

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

DECEMBER 2005

FISCAL OVERVIEW

— Allan Lundell

Five months into FY 2006, GRF receipts are \$79 million above the August 2005 OBM estimate, program disbursements are \$152 million below estimate, and the cash balance is above its expected level.

Tracking the Economy

The economy appears to have weathered the storms. Real GDP grew at an upwardly revised 4.3% annual rate in the third quarter. The nation's employment growth picked up in November after being depressed in September and October in part by the effects of the hurricanes. Retail sales rose in November, and the estimate of October sales was revised from decreasing to increasing.

The Federal Reserve System's latest "Beige Book" reported continued economic expansion accompanied by upward cost pressures. Retail sales increased in much of the country. In many areas, housing sales and construction slipped from high levels. Hiring increased but was characterized as modest, with a few exceptions, in the Cleveland District. This region's economy continued to show gradual improvement across a broad array of industries.

Receipts

Total GRF receipts for November were above estimate by \$132 million (7.0%). State-source receipts were \$45 million (3.3%) above estimate and federal grants were above estimate by \$87 million (17.1%). Tax revenues were above estimate by \$44 million (3.2%). The personal income tax was above estimate by \$5 million (0.7%), the cigarette tax was above estimate by \$11 million (14.8%), and the corporate franchise tax was \$57 million above estimate. Revenue from the sales and use tax was below estimate by \$34 million (5.1%). The auto sales tax was \$22 million (29.3%) below estimate and the nonauto sales tax was \$11 million (2.1%) below estimate.

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Tracking the Economy 72

- National economic expansion continues
- Finished goods and services inflation remains moderate, apart from energy
- Employment rose modestly in Ohio in the latest period and unemployment fell

STATUS OF THE GRF

Revenue 76

- Total receipts exceed estimate by \$132 million in November: state-source receipts \$45 million over; federal grants \$87 million over
- Year-to-date state-source receipts \$126 million over estimate
- Nonauto sales tax revenue falls further behind estimate

Disbursements 83

- GRF year-to-date disbursement variance drops by \$183 million
- Welfare and Human Services disbursements push to \$201 million over the estimate for the year to date
- Education disbursements now \$103.5 million over the estimate for the year to date

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 November	Fiscal Year 2006 to Date	Last Year	Difference
Beginning Cash Balance	-\$363.3	\$1,209.2		
Plus Revenue and Transfers In	\$2,019.7	\$10,070.7		
Available Resources	\$1,656.4	\$11,279.9		
Less Disbursements and Transfers Out	\$2,483.7	\$12,107.1		
Ending Cash Balances	-\$827.2	-\$827.2	-\$947.9	\$120.6
Less Encumbrances and Accts. Payable		\$850.3	\$657.2	\$193.0
Unobligated Balance		-\$1,677.5	-\$1,605.1	-\$72.4
Plus BSF Balance		\$576.6	\$180.7	\$395.9
Combined GRF and BSF Balance		-\$1,100.9	-\$1,424.4	\$323.5

Fiscal year-to-date GRF receipts are \$79 million (0.8%) above estimate. State-source receipts are \$126 million (1.7%) above estimate and federal grants are below estimate by \$48 million (1.8%). Tax revenues are \$92 million (1.3%) above estimate. The corporate franchise tax is above estimate by \$106 million and the personal income tax is above estimate by \$43 million (1.3%). The nonauto sales tax is below estimate by \$64 million (2.4%), the cigarette tax is below estimate by \$25 million (7.1%), and the auto sales tax is below estimate by \$9 million (2.1%). Compared to the same point in FY 2005, GRF receipts are up 7.7%. State-source receipts are up 6.4%, federal grants are up 11.7%, and tax revenue is up 6.2%.

Disbursements

Program disbursements for November were above estimate by \$183 million (8.0%). Disbursements for primary and secondary education were \$163 million (25.5%) above estimate and disbursements for property tax relief were above estimate by \$62 million (44.6%). Health Care/Medicaid disbursements were \$58 million (7.2%) below estimate and

disbursements for human services were above estimate by \$22 million (21.2%).

GRF program disbursements for the fiscal year to date are \$152 million (1.3%) below estimate. Health Care/Medicaid disbursements are \$134 million (3.0%) below estimate, disbursements for justice and corrections are below estimate by \$73 million (7.8%), disbursements for human services are below estimate by \$12 million (2.0%), and TANF disbursements are below estimate by \$11 million (7.5%). Disbursements for primary and secondary education are \$100 million (3.3%) above estimate and disbursements for property tax relief are above estimate by \$47 million (8.2%). Compared to the same point in FY 2005, GRF program disbursements are up 6.8%.

Cash Balance

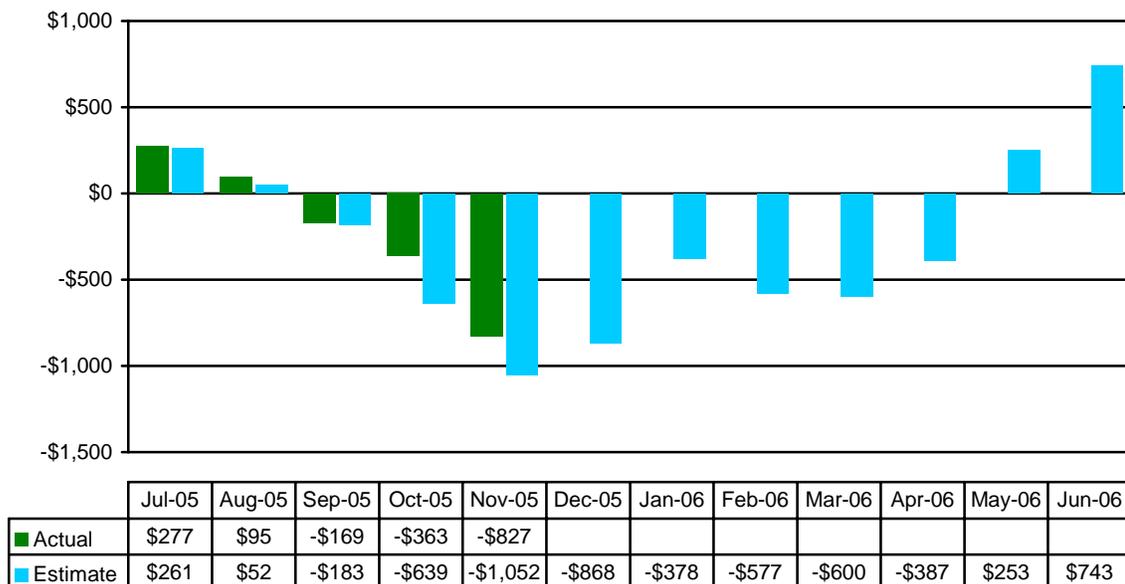
As shown in Table 1, the GRF began November with a -\$363 million cash balance. Monthly revenues plus transfers in totaled \$2,020 million and disbursements plus transfers out totaled \$2,484 million. The monthly deficit of \$464 million reduced the cash balance to

-\$827 million.¹ 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. If receipts and disbursements had equaled their estimates, the cash balance would have been a -\$1,052 million, \$224 million lower (more negative) than the actual level. Chart 1 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 higher (less negative) than estimate thus far this fiscal year.

Encumbrances and accounts payable of \$850 million combine with the cash balance to yield an unobligated balance of -\$1,677 million. This amount is \$72 million lower (more negative) than a year ago. The \$577 million in the Budget Stabilization Fund (BSF) is \$396 million higher than a year ago, so the combined GRF and BSF balance of -\$1,101 million is \$324 million higher (less negative) than it was a year ago.

Chart 1: Actual and Estimated Ending Cash Balances
(in millions)



¹ The GRF began FY 2006 with a \$1,209 million cash balance. FY 2006 year-to-date revenues plus transfers in total \$10,071 million and disbursements plus transfers out total \$12,107 million. Transfers out include the following transfers made in early July: \$60 million to Fund 5AX, TANF; \$50 million to Fund 021, Public School Building; \$40 million to Fund 5E2, Disaster Services; and \$394.2 million to the BSF (Fund 013). The year-to-date deficit of \$2,036 million reduces the cash balance to -\$827 million.

TRACKING THE ECONOMY

—Phil Cummins

The national economy continues to expand, in part reflecting recovery from the hurricanes in late August and September. Ohio's economy showed slight improvement in November, indicated by a small increase in employment. The domestic auto industry's recent difficulties can be expected to affect Ohio and surrounding states adversely. Energy prices dropped in November but have since turned back up again. Price increases for other commodities continue widespread. Finished goods and services inflation remains low, excluding volatile energy costs. Gross domestic product, adjusted for inflation, rose at an upward-revised 4.3% annual rate in the third quarter, the economy's strongest gain since a like reading in early 2004. The robust performance reflected rapid increases during the quarter in spending for consumer durables, residential fixed investment, and business equipment, as well as a resumption of more rapid growth in federal military outlays. Corporate profits fell in the third quarter because of hurricane losses.

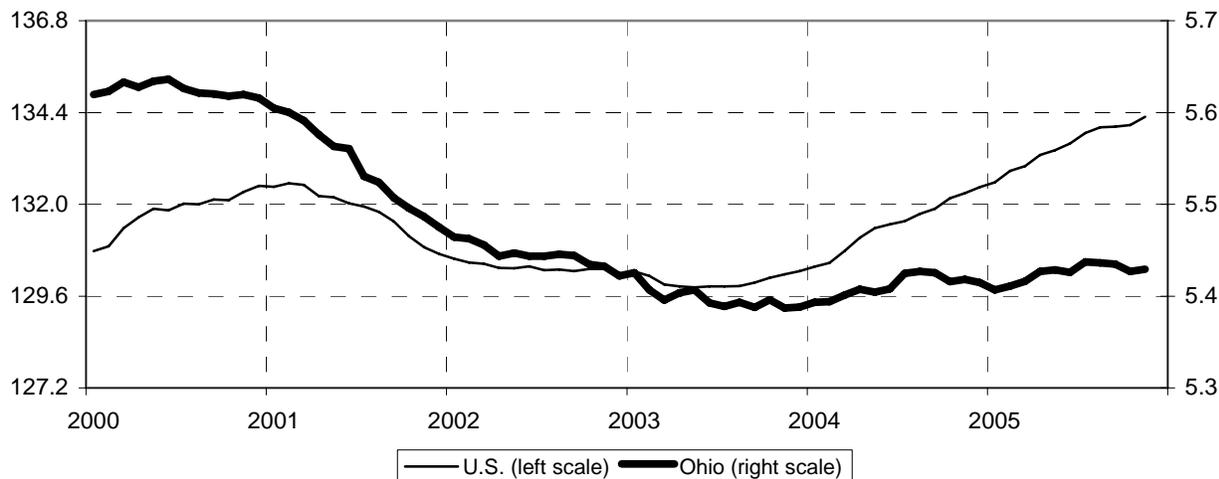
Stronger Employment Growth

The nation's employment growth picked up in November, after being depressed in September

and October in part by the effects of the hurricanes. Unemployment remained at 5.0% of the labor force. Nonfarm payroll employment rose 215,000 last month following small increases in the previous two months. The rise in the latest month is slightly stronger than the monthly average increase, 196,000, during 2005's first eight months. Factory employment rose in November for the second straight month; October payrolls were boosted by settlement of a strike in September at Boeing. Construction jobs increased at least partly as a result of cleanup and rebuilding in hurricane-damaged areas. Employment rose in numerous service industries.

Employment on nonfarm payrolls in Ohio rose 2,200 from October to November, with gains in construction, manufacturing, and some services. The unemployment rate in the state declined to 5.7% from 5.9%. These improvements in the state's labor markets are small for an economy with more than 5.4 million people employed. During the past 12 months, the number of nonfarm payroll jobs rose 11,100 or 0.2%. Trends in United States and Ohio employment are shown in Chart 1.

Chart 1: Total Nonfarm Payroll Employment
Millions, Seasonally Adjusted



Further Rise in Business Activity

Purchasing managers at manufacturers said activity at their firms increased in November for the 30th consecutive month, in the Institute for Supply Management's monthly survey. Production, orders, order backlogs, and employment rose at participating organizations, according to the survey, while inventories shrank. Increases in prices paid were widespread, though less so than in October and September. Hurricane damage was still restricting the availability of some inputs, as well as adding to demand, for example, to replace destroyed vehicles. A similar survey of purchasing executives in the nonmanufacturing sector found expansion in all measures of business activity, accompanied by price increases in a broad range of purchased inputs, and shortages of construction supplies and a few other items.

Industrial production nationwide rose 0.7% in November, following an upward-revised 1.3% increase in October. Recovery continued from the impact of hurricanes in August and September, particularly on petrochemical and energy-related industries. Manufacturing output rose 0.3% in November; the more rapid rise in total industrial production resulted from a substantial recovery in oil and gas extraction, which nevertheless remained over 8% below the pre-Hurricane Katrina rate. Consumer goods production fell in November as motor vehicle assemblies were reduced, particularly output of light trucks, and production of some other types of consumer durable and nondurable products was lowered. Business equipment output rose last month, continuing a strong uptrend. Production of construction supplies increased again, likely in part due to post-hurricane reconstruction.

Data on factory orders point to further expansion in this sector. New orders for manufacturers' output rose in October to 9% above a year earlier. Orders received year-to-date by manufacturers were 8% higher than a year ago. Backlogs of unfilled orders, up sharply in recent months, were 12% above their year-earlier level in October, due in part to a substantial volume of orders for civilian aircraft. Excluding

aircraft and parts, unfilled orders were 8% higher than in October 2004.

The Federal Reserve System's latest "Beige Book," a summary of business conditions based on comments from outside contacts, reported continued economic expansion accompanied by upward cost pressures. Retail sales increased in much of the country, though auto sales slowed. Housing sales and construction slipped in many areas, from high levels, while many commercial real estate markets strengthened. Hiring increased, according to several of the reports from around the country, but was characterized as modest, with a few exceptions, in the Federal Reserve district that includes Ohio. Despite weaker vehicle sales, activity at automobile assembly plants in the region increased. More generally, durable goods production and orders rose in recent weeks in this region, while nondurable goods output and orders were described as about unchanged.

Consumer Spending Shows Healthy Gains

Retail sales rose 0.3% in November to 6.3% above a year earlier. The increase in the total was held down by a sharp drop in sales at gasoline stations, reflecting the fall in fuel prices. Motor vehicle dealer sales picked up after slipping in October. Apart from motor vehicle dealers and gasoline stations, retail sales rose 0.5% last month to 7.6% above a year earlier, a relatively strong performance. The pace of car and light truck sales in October and November remained 15% below the third quarter average, when dealer incentives pushed sales of light trucks to all-time highs in July. The Federal Reserve reported that in October nonrevolving consumer credit outstanding was reduced at the sharpest rate since the early 1990s, probably reflecting cuts in motor vehicle lending.

Mixed Housing Market Reports

Despite the widespread perception that housing markets are slowing from high levels, new home sales in October rose 13% to the highest monthly pace on record. The largest gain in sales was in the West, followed by the Northeast. New home

sales were highest ever in the South and West during October, while the sales pace slowed in the Midwest. Year-to-date sales were 8% higher than a year earlier nationwide, but 2% lower in the Midwest. Sales of used homes, reported by the National Association of Realtors, declined 3% in October. The pace of monthly sales slowed in all four major regions of the country. For the first ten months of 2005, used home sales were 5% above a year earlier in the United States, and 3% higher in the Midwest. In Ohio, unit home sales during January-October were 5% above a year earlier.

Increases in housing prices in Ohio have continued lower than in other parts of the country, as indicated by available statistics. Recent anecdotal reports suggest some slowing in other regions. Home prices in Ohio rose 4.5% in the year to the third quarter, according to data from the Office of Federal Housing Enterprise Oversight (OFHEO), less than the 12% rise in housing prices nationwide, as shown in Chart 2. OFHEO calculates these price measures using a large database to track price changes in repeat sales or refinancings of single-family properties.

Inflation Moderate, Apart from Volatile Energy Prices

The consumer price index (CPI) fell 0.6% in November, its largest one-month drop since 1949,

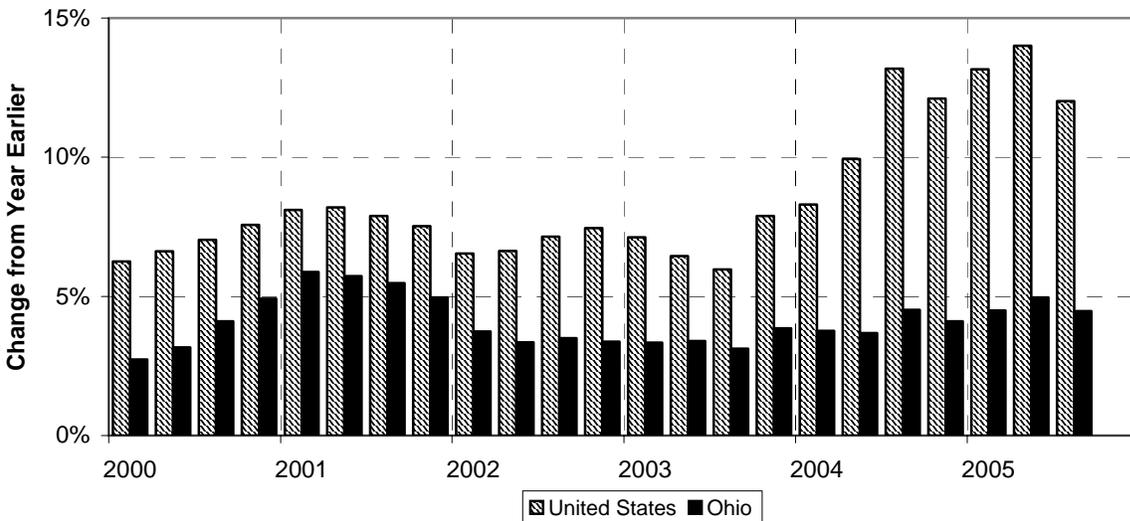
as a result of a record 8% fall in energy prices. Gasoline prices in the CPI fell 16% in November; weekly figures from the Energy Information Administration show nationwide average gasoline prices edging higher in December. The CPI for all items in November was 3.5% above a year earlier. Excluding energy, consumer prices rose 0.3% last month to 2.1% above a year ago.

Revised estimates for the third quarter show stronger growth of labor productivity, defined as output per hour of all persons, in nonfarm businesses. Productivity growth during the quarter was revised upward to a 4.7% annual rate, from 4.1% estimated previously, and was the most rapid rise in two years. Increases in hourly compensation, including benefits as well as wages, to workers in the nonfarm business sector were estimated at a 3.7% annual rate. Consequently, the cost for the labor to produce each unit of output fell at a 1% annual rate in the third quarter. Unit labor costs to nonfarm business were 1.8% higher in the third quarter than a year earlier, lowest in a year. Strong productivity growth and small increases in unit labor costs tend to keep business profits high and hold down price inflation.

Increase in Short-term Interest Rates

As widely expected, the nation’s central bank in December raised its target for the interest rate on federal funds (overnight loans between banks)

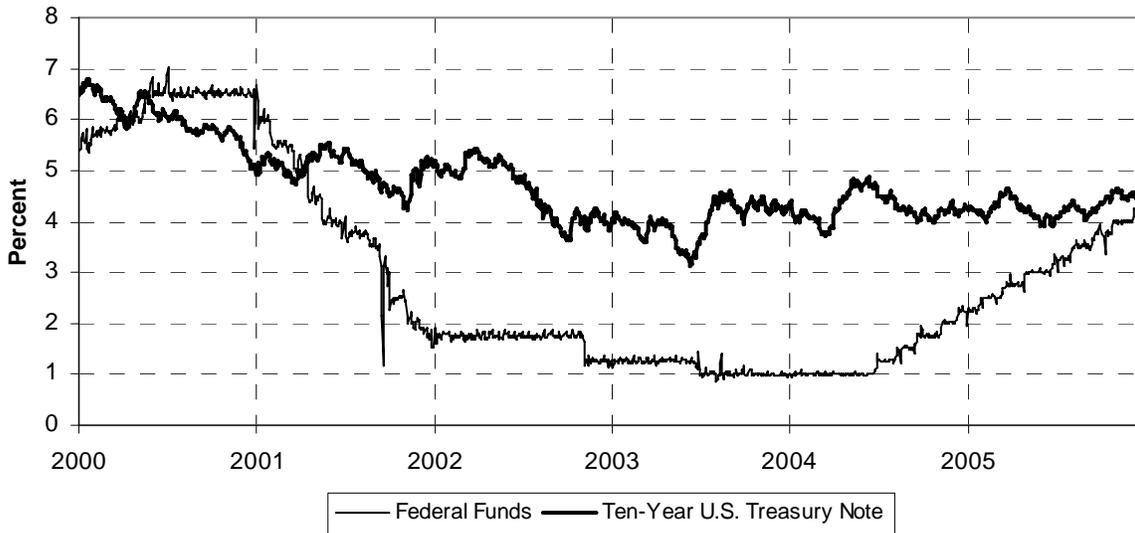
Chart 2: Housing Price Appreciation



from 4% to 4.25%. The announcement of this change, following the Federal Open Market Committee's meeting, said in part that "some further measured policy firming is likely to be needed," an indication that additional quarter-

percentage-point increases in short-term interest rates can be expected at future meetings. The federal funds rate and the yield on ten-year U.S. Treasury notes are shown in Chart 3.

Chart 3: Selected Interest Rates



Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

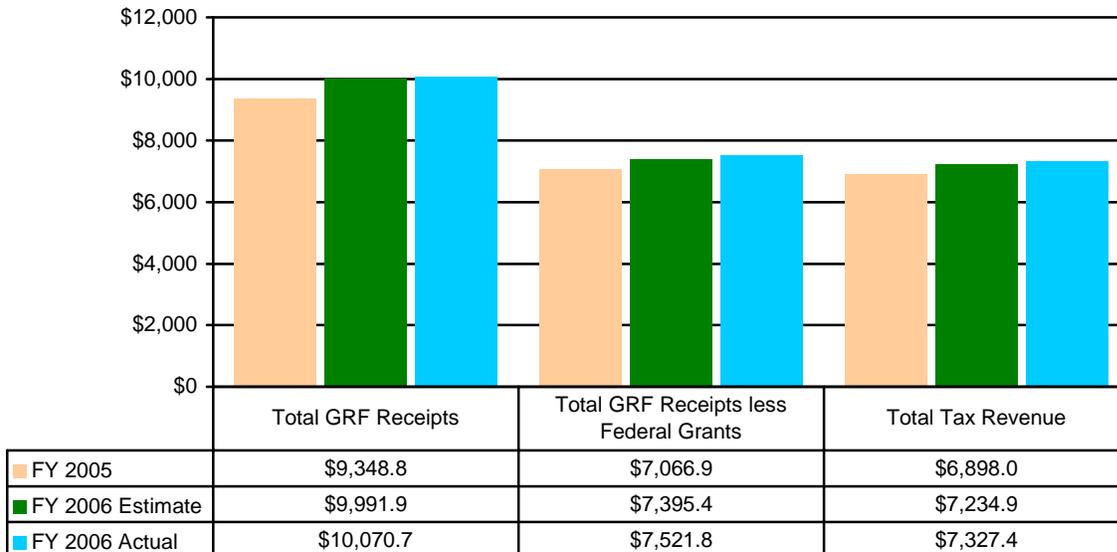
Total GRF receipts for November were above the August 2005 estimate of the Office of Budget and Management by \$132.5 million (7.0%). State-source receipts (tax revenue plus nontax revenue plus transfers in) were \$45.3 million (3.3%) above estimate and federal grants were above estimate by \$87.2 million (17.1%).¹ Tax revenues were above estimate by \$43.9 million (3.2%). The corporate franchise tax was above estimate by \$57.1 million, the cigarette tax was \$11.2 million (14.8%) above estimate, and the personal income tax was above estimate by \$4.6 million (0.7%). Revenue from the sales and use tax was below estimate by \$33.5 million (5.6%). The auto sales tax was \$22.3 million (29.3%) below estimate and the nonauto sales tax was \$11.2 million (2.1%) below estimate.

Five months into FY 2006, total GRF receipts are above estimate by \$78.7 million (0.8%). State-source receipts are above estimate by \$126.4 million (1.7%) and federal grants are below estimate by \$47.6 million (1.8%).

Tax revenue is above estimate by \$92.5 million (1.3%). The corporate franchise tax is above estimate by \$105.6 million and the personal income tax is above estimate by \$43.3 million (1.3%). The nonauto sales tax is below estimate by \$64.2 million (2.4%), the auto sales tax is \$9.3 million (2.1%) below estimate, and the cigarette tax is below estimate by \$14.0 million (3.2%).

For the fiscal year to date, total GRF receipts are up 7.7% compared to FY 2005. State-source receipts are up 6.4% and federal grants are up 11.7%. Tax revenue is up 6.2%. The personal income tax is up 8.3% and the cigarette tax is up 101.2% due to the recently enacted 127% rate increase from 55 cents per pack to \$1.25 per pack. The nonauto sales tax is down 5.5% and the auto sales tax is down 9.8%. Revenue from the sales and use tax has been affected by the recent 8.33% decrease in the sales tax rate from 6.0% to 5.5%. Chart 1 compares FY 2006

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



receipts with FY 2005 receipts and FY 2006 estimates.

Personal Income Tax

The GRF received \$627.2 million from the personal income tax in November. This amount was \$4.6 million (0.7%) greater than estimated. Gross collections were below estimate by \$540,000, but refunds were below estimate by \$5.2 million. Withholding was \$11.9 million below estimate, payments associated with annual returns were above estimate by \$5.1 million, trust payments were above estimate by \$2.0 million, and quarterly estimated payments were \$2.5 million above estimate.² Payments associated with annual returns and trust payments were mainly final payments on filing extensions.

The GRF has received \$3,314.4 million from the personal income tax thus far this fiscal year. This amount is \$43.3 million (1.3%) above estimate. Gross collections are above estimate by \$40.2 million (1.1%) and refunds are below estimate by \$3.7 million (3.1%). Withholding, which is expected to account for 74% of gross income tax collections for FY 2006, is \$7.5 million (0.2%) below estimate. Year-to-date quarterly estimated payments of \$373.2 million are \$7.8 million (2.1%) above estimate. Payments associated with annual returns are above estimate by \$22.3 million (25.1%) and trust payments are \$13.6 million (152.8%) above estimate.

Compared to a year ago, GRF revenue from the personal income tax is up 8.3%. Gross collections are up 7.2% and refunds are down 4.1%. Withholding, which reflects the condition of Ohio's labor market, is up 5.5%. Quarterly estimated payments are up 15.0%, payments associated with annual returns are up 17.2%, and trust payments are up 125.8%.

Sales and Use Tax

Total sales and use tax revenues in November were \$565.6 million, \$33.5 million (5.6%) below projected revenues.³ Auto sales and use tax receipts were \$22.3 million (29.3%) below

estimate. Nonauto sales and use tax receipts were \$11.2 million (2.1%) below estimate. Total sales and use tax receipts in November 2005 were \$64.1 million (10.2%) below revenues in November 2004.

FY 2006 year-to-date total sales and use tax revenues were \$3,088.2 million, \$73.5 million (2.3%) below estimate. FY 2006 sales and use tax receipts were also \$202.4 million (6.2%) below year-to-date tax receipts in November 2004. Although sales and use tax revenues show continuing signs of weakness, the year-over-year decrease in revenues in FY 2006 is primarily due to the 8.3% decrease in the tax rate on July 1, 2005 (to 5.5%, down from 6.0% in FY 2005). Adjusting for the rate decrease, the estimated sales tax taxable base grew about 2.4%, approximately half the growth rate expected through November in FY 2006.

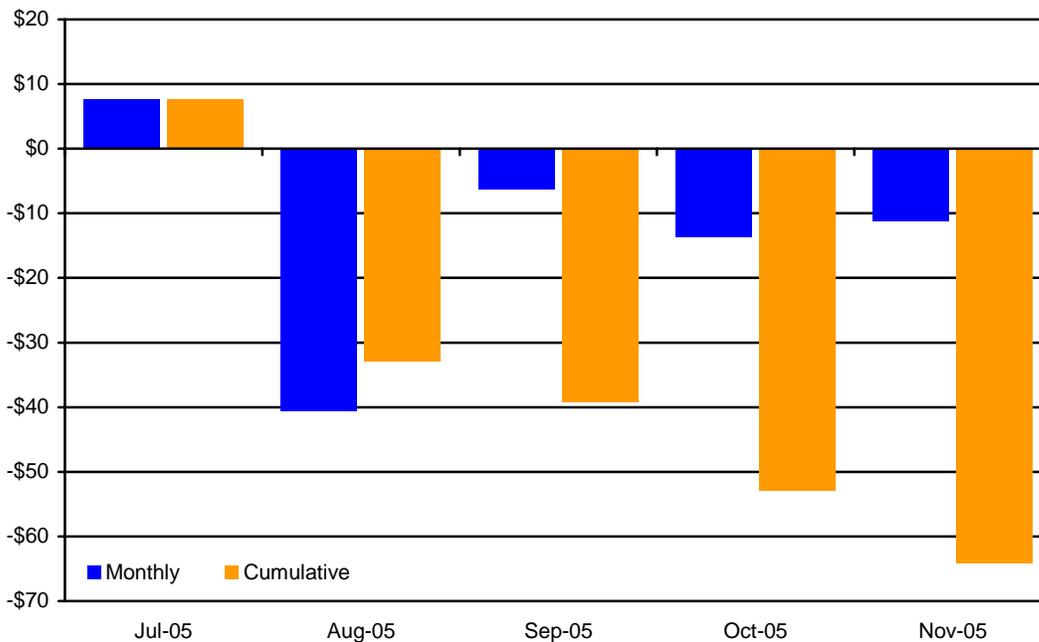
Nonauto Sales and Use Tax

For the fourth straight month, nonauto sales and use tax revenues were below estimate. Revenues in November were \$511.9 million, \$11.2 million (2.1%) below anticipated receipts. Nonauto sales and use tax receipts were also \$33.2 million (6.1%) below revenues in the same month last year. FY 2006 nonauto sales and use tax receipts were \$2,659.8 million, \$64.2 million (2.4%) below estimate. These receipts were also \$155.7 million (5.5%) below year-to-date receipts in November 2004. Adjusting for the rate decrease, the estimated nonauto sales tax taxable base grew about 3.1% so far in FY 2006.

Nationwide "core" retail sales (retail sales excluding autos and gasoline sales) grew about 1.0% in October and 0.5% in November 2005. Compared to sales a year ago, nationwide "core" retail sales were up 7.6% both in October and November.

From July to November this year, sales at gasoline stations grew about 28.7% when compared to the same period in FY 2005. Through November, the growth in Ohio income tax withholding (as a proxy for income growth)

Chart 2: Nonauto Sales Tax Variance from August 2005 Estimates
(in millions)



was about 5.5% in FY 2006. Most individuals and households confront budget constraints when gasoline prices rise over a sustained period of time without a similar rise in income. They face a choice between spending more on gasoline for necessary driving and spending less on other taxable and nontaxable goods and services (unless they borrow to finance current consumption). Because gasoline is not included in the nonauto sales and use tax base, the net fiscal impact of higher gasoline prices is unambiguously negative, which may explain, in part, the weakness of sales and use tax revenues.⁴ Also, higher winter heating bills, rising interest rates (which increase debt service payments), and the announced retrenchment in the domestic auto and auto parts manufacturing industries may combine to impact consumer sentiment and consumer spending negatively, and therefore sales and use tax revenues in the coming months.

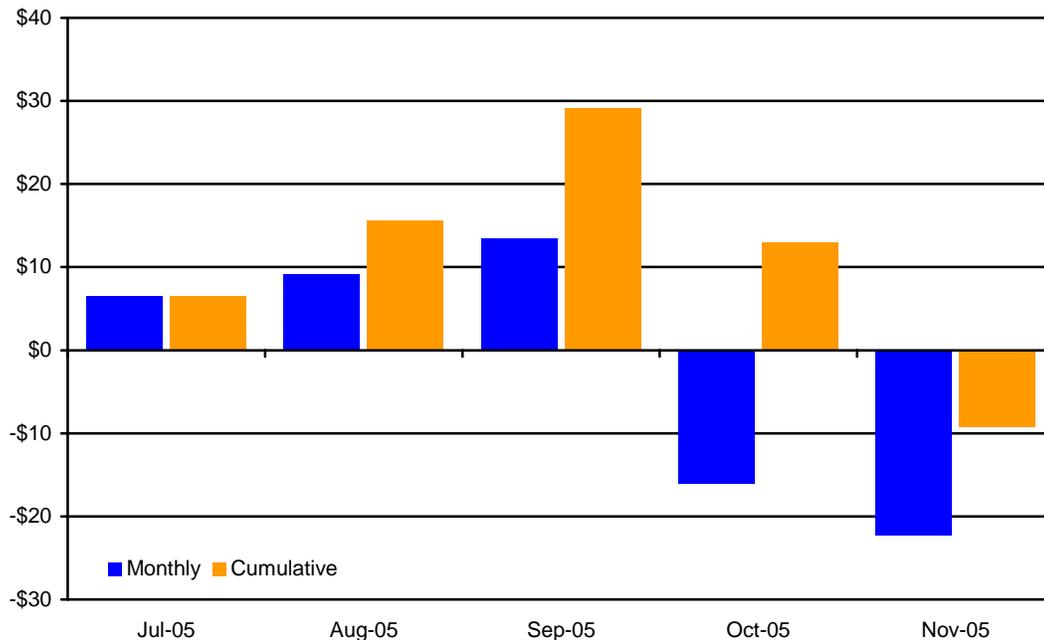
Auto Sales and Use Tax

Auto sales and use tax receipts were \$53.7 million in November, \$22.3 million (29.3%) below estimate. The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on

motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month. Auto sales and use tax receipts were \$30.9 million (36.5%) below receipts in November 2004. FY 2006 year-to-date auto sales tax receipts were \$428.4 million, \$9.3 million (2.1%) below estimate. Year-to-date auto sales and use tax receipts were also \$46.7 million (9.8%) below receipts through the same period in FY 2005. The payback from the summer's blockbuster vehicle sales continued in November. During the first quarter of FY 2006, auto sales and use tax revenues were \$29.1 million above estimates. In the last two months, revenues were \$38.4 million below estimates.

According to the Department of Commerce, nationwide sales of automobiles and light trucks (light vehicles) at motor vehicle dealers grew 2.6% in November. Unit sales grew 6.8%. However, compared to sales in the same month last year, sales at motor vehicle dealers declined 2.0% and unit sales dropped 6.8% in November 2005. Auto and light truck sales in the first quarter of FY 2006 reached an annualized pace of 17.9 million units. In the last two months, the annualized pace of sales of light vehicles averaged 15.2 million units (about

Chart 3: Auto Sales Tax Variance from August 2005 Estimates
(in millions)



9.8% below last year's sales rate). The pull-ahead buying in the summer decreased vehicle purchases and auto sales and use tax receipts in October and November. Also, the vehicle demand mix appears to be changing. Through November, the nationwide demand for passenger cars was up 4.4% in FY 2006, while unit sales of light trucks decreased 4.1%.⁵ Light trucks generally are higher priced and provide higher sales tax revenues per unit sold than passenger cars. Thus, the change in the demand mix also pulls down the auto taxable base.

Corporate Franchise Tax

Major tax receipts under the corporate franchise tax (CFT) are due in the second half of the fiscal year. CFT estimated payments are due January 31, March 31, and May 31. Activities under the franchise tax in the first half of the fiscal year are generally refunds, payments due to audit findings, tax reconciliations, and settlements.

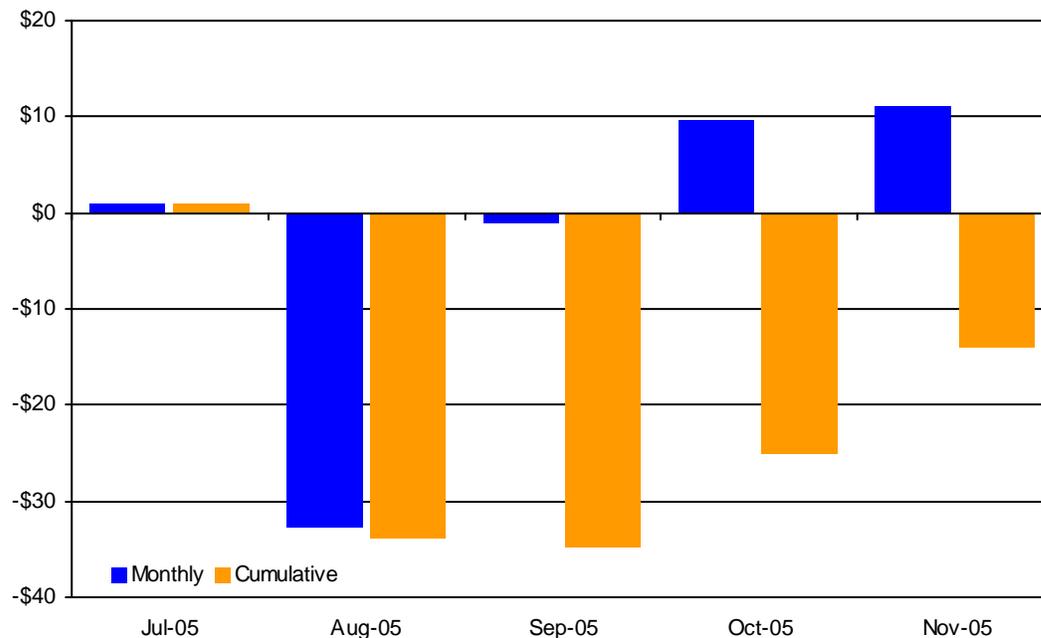
Corporate franchise tax receipts were \$47.4 million in November, which included \$20.0 million received from a tax settlement. Excluding that one-time payment, corporate franchise tax receipts would have been

\$27.4 million. CFT receipts in November were \$57.1 million above estimate and \$98.4 million above November 2004 receipts. FY 2006 year-to-date CFT receipts were \$94.4 million, \$105.6 million above estimate. (According to the Office of Budget and Management, net refunds to taxpayers were estimated at \$11.2 million through November). FY 2006 year-to-date receipts were also \$114.4 million above year-to-date receipts in November 2004. Beyond the unanticipated large settlement, nationwide corporate profits⁶ have been stronger than anticipated at the beginning of the calendar year, which might portend a good performance of the CFT this fiscal year.

Cigarette and Other Tobacco Products Tax

Receipts from the cigarette and other tobacco products tax were \$87.0 million, \$11.2 million (14.8%) above estimate. Compared to year-ago receipts in the same month, revenues in November 2005 were \$39.1 million (81.6%) higher. FY 2006 year-to-date receipts from the cigarette and other tobacco products tax were \$416.7 million, \$14.0 million (3.2%) below estimate. FY 2006 year-to-date revenues were also \$209.6 million (101.2%) above revenues in FY 2005.

Chart 4: Cigarette Tax Variance from August 2005 Estimates
(in millions)



Revenues from the excise tax on cigarettes were \$338.3 million. Receipts from the tax on other tobacco products were \$12.4 million. Revenue from the one-time “floor tax” on inventories (which was payable in the first quarter

of FY 2006 under Am. Sub. H.B. 66) were \$66.1 million. The large increase in cigarette tax revenues compared to year-ago revenue is due to the \$0.70 per pack tax rate increase on July 1, 2005.

¹ “Federal grants” are federal reimbursements for programs administered by the Department of Job and Family Services, such as Medicaid and Temporary Assistance for Needy Families (TANF). The amount received depends on expenses for human services programs that require federal participation. Any changes in state spending in these areas will change receipts from federal grants.

² 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.

³ Tax receipts partly reflect taxable retail sales activity in the prior month and also taxable retail sales during that month. Under current law, certain large taxpayers must remit sales and use tax payments in the same month the transactions occur. For smaller taxpayers, monthly sales and use tax receipts reflect taxable transactions in the prior month. Thus, monthly sales and use tax receipts reflect taxable transactions in both the current and the prior months.

⁴ A study by the New York State Department of Taxation and Finance suggests that 75% of increased gasoline expenditures is financed by reductions in purchases of other taxable goods and services, while 25% of increased gasoline expenditures is financed by reductions in purchases of nontaxable goods and services.

⁵ Data from the U.S. Bureau of Economic Analysis.

⁶ At the beginning of CY 2005, nationwide corporate profits from current production were estimated to grow 6.7% and 1.3% in CY 2005 and CY 2006, respectively, according to Global Insight, a national forecasting firm. Current forecasts by Global Insight peg profit growth at 14.8% for CY 2005 and 11.9% for CY 2006.

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

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$53,739	\$76,047	-\$22,308	-29.3%
Nonauto Sales & Use	\$511,867	\$523,107	-\$11,240	-2.1%
Total Sales & Use Taxes	\$565,606	\$599,153	-\$33,548	-5.6%
Personal Income	\$627,165	\$622,600	\$4,565	0.7%
Corporate Franchise	\$47,391	-\$9,750	\$57,141	-586.1%
Public Utility	\$24,716	\$22,700	\$2,016	8.9%
Kilowatt Hour Excise	\$26,802	\$25,200	\$1,602	6.4%
Total Major Taxes	\$1,291,679	\$1,259,903	\$31,776	2.5%
Commercial Activity Tax	\$0	\$0	\$0	---
Foreign Insurance	\$464	\$0	\$464	---
Domestic Insurance	\$46	\$10	\$36	356.8%
Business & Property	-\$81	\$45	-\$126	-279.2%
Cigarette	\$86,983	\$75,800	\$11,183	14.8%
Alcoholic Beverage	\$4,782	\$4,800	-\$18	-0.4%
Liquor Gallonage	\$2,652	\$2,700	-\$48	-1.8%
Estate	\$12,018	\$11,400	\$618	5.4%
Total Other Taxes	\$106,864	\$94,755	\$12,109	12.8%
Total Tax Revenue	\$1,398,543	\$1,354,658	\$43,885	3.2%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	-\$175	\$0	-\$175	---
Licenses and Fees	\$584	\$3,300	-\$2,716	-82.3%
Other Revenue	\$11,171	\$6,900	\$4,271	61.9%
Nontax State-Source Revenue	\$11,580	\$10,200	\$1,380	13.5%
TRANSFERS				
Liquor Transfers	\$11,000	\$11,000	\$0	0.0%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$0	\$0	\$0	---
Total Transfers In	\$11,000	\$11,000	\$0	0.0%
TOTAL GRF before Federal Grants	\$1,421,124	\$1,375,858	\$45,266	3.3%
Federal Grants	\$598,578	\$511,383	\$87,195	17.1%
TOTAL GRF SOURCES	\$2,019,701	\$1,887,241	\$132,460	7.0%

* August 2005 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 2006 as of November 2005
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
TAX REVENUE						
Auto Sales	\$428,370	\$437,681	-\$9,312	-2.1%	\$475,107	-9.8%
Nonauto Sales & Use	\$2,659,844	\$2,724,004	-\$64,160	-2.4%	\$2,815,522	-5.5%
Total Sales & Use Taxes	\$3,088,213	\$3,161,685	-\$73,472	-2.3%	\$3,290,629	-6.2%
Personal Income	\$3,314,396	\$3,271,100	\$43,296	1.3%	\$3,059,345	8.3%
Corporate Franchise	\$94,383	-\$11,250	\$105,633	-939.0%	-\$20,078	-570.1%
Public Utility	\$68,544	\$61,200	\$7,344	12.0%	\$36,996	85.3%
Kilowatt Hour Excise	\$146,918	\$137,300	\$9,618	7.0%	\$143,937	2.1%
Total Major Taxes	\$6,712,454	\$6,620,035	\$92,419	1.4%	\$6,510,829	3.1%
Commercial Activity Tax	\$0	\$0	\$0	---	\$0	---
Foreign Insurance	\$130,408	\$124,850	\$5,558	4.5%	\$122,250	6.7%
Domestic Insurance	\$1,081	\$60	\$1,021	1701.3%	\$170	536.6%
Business & Property	\$1,011	\$1,090	-\$79	-7.3%	\$885	14.3%
Cigarette	\$416,728	\$430,700	-\$13,972	-3.2%	\$207,172	101.2%
Alcoholic Beverage	\$25,179	\$24,800	\$379	1.5%	\$24,709	1.9%
Liquor Gallonage	\$13,711	\$13,200	\$511	3.9%	\$13,265	3.4%
Estate	\$26,834	\$20,200	\$6,634	32.8%	\$18,705	43.5%
Total Other Taxes	\$614,951	\$614,900	\$51	0.0%	\$387,155	58.8%
Total Tax Revenue	\$7,327,405	\$7,234,935	\$92,470	1.3%	\$6,897,984	6.2%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$24,547	\$17,000	\$7,547	44.4%	\$6,319	288.5%
Licenses and Fees	\$18,713	\$14,600	\$4,113	28.2%	\$18,553	0.9%
Other Revenue	\$55,199	\$37,335	\$17,864	47.8%	\$47,250	16.8%
Nontax State-Source Revenue	\$98,459	\$68,935	\$29,524	42.8%	\$72,122	36.5%
TRANSFERS						
Liquor Transfers	\$54,000	\$49,000	\$5,000	10.2%	\$47,000	14.9%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$41,902	\$42,500	-\$598	-1.4%	\$49,795	-15.9%
Total Transfers In	\$95,902	\$91,500	\$4,402	4.8%	\$96,795	-0.9%
TOTAL GRF before Federal Grants	\$7,521,765	\$7,395,370	\$126,395	1.7%	\$7,066,901	6.4%
Federal Grants	\$2,548,909	\$2,596,556	-\$47,647	-1.8%	\$2,281,890	11.7%
TOTAL GRF SOURCES	\$10,070,674	\$9,991,926	\$78,748	0.8%	\$9,348,791	7.7%

* August 2005 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

DISBURSEMENTS

— Steve Mansfield*

Through the end of November, a little over \$11.5 billion in General Revenue Fund (GRF) program disbursements have been made. This total is under the estimate for the fiscal year to date by \$151.8 million (1.3%). November's disbursement activity was over the estimate for the month by \$183.5 million (8.0%), thus shrinking the variance from earlier months. Compared to the same point in FY 2005, total GRF program disbursements are \$737.8 million (6.8%) higher in FY 2006.

Disbursements for two of the state's four major GRF program categories (Welfare and Human Services, and Government Operations) remain under the estimate for the year to date. Disbursements for the other two major program categories (Education and Property Tax Relief) are now over estimate for the year to date (see Figure 1 and Tables 4 and 5). The largest variance in either direction in November was posted in the

Education category, which was over estimate by \$168.9 million (17.6%). We will discuss in the sections that follow the details of the most significant variances between what was actually disbursed through November compared to the estimates prepared by the Office of Budget and Management (OBM) in August. For each major program category, the year-to-date variance is noted parenthetically in the category's heading.

Welfare and Human Services (-\$201.1 million)

The Welfare and Human Services category posted a disbursement variance of \$44.9 million (4.4%) under the estimate in November. For the year to date, outlays in this category are now \$201.1 million (3.6%) under the estimate. Two program subcategories (Health Care/Medicaid, and Other Welfare) are the most significant contributors to the year-to-date variance.

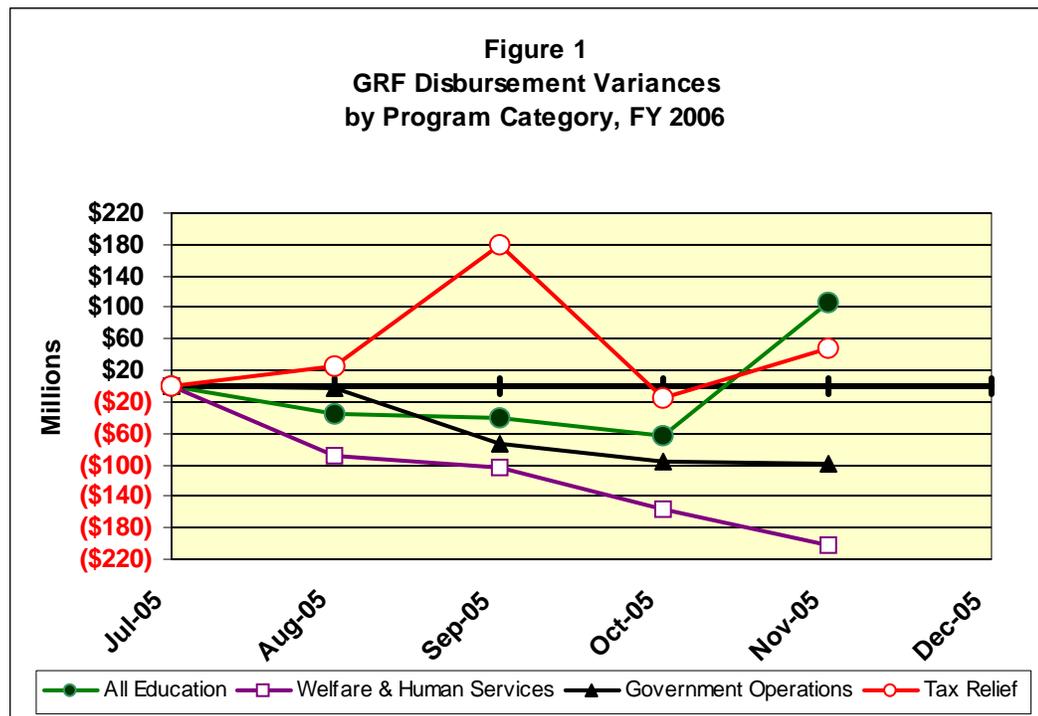


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of November 2005
(\$ in thousands)

<i>PROGRAM</i>	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$801,768	\$639,002	\$162,766	25.5%
Higher Education	\$324,117	\$318,006	\$6,110	1.9%
Total Education	\$1,125,885	\$957,008	\$168,876	17.6%
Health Care/Medicaid	\$750,758	\$808,622	-\$57,864	-7.2%
Temporary Assistance to Needy Families (TANF)	\$63,741	\$62,163	\$1,578	2.5%
General/Disability Assistance	\$0	\$0	\$0	---
Other Welfare (2)	\$43,268	\$53,819	-\$10,551	-19.6%
Human Services (3)	\$125,321	\$103,367	\$21,954	21.2%
Total Welfare & Human Services	\$983,088	\$1,027,971	-\$44,883	-4.4%
Justice & Corrections	\$118,873	\$125,047	-\$6,174	-4.9%
Environment & Natural Resources	\$19,272	\$18,162	\$1,110	6.1%
Transportation	\$827	\$1,510	-\$683	-45.2%
Development	\$16,057	\$11,026	\$5,031	45.6%
Other Government	\$18,590	\$20,389	-\$1,799	-8.8%
Capital	\$18	\$0	\$18	---
Total Government Operations	\$173,637	\$176,134	-\$2,497	-1.4%
Property Tax Relief (4)	\$200,966	\$139,000	\$61,966	44.6%
Debt Service	\$0	\$0	\$0	---
Total Other Disbursements	\$200,966	\$139,000	\$61,966	44.6%
Total Program Disbursements	\$2,483,576	\$2,300,114	\$183,462	8.0%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$100	\$0	\$100	---
Total Transfers Out	\$100	\$0	\$100	---
TOTAL GRF USES	\$2,483,676	\$2,300,114	\$183,562	8.0%

(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 2005 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Health Care/Medicaid. Year-to-date disbursements through November in the Health Care/Medicaid program (primarily line item 600-525) are \$133.8 million (3.0%) below the estimate (see Table 6). The largest contributor to the year-to-date variance is the HMO category, which is \$73.0 million (12.6%) below estimate with

spending of \$505.2 million through November. The Department of Job and Family Services has stated that this spending category has not grown as fast as anticipated in the Covered Families and Children (CFC) program. The caseload for Managed Care-CFC is 615,275 for November versus a budgeted caseload of 695,688.

Table 5
General Revenue Fund Uses
Actual vs. Estimate
FY 2006 as of November 2005
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
Primary & Secondary Education (1)	\$3,108,208	\$3,008,691	\$99,517	3.3%	\$2,862,742	8.6%
Higher Education	\$1,080,187	\$1,073,542	\$6,645	0.6%	\$1,058,868	2.0%
Total Education	\$4,188,395	\$4,082,233	\$106,162	2.6%	\$3,921,610	6.8%
Health Care/Medicaid	\$4,334,334	\$4,468,114	-\$133,780	-3.0%	\$3,992,273	8.6%
Temporary Assistance to Needy Families (TANF)	\$139,417	\$150,782	-\$11,365	-7.5%	\$151,286	-7.8%
General/Disability Assistance	\$0	\$0	\$0	---	\$10,377	-100.0%
Other Welfare (2)	\$258,811	\$302,765	-\$43,953	-14.5%	\$227,231	13.9%
Human Services (3)	\$578,021	\$590,068	-\$12,047	-2.0%	\$560,281	3.2%
Total Welfare & Human Services	\$5,310,583	\$5,511,729	-\$201,146	-3.6%	\$4,941,449	7.5%
Justice & Corrections	\$864,244	\$937,074	-\$72,830	-7.8%	\$853,316	1.3%
Environment & Natural Resources	\$56,049	\$57,483	-\$1,434	-2.5%	\$63,534	-11.8%
Transportation	\$11,424	\$13,439	-\$2,015	-15.0%	\$11,836	-3.5%
Development	\$83,774	\$93,294	-\$9,521	-10.2%	\$89,155	-6.0%
Other Government	\$196,493	\$207,924	-\$11,431	-5.5%	\$197,998	-0.8%
Capital	\$72	\$28	\$44	157.2%	\$0	---
Total Government Operations	\$1,212,055	\$1,309,242	-\$97,187	-7.4%	\$1,215,840	-0.3%
Property Tax Relief (4)	\$623,099	\$576,125	\$46,974	8.2%	\$548,665	13.6%
Debt Service	\$205,597	\$212,237	-\$6,640	-3.1%	\$174,370	17.9%
Total Other Disbursements	\$828,696	\$788,362	\$40,334	5.1%	\$723,035	14.6%
Total Program Disbursements	\$11,539,729	\$11,691,566	-\$151,837	-1.3%	\$10,801,933	6.8%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$394,205	\$0	\$394,205	---	\$0	---
Other Transfers Out	\$173,181	\$0	\$173,181	---	\$27,857	521.7%
Total Transfers Out	\$567,386	\$0	\$567,386	---	\$27,857	1936.8%
TOTAL GRF USES	\$12,107,115	\$11,691,566	\$415,549	3.6%	\$10,829,791	11.8%

(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 2005 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Another significant contributor to the year-to-date variance is the Prescription Drug category, which is \$61.1 million (6.6%) below estimate with spending of \$863.5 million through November. The Department has stated that this variance is being driven by lower than anticipated per member spending. Costs per claim and utilization rates

are both under estimate for both the CFC and the Aged, Blind, and Disabled (ABD) programs.

The Nursing Facilities Payments category is now \$60.3 million (5.1%) below estimate for the year with spending through November coming in at just over \$1.1 billion. The NF Franchise Fee

Table 6
Health Care/Medicaid Spending in FY 2006
(ALI 600-525 Only)
(\$ in thousands)

Service Category	November				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Nov.	Estimate thru Nov.	Variance	Percent Variance
Nursing Facilities Payments	\$222,575	\$239,532	(\$16,957)	-7.1%	\$1,111,324	\$1,171,613	(\$60,289)	-5.1%
ICF/MR Payments	\$43,953	\$44,767	(\$814)	-1.8%	\$212,738	\$213,025	(\$287)	-0.1%
Inpatient Hospitals	\$110,435	\$114,776	(\$4,341)	-3.8%	\$663,008	\$640,208	\$22,800	3.6%
Outpatient Hospitals	\$50,541	\$51,326	(\$785)	-1.5%	\$293,095	\$288,521	\$4,574	1.6%
Physicians	\$47,435	\$48,102	(\$667)	-1.4%	\$269,967	\$272,493	(\$2,526)	-0.9%
Prescription Drugs	\$159,774	\$169,297	(\$9,523)	-5.6%	\$863,509	\$924,642	(\$61,133)	-6.6%
ODJFS Waiver	\$16,350	\$17,067	(\$717)	-4.2%	\$94,552	\$92,470	\$2,082	2.3%
HMO	\$108,694	\$127,186	(\$18,492)	-14.5%	\$505,203	\$578,156	(\$72,953)	-12.6%
Medicare Buy-In	\$18,038	\$17,764	\$274	N/A	\$89,849	\$88,405	\$1,444	1.6%
Home Health	\$13,273	\$13,056	\$217	1.7%	\$72,479	\$70,958	\$1,521	2.1%
Dental	\$9,675	\$9,294	\$381	4.1%	\$56,360	\$53,776	\$2,584	4.8%
Hospice	\$8,697	\$10,736	(\$2,039)	-19.0%	\$50,716	\$57,209	(\$6,493)	-11.3%
All Other	\$30,772	\$44,085	(\$13,313)	-30.2%	\$248,074	\$242,596	\$5,478	2.3%
Total Medicaid Payments	\$840,212	\$906,988	(\$66,776)	-7.4%	\$4,530,874	\$4,694,072	(\$163,198)	-3.5%
DA Medical	\$3,676	\$2,995	\$681	22.7%	\$22,085	\$18,541	\$3,544	19.1%
Drug Rebates Offsets	(\$86,643)	(\$86,561)	(\$82)	0.1%	(\$173,308)	(\$174,643)	\$1,335	-0.8%
ICF/MR Franchise Fee Offsets	(\$1,682)	(\$1,630)	(\$52)	3.2%	(\$7,803)	(\$8,352)	\$549	-6.6%
NF Franchise Fee Offsets	(\$4,804)	(\$13,170)	\$8,366	-63.5%	(\$37,514)	(\$61,505)	\$23,991	-39.0%
DSH Rebate Offsets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Health Care (Net of Offsets)	\$750,759	\$808,622	(\$57,863)	-7.2%	\$4,334,334	\$4,468,113	(\$133,779)	-3.0%
Est. Federal Share	\$449,953	\$484,632	(\$34,679)		\$2,597,700	\$2,677,878	(\$80,178)	
Est. State Share	\$300,806	\$323,990	(\$23,184)		\$1,736,634	\$1,790,235	(\$53,601)	

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 FY 2005 and \$6.25 for FY 2006.

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 59.93%.

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.

Offset category was \$24.0 million (39.0%) below estimate. Am. Sub. H.B. 66 of the 126th General Assembly allows the Department to ensure that inpatient hospital crossover payments for dual-eligible individuals, those who qualify for both Medicare and Medicaid, do not exceed the Medicaid maximum reimbursement level, which is set by the Department. This level corresponds to the amount that state Medicaid pays a given facility for a given service. During the budgeting process, the Department anticipated that the crossover payments would begin in October. However, the crossover payments actually started in July. As a result, the spending category received savings earlier than anticipated. Also, Medicare crossover payments are now anticipated to save more than projected.

The current number of total Medicaid eligibles in November was 1,760,187; this is over the budgeted caseload by about 7,500. The number of eligibles in the Covered Families and Children program is over the estimate by about 9,300, while the number of eligibles in the Aged, Blind, and Disabled program is under estimate by almost 1,800.

Job and Family Services. Disbursements for the Department of Job and Family Services' operating and subsidy programs were \$10.6 million (19.6%) under the November estimate. For the year to date, disbursements in this subcategory now stand at \$44.0 million (14.5%) under the estimate. The largest contributor to the year-to-date variance is line item

Service Category	FY 2006	FY 2005	Dollar Change	Percent Increase
	Yr.-to-Date as of Nov. '06	Yr.-to-Date as of Nov. '05		
Nursing Facilities Payments	\$1,111,324	\$1,132,528	(\$21,204)	-1.9%
ICF/MR Payments	\$212,738	\$186,464	\$26,274	14.1%
Inpatient Hospitals	\$663,008	\$553,167	\$109,841	19.9%
Outpatient Hospitals	\$293,095	\$261,788	\$31,307	12.0%
Physicians	\$269,967	\$253,758	\$16,209	6.4%
Prescription Drugs	\$863,509	\$823,882	\$39,627	4.8%
ODJFS Waiver	\$94,552	\$91,650	\$2,902	3.2%
HMO	\$505,203	\$428,338	\$76,865	17.9%
Medicare Buy-In	\$89,849	\$73,151	\$16,698	22.8%
All Other*	\$427,629	\$385,584	\$42,045	10.9%
Total Medicaid Payments	\$4,530,874	\$4,190,310	\$340,564	8.1%
DA Medical	\$22,085	\$31,938	(\$9,853)	-30.9%
Drug Rebates Offsets	(\$173,308)	(\$176,647)	\$3,339	-1.9%
ICF/MR Franchise Fee Offsets	(\$7,803)	(\$6,747)	(\$1,056)	15.7%
NF Franchise Fee Offsets	(\$37,514)	(\$41,794)	\$4,280	-10.2%
DSH Rebate Offsets	\$0	(\$4,785)	\$4,785	-100.0%
Total Health Care (Net of Offsets)	\$4,334,334	\$3,992,275	\$342,059	8.6%
Est. Federal Share	\$2,597,700	\$2,392,694	\$205,007	
Est. State Share	\$1,736,634	\$1,599,581	\$137,052	

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 FY 2005 and \$6.25 for FY 2006.

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. In Table 6 above, the categories of "Home Health", "Dental", and "Hospice" are reported separately.

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 59.93%.

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

600-521, Family Stability Subsidy, which is now under estimate by \$21.8 million. The remainder of the disbursement variance for the year to date is derived from a number of smaller items. Through the Family Stability Subsidy line item, the Department advances to the counties the state's share of county administration for family services programs. The variance is the result of the timing of county requests for funds, and also of a delay in a reallocation of funds that are dependent on information from the reconciliation of county allocations and expenditures for FY 2005. The variance should be offset as the fiscal year progresses. 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.

Mental Health. November disbursements by the Department of Mental Health were over the estimate by \$1.7 million, which reduced the year-to-date disbursement variance to \$15.6 million under the estimate. The bulk of the year-to-date variance (\$9.2 million) is traceable to line item 334-408, Community and Hospital Mental Health Services. This line item is used to support hospital payroll for the delivery of mental health services and also for the community mental health boards. Variances in disbursements from the line item are timing-based and are expected to even out by the end of the fiscal year.

Mental Retardation. In November, disbursements by the Department of Mental Retardation were over estimate by \$12.8 million. For the year, they are over by \$3.4 million. November's variance is largely traceable to line items 322-416, Waiver State Match (\$6.7 million), and 322-417, Supported Living (\$4.7 million). Line item 322-416 funds the GRF share of two home and community-based Medicaid waivers—the Individual Options Waiver and the Residential Facilities Waiver. The variance is a timing issue related to when providers bill for their services. Line item 322-417 provides direct subsidies to county boards to support community-based residential services. The variance represents dollars pledged by the county boards that are subsequently transferred to Fund 5Z1 within the Department and expended through line item 322-624, County Board Waiver Match.

Government Operations (-\$97.2 million)

In November, outlays in the Government Operations category were \$2.5 million (1.4%) under the estimate for the month, thus pushing the year-to-date variance to \$97.2 million (7.4%) below the estimate.

The largest single source of the year-to-date variance is the Department of Rehabilitation and Correction, with a variance of \$68.5 million under the estimate. As reported last month, the year-to-date variance is due, in part, to the attrition of personnel in the first quarter of FY 2006. These positions have not been fully replaced, thus continuing the trend of reduced payroll obligations. The Department has lost around 300 employees since July 1, 2005. Another factor is a freeze on expenditures for maintenance and equipment in anticipation of high winter utility costs. In addition, medical treatment costs for inmates have been lower than what was projected by the OBM estimates. Another contributing factor was a debt service payment that was lower than expected by \$10.0 million.

Tax Relief (\$47.0 million)

Tax Relief payments through November totaled \$623.1 million, which is \$47.0 million (8.2%)

above the estimate. November's disbursements were over the estimate by \$62.0 million. Disbursement variances in the Property Tax Relief program are usually traceable to the timing of county auditor requests for reimbursement. It appears that payments to school districts and other local governments for the percentage rollbacks and homestead exemption portions of the program have been requested sooner than expected, and the processing of requests has been improved by both local governments and the state.

The Property Tax Relief program, which carries an FY 2006 GRF appropriation of a little under \$1.3 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. Tax relief funds are paid 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. The elimination of the 10% rollback for real property used primarily in a "business activity," effective (under Am. Sub. H.B. 66) beginning with tax year 2005, will result in savings to the GRF beginning in the spring of 2006.

Education (\$106.2 million)

In November, disbursements in the Education category were \$168.9 million (17.6%) over estimate. The largest part of the November variance from the estimate is traceable to the Department of Education. For the year to date, outlays in this category are now \$106.2 million (2.6%) over the estimate, with nearly all of the variance located in outlays by the Department of Education. Compared to the same point in the last fiscal year, disbursements in the whole category are \$266.8 million (6.8%) higher in the current fiscal year.

Department of Education. November disbursements by the Department of Education were \$162.7 million (26.5%) over the estimate.

For the year to date, the Department's disbursements now stand at \$103.5 million (3.5%) over the estimate. Total disbursements so far in FY 2006 are just over \$3.0 billion.

The large variance from the estimate for November was the result of a payment from line item 200-550, Foundation Funding, being posted in late November rather than in early December as had been anticipated by the estimates. Disbursements from line item 200-550 were over the estimate by \$183.1 million in November and stand at \$157.8 million over the estimate for the year to date. A partially offsetting variance was registered by outlays from line item 200-532, Nonpublic Administrative Cost Reimbursement, which were under estimate in November by \$18.9 million and stand at \$19.0 million under estimate for the year to date. The situation with line item 200-532 is also a matter of timing, as the scheduled November disbursement was held up by reporting issues and not made until early December.

Board of Regents. Disbursements by the Board of Regents, which were \$6.1 million (1.9%) over the estimate for November, stand at \$6.6 million over the estimate for the year to date. As reported for the last couple of months, this variance is partly due to higher than expected enrollments in FY 2005, which caused last year's appropriation for line item 235-503, Ohio Instructional Grants, to be exhausted. Also, some payments from the FY 2006 appropriation have been used to support not only current year grants but also grants from FY 2005. In November, disbursements from this line item were over the estimate for the month by \$10.1 million and now stand at \$17.7 million over the estimate for the year. While some of the variance for November in line item 235-503 appears to be from some timing issues, the Board of Regents will need to seek a supplemental appropriation for FY 2006 due to the FY 2005 issue.

**LSC colleagues who contributed to the development of this disbursement report include, in alphabetical order, Phil Cummins, Jennifer Henry, David Price, Wendy Risner, Joe Rogers, Ronnie Romito, and Maria Seaman.*