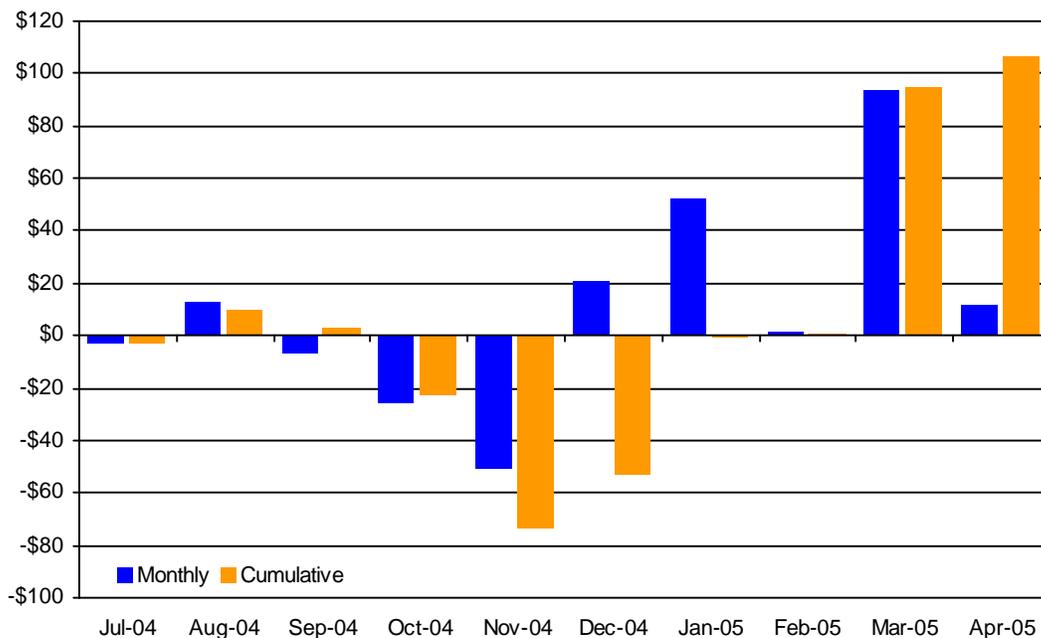
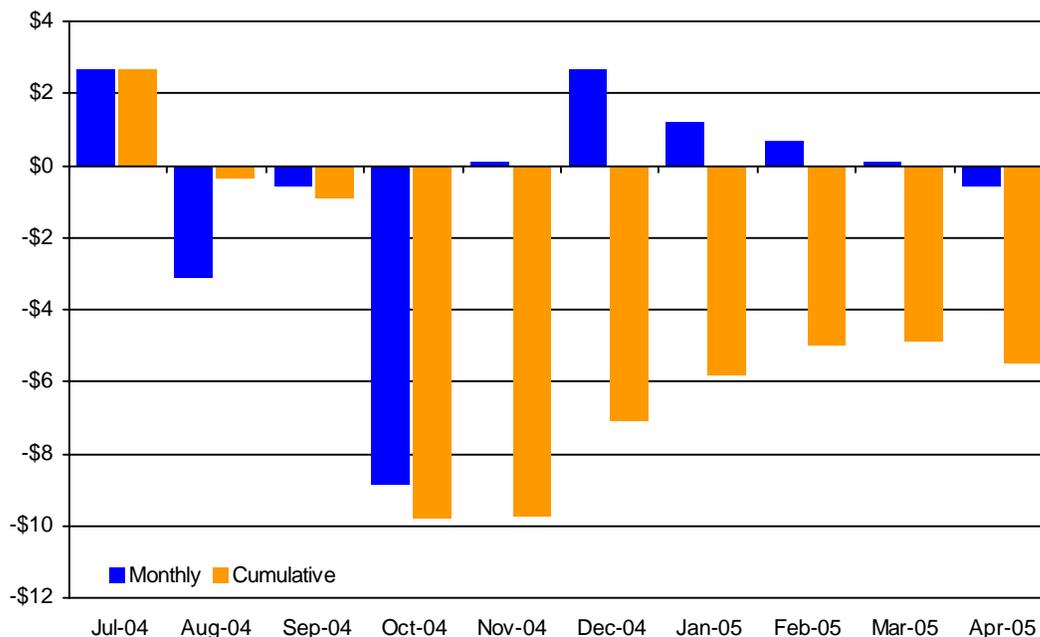


Chart 6: Cigarette Tax Variance from August 2004 Estimates
(in millions)



Through April, FY 2005 year-to-date CFT revenues were \$773.9 million, \$106.5 million (16.0%) above estimates, and \$178.0 million (29.9%) 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 April 2005, year-to-date CFT collections were on track to surpass these estimates.

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco products tax receipts in April were \$42.3 million, \$0.6 million (1.5%) below estimates. Receipts were

\$2.5 million (5.6%) below receipts for April 2004. Through April, FY 2005 year-to-date cigarette and other tobacco tax receipts were \$425.1 million, \$5.6 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 \$1.7 million (0.4%) below last year's receipts.

Looking ahead, cigarette and other tobacco products receipts in May are generally 60% to 70% higher than receipts in the average month. During May, tobacco dealers and wholesalers must remit payment on credit purchases of stamps, as well as buy needed stamps with cash.

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).

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 pattern 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 For automobile dealers, a lease or a purchase is essentially the same. However, a lease is preferable to a purchase because the lessee has to return to the dealer, who has an opportunity to make another sale at the end of the lease.

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

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$96,432	\$111,261	-\$14,829	-13.3%
Nonauto Sales & Use	\$569,412	\$594,000	-\$24,588	-4.1%
Total Sales & Use Taxes	\$665,844	\$705,261	-\$39,417	-5.6%
Personal Income	\$1,136,349	\$1,245,400	-\$109,051	-8.8%
Corporate Franchise	\$79,874	\$68,206	\$11,668	17.1%
Public Utility	\$18	\$0	\$18	---
Kilowatt Hour Excise	\$29,059	\$29,900	-\$841	-2.8%
Total Major Taxes	\$1,911,144	\$2,048,767	-\$137,623	-6.7%
Foreign Insurance	\$22	\$142	-\$121	-84.8%
Domestic Insurance	\$0	\$0	\$0	---
Business & Property	\$721	\$300	\$421	140.2%
Cigarette	\$42,347	\$43,000	-\$653	-1.5%
Alcoholic Beverage	\$4,616	\$4,788	-\$172	-3.6%
Liquor Gallonage	\$2,627	\$2,511	\$116	4.6%
Estate	\$143	\$8,400	-\$8,257	-98.3%
Total Other Taxes	\$50,475	\$59,141	-\$8,666	-14.7%
Total Tax Revenue	\$1,961,620	\$2,107,908	-\$146,288	-6.9%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$17,120	\$10,691	\$6,429	60.1%
Other Revenue	\$11,953	\$6,753	\$5,201	77.0%
Nontax State-Source Revenue	\$29,073	\$17,444	\$11,629	66.7%
TRANSFERS				
Liquor Transfers	\$8,000	\$8,000	\$0	0.0%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$0	\$100	-\$100	-100.0%
Total Transfers In	\$8,000	\$8,100	-\$100	-1.2%
TOTAL GRF before Federal Grants	\$1,998,693	\$2,133,452	-\$134,759	-6.3%
Federal Grants	\$457,285	\$472,753	-\$15,468	-3.3%
TOTAL GRF SOURCES	\$2,455,978	\$2,606,205	-\$150,228	-5.8%

* 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 April 2005
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2004	Percent Change
TAX REVENUE						
Auto Sales	\$878,071	\$920,491	-\$42,420	-4.6%	\$933,945	-6.0%
Nonauto Sales & Use	\$5,628,843	\$5,609,250	\$19,593	0.3%	\$5,305,098	6.1%
Total Sales & Use Taxes	\$6,506,914	\$6,529,741	-\$22,827	-0.3%	\$6,239,043	4.3%
Personal Income	\$6,802,498	\$6,658,600	\$143,898	2.2%	\$6,336,784	7.3%
Corporate Franchise	\$773,909	\$667,369	\$106,540	16.0%	\$595,882	29.9%
Public Utility	\$55,247	\$69,900	-\$14,653	-21.0%	\$143,546	-61.5%
Kilowatt Hour Excise	\$288,038	\$292,700	-\$4,662	-1.6%	\$287,345	0.2%
Total Major Taxes	\$14,426,606	\$14,218,310	\$208,296	1.5%	\$13,602,600	6.1%
Foreign Insurance	\$256,187	\$248,850	\$7,337	2.9%	\$247,488	3.5%
Domestic Insurance	\$222	\$4,012	-\$3,790	-94.5%	\$393	-43.5%
Business & Property	\$1,693	\$1,800	-\$107	-5.9%	\$1,763	-3.9%
Cigarette	\$425,145	\$430,700	-\$5,555	-1.3%	\$426,842	-0.4%
Alcoholic Beverage	\$47,337	\$46,740	\$597	1.3%	\$46,428	2.0%
Liquor Gallonage	\$26,845	\$25,916	\$929	3.6%	\$25,780	4.1%
Estate	\$29,563	\$45,500	-\$15,937	-35.0%	\$43,883	-32.6%
Total Other Taxes	\$786,992	\$803,518	-\$16,526	-2.1%	\$792,577	-0.7%
Total Tax Revenue	\$15,213,598	\$15,021,828	\$191,770	1.3%	\$14,395,177	5.7%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$21,006	\$16,000	\$5,006	31.3%	\$14,820	41.7%
Licenses and Fees	\$65,167	\$45,985	\$19,182	41.7%	\$45,205	44.2%
Other Revenue	\$107,747	\$95,538	\$12,209	12.8%	\$136,000	-20.8%
Nontax State-Source Revenue	\$193,920	\$157,523	\$36,397	23.1%	\$196,025	-1.1%
TRANSFERS						
Liquor Transfers	\$99,000	\$89,000	\$10,000	11.2%	\$99,000	0.0%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$84,984	\$112,200	-\$27,216	-24.3%	\$135,208	-37.1%
Total Transfers In	\$183,984	\$201,200	-\$17,216	-8.6%	\$234,208	-21.4%
TOTAL GRF before Federal Grants	\$15,591,501	\$15,380,551	\$210,950	1.4%	\$14,825,411	5.2%
Federal Grants	\$4,763,840	\$4,829,737	-\$65,897	-1.4%	\$4,644,280	2.6%
TOTAL GRF SOURCES	\$20,355,342	\$20,210,288	\$145,053	0.7%	\$19,469,691	4.5%

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

DISBURSEMENTS

— Steve Mansfield*

General Revenue Fund (GRF) program disbursements totaled \$2,133.1 million in April, which was \$22.9 million (1.1%) under 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 April (see Figure 1 and Table 4). We can also see in Figure 1, and in Table 5, that the same can be said about the four categories for the year to date: for the year to date only Property Tax Relief is over its estimate. Total GRF disbursements are \$91.1 million (0.4%) under estimate for the year to date. 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.

Welfare and Human Services (-\$180.0 million)

The Welfare and Human Services category posted a disbursement variance of \$53.3 million

(5.4%) under the estimate in April. For the year to date, outlays in this category are now \$180.0 million (1.8%) 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 year-to-date underestimate and are discussed in more detail below.

Health Care/Medicaid. Year-to-date net disbursements through April in the Health Care/Medicaid program (primarily line item 600-525) total \$7,927.8 million, which is \$101.7 million (1.3%) under the estimate (see Table 6). For April, health care spending was \$50.8 million (6.5%) below the estimate. Total net health care payments so far in FY 2005 exceed FY 2004 payments at the same point of the year by \$437.4 million (5.8%).

As we see in Table 6 (excluding offsets), only payments in the Nursing Facilities, Outpatient Hospitals, Physicians, Medicare Buy-In, and DA

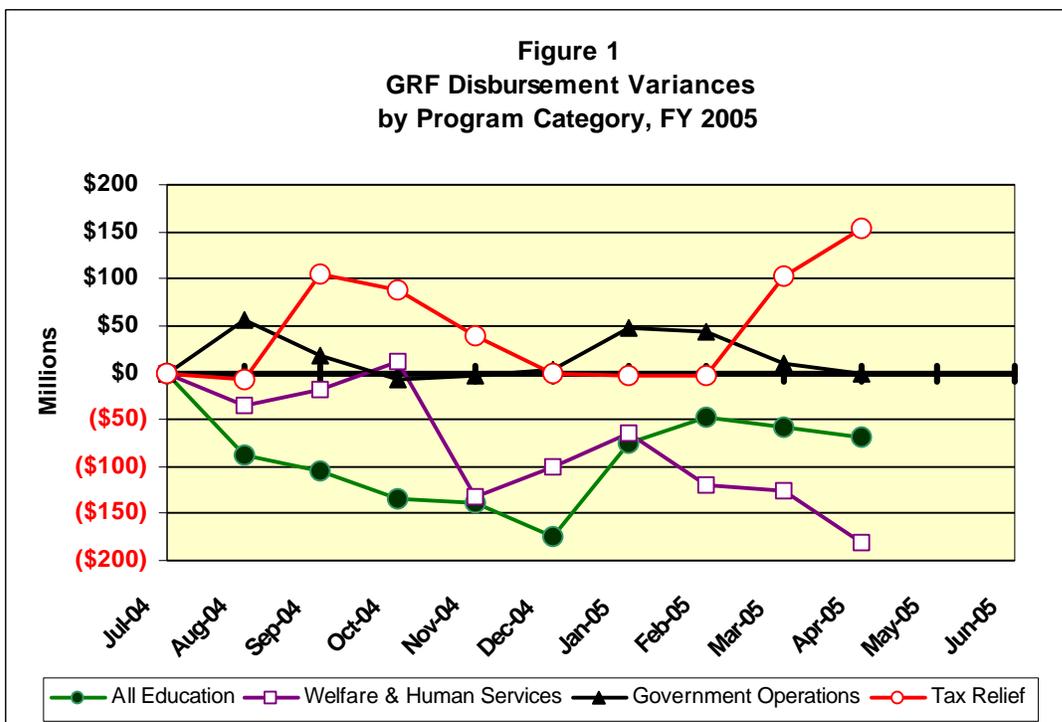


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of April 2005
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$555,399	\$578,451	-\$23,052	-4.0%
Higher Education	\$190,226	\$177,372	\$12,854	7.2%
Total Education	\$745,625	\$755,823	-\$10,198	-1.3%
Health Care/Medicaid	\$727,272	\$778,044	-\$50,772	-6.5%
Temporary Assistance to Needy Families (TANF)	\$62,270	\$38,169	\$24,101	63.1%
General/Disability Assistance	\$1,991	\$1,908	\$83	4.3%
Other Welfare (2)	\$26,665	\$43,331	-\$16,666	-38.5%
Human Services (3)	\$123,208	\$133,272	-\$10,063	-7.6%
Total Welfare & Human Services	\$941,406	\$994,723	-\$53,317	-5.4%
Justice & Corrections	\$167,880	\$167,986	-\$106	-0.1%
Environment & Natural Resources	\$6,417	\$6,536	-\$119	-1.8%
Transportation	\$2,554	\$4,845	-\$2,290	-47.3%
Development	\$6,170	\$8,036	-\$1,866	-23.2%
Other Government	\$17,662	\$23,641	-\$5,979	-25.3%
Capital	\$0	\$350	-\$350	-100.0%
Total Government Operations	\$200,683	\$211,393	-\$10,710	-5.1%
Property Tax Relief (4)	\$202,869	\$151,611	\$51,258	33.8%
Debt Service	\$42,481	\$42,393	\$88	0.2%
Total Other Disbursements	\$245,350	\$194,004	\$51,346	26.5%
Total Program Disbursements	\$2,133,064	\$2,155,944	-\$22,880	-1.1%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$3,391	\$0	\$3,391	---
Total Transfers Out	\$3,391	\$0	\$3,391	---
TOTAL GRF USES	\$2,136,455	\$2,155,944	-\$19,489	-0.9%

(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.

Medical service categories are over estimate for the year to date. The remaining categories are under estimate. 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. And it appears that lower than anticipated caseload growth along with lower

enrollment in managed care plans account for much of the overall variance and variances within the service categories.

The number of total Medicaid eligibles decreased in April by 1,261. This was the first monthly decrease in the total number of eligibles

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

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2004	Percent Change
Primary & Secondary Education (1)	\$5,577,938	\$5,632,584	-\$54,646	-1.0%	\$5,396,485	3.4%
Higher Education	\$1,939,348	\$1,952,785	-\$13,436	-0.7%	\$1,961,509	-1.1%
Total Education	\$7,517,286	\$7,585,369	-\$68,082	-0.9%	\$7,357,994	2.2%
Health Care/Medicaid	\$7,927,782	\$8,029,498	-\$101,716	-1.3%	\$7,490,419	5.8%
Temporary Assistance to Needy Families (TANF)	\$318,347	\$334,909	-\$16,561	-4.9%	\$353,353	-9.9%
General/Disability Assistance	\$20,699	\$20,270	\$429	2.1%	\$19,077	8.5%
Other Welfare (2)	\$386,549	\$449,414	-\$62,865	-14.0%	\$395,562	-2.3%
Human Services (3)	\$1,038,741	\$1,038,026	\$715	0.1%	\$994,577	4.4%
Total Welfare & Human Services	\$9,692,118	\$9,872,116	-\$179,998	-1.8%	\$9,252,987	4.7%
Justice & Corrections	\$1,662,910	\$1,664,057	-\$1,147	-0.1%	\$1,617,005	2.8%
Environment & Natural Resources	\$101,803	\$98,858	\$2,946	3.0%	\$94,531	7.7%
Transportation	\$28,545	\$27,086	\$1,459	5.4%	\$24,447	16.8%
Development	\$139,048	\$126,598	\$12,450	9.8%	\$121,271	14.7%
Other Government	\$332,199	\$346,547	-\$14,347	-4.1%	\$320,394	3.7%
Capital	\$0	\$2,530	-\$2,530	-100.0%	\$0	---
Total Government Operations	\$2,264,506	\$2,265,676	-\$1,170	-0.1%	\$2,177,647	4.0%
Property Tax Relief (4)	\$1,020,437	\$866,781	\$153,657	17.7%	\$833,663	22.4%
Debt Service	\$387,873	\$383,329	\$4,544	1.2%	\$313,039	23.9%
Total Other Disbursements	\$1,408,311	\$1,250,110	\$158,201	12.7%	\$1,146,702	22.8%
Total Program Disbursements	\$20,882,220	\$20,973,270	-\$91,050	-0.4%	\$19,935,330	4.7%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers Out	\$40,072	\$0	\$40,072	---	\$54,043	-25.9%
Total Transfers Out	\$40,072	\$0	\$40,072	---	\$54,043	-25.9%
TOTAL GRF USES	\$20,922,292	\$20,973,270	-\$50,978	-0.2%	\$19,989,373	4.7%

(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.

since April 2001. The number of eligibles now totals 1,731,677, which is 8,325 below the budgeted level for this point in the fiscal year. The number of eligibles in the Covered Families and Children program is under estimate by about 13,200, while the number of eligibles in the Aged, Blind, and Disabled program is over estimate by about 4,800.

Job and Family Services. Disbursements for the Department of Job and Family Services' operating and subsidy programs were \$16.6 million (38.5%) under estimate in April and stand at \$62.9 million (14.0%) 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

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

Service Category	April				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Apr.	Estimate thru Apr.	Variance	Percent Variance
Nursing Facilities Payments	\$234,580	\$224,020	\$10,560	4.7%	\$2,281,217	\$2,229,966	\$51,251	2.3%
ICF/MR Payments	\$38,202	\$37,621	\$580	1.5%	\$372,803	\$374,495	(\$1,692)	-0.5%
Inpatient Hospitals	\$102,078	\$115,929	(\$13,851)	-11.9%	\$1,167,635	\$1,208,149	(\$40,514)	-3.4%
Outpatient Hospitals	\$46,071	\$52,102	(\$6,032)	-11.6%	\$534,319	\$532,191	\$2,129	0.4%
Physicians	\$47,853	\$47,211	\$643	1.4%	\$514,812	\$482,560	\$32,252	6.7%
Prescription Drugs	\$155,920	\$165,508	(\$9,588)	-5.8%	\$1,638,644	\$1,678,167	(\$39,523)	-2.4%
ODJFS Waiver	\$16,658	\$19,013	(\$2,355)	-12.4%	\$181,354	\$197,386	(\$16,032)	-8.1%
All Other	\$62,083	\$83,234	(\$21,151)	-25.4%	\$774,075	\$830,376	(\$56,301)	-6.8%
MCP	\$88,008	\$101,398	(\$13,391)	-13.2%	\$884,229	\$945,091	(\$60,862)	-6.4%
Medicare Buy-In	\$17,934	\$15,130	\$2,804	18.5%	\$158,026	\$145,047	\$12,979	8.9%
Total Medicaid Payments	\$809,386	\$861,166	(\$51,780)	-6.0%	\$8,507,113	\$8,623,427	(\$116,314)	-1.3%
DA Medical	\$5,022	\$4,323	\$700	16.2%	\$62,345	\$54,338	\$8,006	14.7%
Drug Rebates Offsets	(\$50,136)	(\$49,836)	(\$299)	0.6%	(\$425,370)	(\$424,327)	(\$1,042)	0.2%
ICF/MR Franchise Fee Offsets	(\$1,561)	(\$1,563)	\$1	-0.1%	(\$15,143)	(\$16,895)	\$1,752	-10.4%
NF Franchise Fee Offsets	(\$35,439)	(\$36,045)	\$606	-1.7%	(\$195,919)	(\$202,261)	\$6,341	-3.1%
DSH Rebate Offsets	\$0	\$0	\$0		(\$5,244)	(\$4,785)	(\$459)	
Total Health Care (Net of Offsets)	\$727,272	\$778,044	(\$50,772)	-6.5%	\$7,927,782	\$8,029,498	(\$101,716)	-1.3%
Est. Federal Share	\$426,968	\$456,775	(\$29,807)		\$4,654,250	\$4,713,965	(\$59,716)	
Est. State Share	\$300,305	\$321,269	(\$20,965)		\$3,273,532	\$3,315,533	(\$42,001)	

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 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%.
- 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.

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 600-528, Adoption Services (\$13.2 million under estimate), 600-416, Computer Projects (\$9.3 million under estimate), and 600-321, Support Services (\$6.7 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 the lower than anticipated disbursements for support services is attributable to a number of different small programs supported by the line item's appropriation.

TANF. In April, Temporary Assistance for Needy Families (TANF) disbursements changed course and posted a variance of \$24.1 million over the estimate, as a larger share of the spending in the program shifted to the state component of the program's funding. For the year to date, disbursements in the TANF program now stand at \$16.6 million below estimate. The number of TANF assistance groups decreased by nearly 1,200 in April.

Education (-\$68.1 million)

In April, disbursements in the Education category were \$10.2 million (1.3%) under estimate. For the year to date, outlays in this category are \$68.1 million (0.8%) under the estimate. Compared to the same point in the last

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 Apr. '05	Yr.-to-Date as of Apr. '04		
Nursing Facilities Payments	\$2,281,217	\$2,252,285	\$28,931	1.3%
ICF/MR Payments	\$372,803	\$367,801	\$5,002	1.4%
Inpatient Hospitals	\$1,167,635	\$1,097,593	\$70,042	6.4%
Outpatient Hospitals	\$534,319	\$493,857	\$40,463	8.2%
Physicians	\$514,812	\$475,987	\$38,826	8.2%
Prescription Drugs	\$1,638,644	\$1,460,436	\$178,208	12.2%
ODJFS Waiver	\$181,354	\$158,575	\$22,778	14.4%
All Other	\$774,075	\$750,023	\$24,052	3.2%
MCP	\$884,229	\$851,569	\$32,659	3.8%
Medicare Buy-In	\$158,026	\$132,726	\$25,300	19.1%
Total Medicaid Payments	\$8,507,113	\$8,040,852	\$466,262	5.8%
DA Medical	\$62,345	\$70,408	(\$8,064)	-11.5%
Drug Rebates Offsets	(\$425,370)	(\$339,068)	(\$86,301)	25.5%
ICF/MR Franchise Fee Offsets	(\$15,143)	(\$16,947)	\$1,804	-10.6%
NF Franchise Fee Offsets	(\$195,919)	(\$193,826)	(\$2,093)	1.1%
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)	\$7,927,782	\$7,490,419	\$437,363	5.8%
Est. Federal Share	\$4,654,250	\$4,397,482	\$256,768	
Est. State Share	\$3,273,532	\$3,092,937	\$180,596	

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 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.

fiscal year, disbursements in this category are \$159.3 million (2.2%) higher in the current fiscal year.

Department of Education. April disbursements by the Department of Education were \$24.0 million (4.2%) under the estimate for the month. For the year to date, the Department's disbursements are \$53.2 million (1.0%) under the estimate. Total disbursements so far this fiscal year are \$5,482.8 million.

April's disbursement variance of \$24.0 million below estimate is attributable to underspending of \$51.9 million in line item 200-501, Base Cost Funding. This variance is largely attributable to (1) \$15.0 million in catastrophic aid payments that were anticipated in the estimates for April but have been postponed until June and (2) the use of

revised Average Daily Membership data. At the time of this writing, LSC is still looking into the use of the revised data and will provide an update in next month's "Disbursement Report." The Department has 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.

LSC expects a significant variance in disbursements over the estimate for the 200-501 line item in June.

Partially offsetting the Department's underspending were line items 200-532, Nonpublic Administrative Cost Reimbursement (over estimate by \$18.0 million) and line item 200-437, Student Assessment, which was over the estimate by \$7.1 million. Appropriation item 200-532 is used to pay chartered nonpublic schools to perform administrative and clerical activities mandated by the state. The variance in line item 200-532 is solely attributable to the timing of a payment. Line 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 positive variance in

April makes up for billings that were under the estimate in March. For the year to date, line item 200-437 is under the estimate by \$20.4 million.

Board of Regents. Disbursements by the Board of Regents were \$12.9 million (7.2%) above the estimate for April, with the year-to-date disbursement variance now standing at \$13.4 million below estimate, as the largest appropriation items close in on their FY 2005 estimates. Like last month, the year-to-date variance is completely explained 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.

Government Operations (-\$1.2 million)

In April, outlays in the Government Operations category were \$10.7 million (5.1%) below the estimate for the month, which pushed the year-to-date variance to just \$1.2 million (0.1%) below the estimate. The largest single source of the year-to-date variance is the disbursement activity of the Department of Development, which now stands at \$12.6 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 saw in April was expected and continues a trend in the slow decline in the variance as the estimates catch up with spending.

An offsetting contributor to the year-to-date variance in the category is the Department of Rehabilitation and Correction, with a variance of

\$11.0 million over the estimate. This variance stems from appropriation item 505-321, Institution Medical Services, which is running about \$12.0 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 (\$153.7 million)

The Property Tax Relief program, which carries an FY 2005 GRF appropriation of almost \$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 \$202.9 million in April. April's disbursement variance of \$51.3 million over the estimate plus the variance of \$106.5 million in March account for all of the year-to-date variance of \$153.7 million. Local government and school district requests for reimbursement in these two months have come in earlier than anticipated by the estimates due to a change in the processing of the requests. Subsequent disbursements in this area should register offsetting disbursements under the estimate.

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