

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MARCH 2006

FISCAL OVERVIEW

—Allan Lundell

Total General Revenue Fund (GRF) receipts for February were above estimate by \$84 million and GRF program disbursements for the month were above estimate by \$82 million. Through the first eight months of FY 2006, total GRF receipts are \$46 million below estimate, program disbursements are \$306 million below estimate, and the cash balance remains above its expected level.¹

Tracking the Economy

The uptrend in the national economy appears to be intact through February. Purchasing managers reported growth in business activity last month in both the manufacturing and nonmanufacturing sectors. Retail sales nationwide fell in February following a large increase in January that was evidently a result in part of special factors including the weather. Housing starts also slipped in February but remained quite strong. Payroll employment rose strongly in the nation in February but fell in Ohio in January, the latest month reported. Ohio's recovery still lags that of the nation. A Federal Reserve report for the region that includes Ohio also noted growth in activity, though nondurable goods production here was characterized as flat and light vehicle production and sales slowed.

Receipts

Total GRF receipts for February were above estimate by \$84 million (4.9%). State-source receipts were \$102 million (8.2%) above estimate and federal grants were below estimate by \$18 million (4.0%). Tax revenues were above estimate by \$99 million (8.4%). Corporate franchise tax revenue was \$31 million (31.0%) above estimate and personal income tax revenue was below estimate by \$9 million (2.9%). Revenue from the sales and use tax was above estimate by \$32 million (6.4%). Nonauto sales tax revenue was \$29 million (6.7%) above estimate and auto sales tax revenue was \$2 million (4.0%) above estimate. Cigarette tax revenue was above estimate by \$6 million (8.7%) and commercial activity tax revenue was above estimate by \$24 million (27.5%).

Fiscal year-to-date GRF receipts are \$46 million (0.3%) below estimate. State-source receipts are \$102 million (0.8%) above

Volume 29, Number 7

Tracking the Economy 122

- The uptrend in business activity appears to be continuing, though February economic statistics were mixed
- Higher commodity prices are a concern, but finished goods and services inflation remains tame
- Ohio's economy continues to lag

STATUS OF THE GRF

Revenue 126

- CAT revenues above estimate after first payment date
- Sales tax revenues above estimate for February but remain below estimate for fiscal year
- Cigarette tax revenue recovers from "stock up" effect

Disbursements 134

- Medicaid disbursements continue to be impacted by lower than anticipated HMO enrollments
- BOR registers a \$32 million year-to-date overage in Ohio Instructional Grant Program disbursements
- Total Welfare and Human Services disbursements now \$246.8 million under 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 February	Fiscal Year 2006 to Date	Last Year	Difference
Beginning Cash Balance	-\$135.5	\$1,209.2		
Plus Revenue and Transfers In	\$1,800.1	\$16,367.7		
Available Resources	\$1,664.6	\$17,576.9		
Less Disbursements and Transfers Out	\$1,999.1	\$17,911.4		
Ending Cash Balances	-\$334.5	-\$334.5	-\$598.0	\$263.4
Less Encumbrances and Accts. Payable		\$683.5	\$545.6	\$137.9
Unobligated Balance		-\$1,018.0	-\$1,143.5	\$125.6
Plus BSF Balance		\$576.6	\$180.7	\$395.9
Combined GRF and BSF Balance		-\$441.4	-\$962.8	\$521.5

estimate and federal grants are below estimate by \$148 million (3.7%). Tax revenues are \$63 million (0.5%) above estimate. Corporate franchise tax revenue is above estimate by \$74 million (22.9%) and revenue from the commercial activity tax is above estimate by \$26 million (29.0%). Personal income tax revenue is below estimate by \$11 million (0.2%). Nonauto sales tax revenue is below estimate by \$57 million (1.3%) and auto sales tax revenue is below estimate by \$15 million (2.4%). Revenue from the public utility excise tax is above estimate by \$13 million (13.7%), kilowatt-hour tax revenue is \$12 million (5.5%) above estimate, and cigarette tax revenue is above estimate by \$11 million (1.7%). Compared to the same point in FY 2005, GRF receipts are up 4.6%. State-source receipts are up 5.2%, federal grants are up 2.9%, and tax revenues are up 4.4%.

Disbursements

Program disbursements for February were above estimate by \$82 million (4.3%). Disbursements for primary and secondary education were \$34 million (5.6%) above estimate and disbursements for higher education were above estimate by \$13 million (5.9%). Health

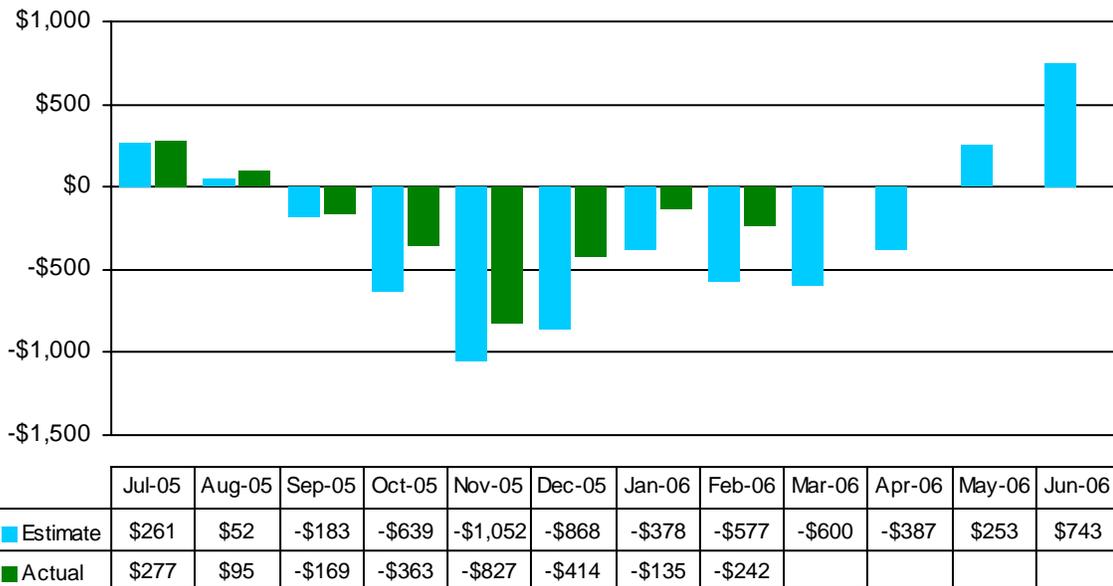
care/Medicaid disbursements were \$48 million (6.3%) below estimate and TANF disbursements were above estimate by \$26 million (127.6%). Debt service payments were above estimate by \$50 million (223.5%).

GRF program disbursements for the fiscal year to date are \$306 million (1.7%) below estimate. Health care/Medicaid disbursements are \$190 million (2.8%) below estimate, disbursements for primary and secondary education are \$61 million (1.3%) below estimate, and disbursements for justice and corrections are below estimate by \$56 million (4.1%). Disbursements for higher education are above estimate by \$30 million (1.9%), disbursements for property tax relief are above estimate by \$15 million (2.0%), and debt service payments are \$39 million (11.6%) above estimate. Compared to the same point in FY 2005, GRF program disbursements are up 3.5%.

Cash Balance

As shown in Table 1, the GRF began February with a -\$135 million cash balance. Monthly revenues plus transfers in totaled \$1,800 million and disbursements plus transfers out totaled

Estimated and Actual Ending Cash Balances
(in millions)



\$1,999 million. The monthly deficit of \$199 million lowered the cash balance to -\$335 million.² 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 -\$577 million, \$242 million lower (more negative) than the actual level. The accompanying chart, Estimated and Actual Ending Cash Balances, 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 the estimate thus far this fiscal year.

Encumbrances and accounts payable of \$683 million combine with the cash balance to yield an unobligated balance of -\$1,018 million. This amount is \$126 million higher (less 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 -\$441 million is \$521 million higher (less negative) than it was a year ago.

¹ "Estimate" refers to the monthly estimates for FY 2006 made by the Office of Budget and Management in August 2005.

² The GRF began FY 2006 with a \$1,209 million cash balance. FY 2006 year-to-date revenues plus transfers in total \$16,368 million and disbursements plus transfers out total \$17,911 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 \$1,544 million reduces the cash balance to -\$335 million.

TRACKING THE ECONOMY

—Phil Cummins

The uptrend in the national economy appears to be intact through February, though statistical reports were mixed and were influenced by a return to more seasonable weather. Payroll employment rose strongly in the nation in February, but fell in Ohio in January (the latest month for which information is available). Manufacturing output nationwide was flat in February, as measured by the industrial production index, after a sizable gain in January. Purchasing managers reported growth in business activity last month in both the manufacturing and nonmanufacturing sectors. A Federal Reserve report for the region that includes Ohio also noted growth in activity, though nondurable goods production here was characterized as flat and light vehicle production and sales slowed. Retail sales nationwide fell in February following a large increase in January that was evidently a result in part of special factors including the weather. Housing starts also slipped in February but remained quite strong. Purchasing managers continued to report upward pressures on prices of inputs to the production process. Inflation at the finished goods and services level remained tame in February.

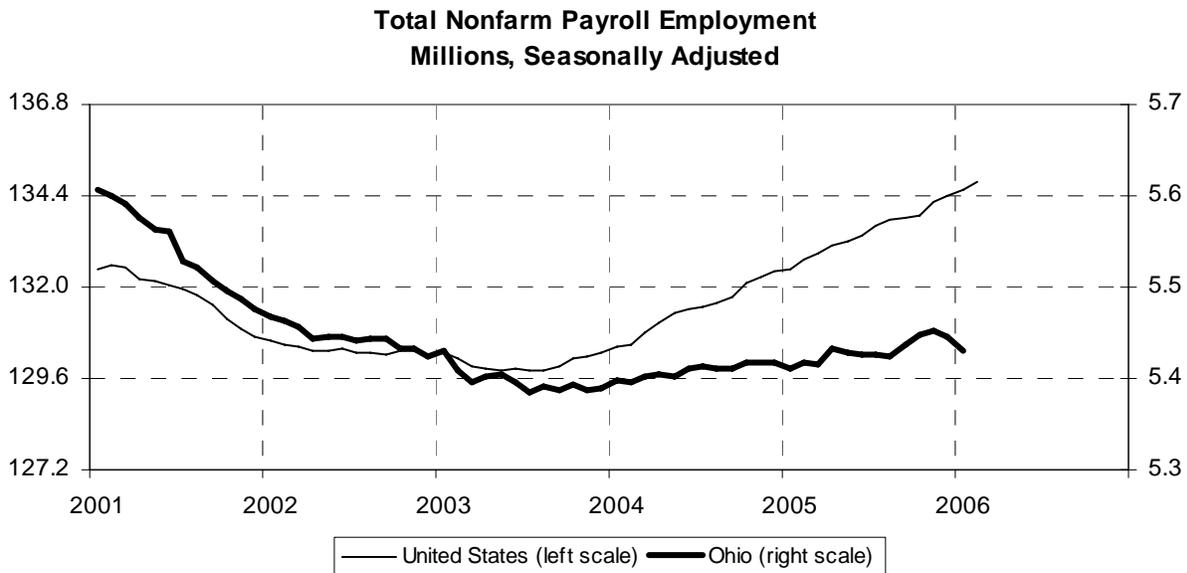
Total production of the nation's economy, measured by inflation-adjusted gross domestic

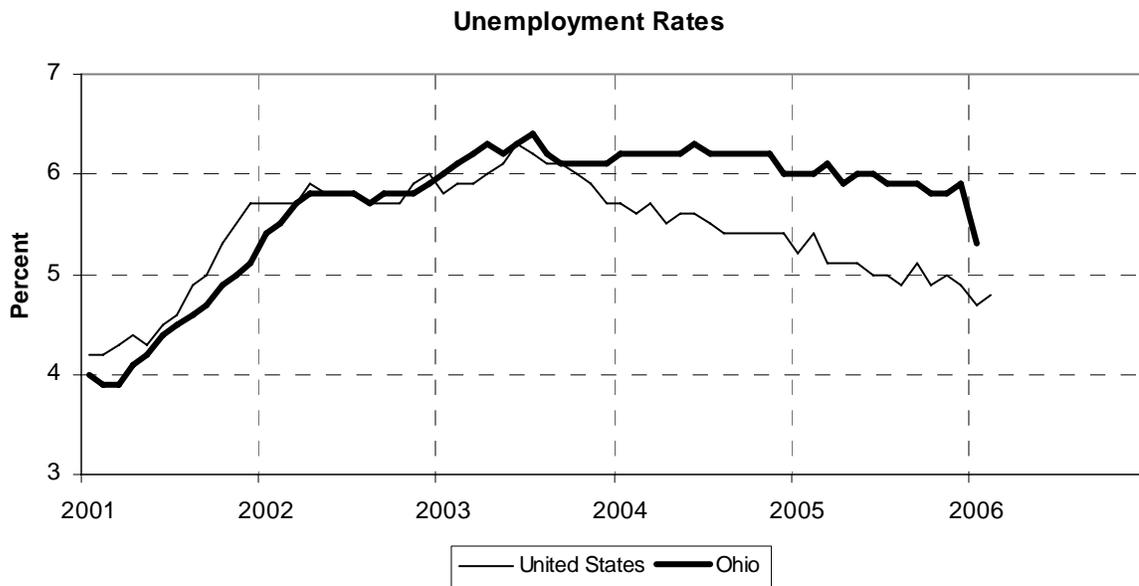
product (GDP), rose in last year's fourth quarter at a 1.6% annual rate, revised upward from the 1.1% rate initially reported. For all of last year, GDP rose 3.5%. A similar rate of growth, on average, appears to be a commonly held expectation for this year.

Employment Rises Nationwide but Falls in Ohio

Nonfarm payroll employment nationwide rose 243,000 in February, following a 170,000 increase in January, while the country's unemployment rate last month rose slightly by 0.1 percentage point to 4.8%. Construction, mining, and various service-sector industries added to employment levels in February. Factory employment fell slightly as cuts in employment at motor vehicle and primary metals producers were about offset by increases at makers of machinery, petroleum products, and computers and electronic products. State and local governments added employees.

In Ohio, employment fell 14,400 in January, but the state's unemployment rate nevertheless fell 0.6 percentage point to 5.3%. The press release reporting these figures downplayed the significance of the substantial one-month decline in the





seasonally adjusted unemployment rate, citing January's unusually warm weather. Annual revisions changed state payroll employment figures back to 2001. The revisions slightly increased the range over which total employment in the state has varied during the past three years, but the state's recovery was still anemic relative to that of the nation. Ohio's statewide unemployment rates were unaltered by the revisions. Total nonfarm payroll employment in the United States and Ohio, and unemployment rates for the nation and the state, are shown in the adjacent charts.

A survey of hiring plans by Manpower, Inc., showed expectations regarding second quarter increases in numbers of employees generally in line with those for this year's first quarter, for the United States and its four major regions, including the Midwest. The report on the survey results noted, however, that mining employers have raised their hiring plans, specifically those in the coal mining industry, where demand has risen in response to higher petroleum and natural gas prices.

Mixed Reports on Production Activity

Industrial production nationwide rose 0.7% in February, after slipping 0.3% in January, principally as a result of weather-related swings in utility output. The index for manufacturing output was unchanged from January to February. Increases in output of aerospace and

miscellaneous transportation equipment, computers and electronic products, fabricated metal products, and several other industry groups were offset by decreases in production of motor vehicles and parts, petroleum and coal products, electrical equipment and appliances, machinery, and others. Total manufacturing output in February was 4.2% above a year earlier.

Manufacturing activity expanded again in February, according to the Institute of Supply Management's monthly survey. Gains in production, orders, backlogs, and employment were more widespread than in January. Rising prices for inputs continued to be a concern. One survey respondent noted the ripple effects on suppliers from auto industry restructuring. A comparable survey of nonmanufacturers also showed an upturn in the pace of expansion, accompanied by generally increasing prices and shortages of some construction supplies, steel, and steel products.

The latest "Beige Book" said that the economy continued to expand in January and February, in the nation and in the Cleveland Federal Reserve District, which includes all of Ohio and parts of three adjacent states. This report, a compilation of information obtained from business and other contacts, noted gains in activity in this region at many durable goods manufacturers, most retailers, and providers of shipping services. Residential building construction picked up from the pace late last year—attributed to weather and discounting—

but remained below year-earlier levels. Commercial building construction continued to improve. Nondurable goods production was about flat. Light motor vehicle sales and production slowed. In contrast, capital spending for heavy trucks is very strong ahead of impending tougher EPA rules.

Consumer Spending Slips in February after Large Advance in January

Retail sales fell 1.3% in February after rising an unusually large 2.9% in January, revised upward from a 2.3% advance initially reported. These sizable month-to-month swings were driven in part by variations in weather and by increased use of gift cards received during the holidays. On average, January and February retail sales were a robust 8% higher than a year earlier, including a 20% increase in sales at building material and garden equipment and supply dealers, a 19% rise in gasoline station sales, and a 12% gain in sales of nonstore (catalog and Internet) retailers. Total personal consumption expenditures, which include spending on services as well as on goods, rose 0.9% in January.

The Nation's Housing Markets Stay Strong but Are Down from Peaks

The number of new private housing units started nationwide in February declined 8% from January but remained at a high level, the highest in over 20 years prior to last year. More seasonable weather, following an exceptionally mild January, had been expected to reduce building activity. Housing starts in January were revised higher, and were at the highest seasonally adjusted rate since 1973. In the Midwest, housing starts fell 10% from January to February, also on a seasonally adjusted basis. Year-to-date starts were 1% higher than a year earlier in the nation, and 12% lower in the Midwest.

The number of new homes sold nationwide in January, on a seasonally adjusted basis, fell 5% from December and was at the slowest pace since a year earlier. Sales were still higher than at any time on record prior to about two years ago, but clearly sales have begun to slow. Inventories of homes for sale that were completed or under

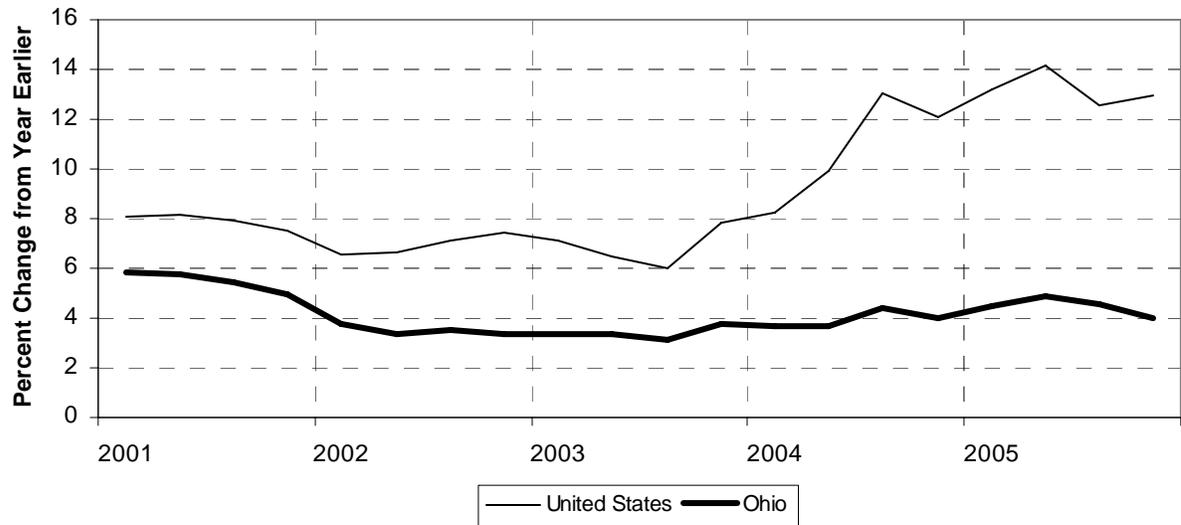
construction climbed further and were 15% above a year earlier. Prices of new homes sold in January were, on average, 3% above a year earlier, down sharply from an 8% rise in all of 2005. Sales of used homes, reported by the National Association of Realtors, fell in January to the lowest number of units, seasonally adjusted, in more than a year. Last year's sales were the highest ever. The nationwide inventory of used homes listed for sale was 36% above a year earlier. Average sales prices in January nevertheless were 8% higher than a year earlier, a somewhat slower rate of appreciation than earlier. In contrast, unit sales of homes in this state in January were the highest ever for the month, 3% above a year earlier, according to the Ohio Association of Realtors. The average sales price for Ohio homes in January was 1% above a year ago, smaller than earlier increases.

Average changes in housing prices, such as those listed above, can be affected by changes in the mix of more and less expensive homes as well as by changes in the prices of individual homes. An alternative measure of housing prices, which controls to some extent for shifts in the mix of homes, is published by the Office of Federal Housing Enterprise Oversight (OFHEO). The OFHEO uses information on millions of single-family homes, each of which over time has been sold or refinanced two or more times, to construct an index combining the price changes in the individual homes from one sale or refinancing to the next. It is thus to some extent a constant quality index, though the prices of the individual homes that enter the index could rise or fall as a result of improvements to or deterioration of those homes, as well as due to changes in prices of homes with unchanged attributes. In the fourth quarter of 2005, the OFHEO index for Ohio rose to 4% above a year earlier, while the national index rose to 13% higher than a year earlier. Housing price appreciation overall appears to have slowed but not by very much, as is evident in the chart accompanying this article.

Finished Goods and Services Inflation Tame

The consumer price index (CPI) rose 0.1% from January to February, to 3.6% higher than a

Housing Prices



year earlier. The small February rise followed a 0.7% jump in consumer prices in January and declines in late 2005, driven mainly by fluctuations in energy prices. Excluding volatile food and energy prices, the CPI was also up 0.1% in February, to 2.1% higher than a year earlier. The relatively tame performance of this latter measure provided some assurance to financial markets that the pass-through of increases in energy and other commodity costs to finished goods and services prices has so far been limited.

Average hourly earnings of production or nonsupervisory workers in the private sector rose 3.5% in the year to February, an acceleration from a 2.5% year-over-year increase as of a year earlier. Despite this larger gain, average hourly pay fell slightly short of keeping pace with the increase in consumer prices in the latest year, measured by the CPI for all items.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

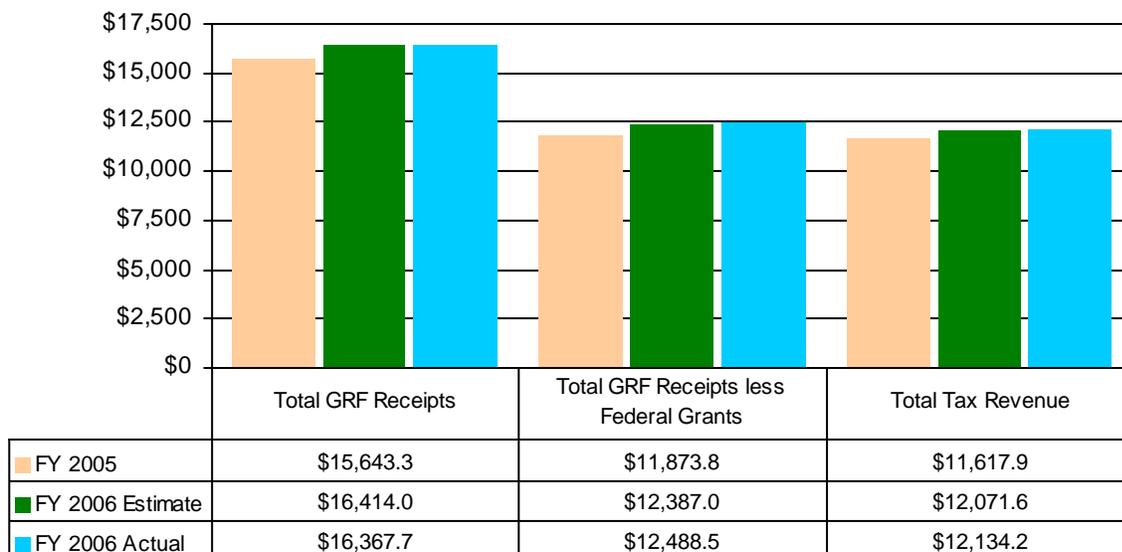
Total General Revenue Fund (GRF) receipts for February were above estimate by \$83.8 million (4.9%).¹ State-source receipts (tax revenues plus nontax revenues plus transfers in) were \$102.2 million (8.2%) above estimate and federal grants were below estimate by \$18.4 million (4.0%).² Tax revenues were above estimate by \$98.6 million (8.4%). Corporate franchise tax revenue was \$31.2 million (31.0%) above estimate and revenue from the commercial activity tax was above estimate by \$24.2 million (27.5%). Personal income tax revenue was below estimate by \$8.6 million (2.9%). Revenues from the sales and use tax were above estimate by \$31.6 million (6.4%). Nonauto sales tax revenue was \$29.4 million (6.7%) above estimate and auto sales tax revenue was \$2.2 million (4.0%) above estimate. Cigarette tax revenue was above estimate by \$5.8 million (8.7%).

Through the first eight months of FY 2006, total GRF receipts were below estimate by \$46.3 million (0.3%). State-source receipts were above estimate by \$101.5 million (0.8%) and

federal grants were below estimate by \$147.8 million (3.7%). Tax revenues were above estimate by \$62.6 million (0.5%). Corporate franchise tax revenue was above estimate by \$73.9 million (22.9%) and revenue from the commercial activity tax was above estimate by \$25.5 million (29.0%). Revenue from the public utility excise tax was above estimate by \$12.9 million (13.7%) and revenue from the kilowatt-hour tax was above estimate by \$12.2 million (5.5%). Cigarette tax revenue was above estimate by \$10.9 million (1.7%) and revenue from the foreign insurance tax was above estimate by \$12.3 million (6.6%). Nonauto sales tax revenue was below estimate by \$57.3 million (1.3%) and auto sales tax revenue was \$15.2 million (2.4%) below estimate. Personal income tax revenue was below estimate by \$10.8 million (0.2%).

For the fiscal year to date, total GRF receipts are up 4.6% compared to FY 2005. State-source receipts are up 5.2% and federal grants are up 2.9%. Tax revenues are up 4.4%. Revenue from

Year-to-Date GRF Receipts
(in millions)



the corporate franchise tax is up 14.7%, personal income tax revenue is up 4.8%, and cigarette tax revenue is up 96.4%. Revenue from the cigarette tax has been boosted by the 127% rate increase from 55 cents per pack to \$1.25 per pack. Nonauto sales tax revenue is down 4.7% and auto sales tax revenue is down 10.8%. Revenues from the sales and use tax have been affected by the 8.33% decrease in the sales tax rate from 6.0% to 5.5%. The Year-to-Date GRF Receipts chart (on the previous page) compares GRF FY 2006 receipts with FY 2005 receipts and FY 2006 estimates.

Personal Income Tax

The GRF received \$289.0 million from the personal income tax in February, \$8.6 million (2.9%) less than estimated. Gross collections of \$669.9 million were below estimate by \$22.3 million (3.2%) and the \$341.6 million in refunds were \$13.9 million (3.9%) less than estimated. Withholding was \$16.5 million (2.6%) below estimate and payments associated with annual returns were below estimate by \$5.4 million (24.9%).

The GRF received \$5,385.5 million from the personal income tax during the first eight months of the fiscal year, \$10.8 million (0.2%) below

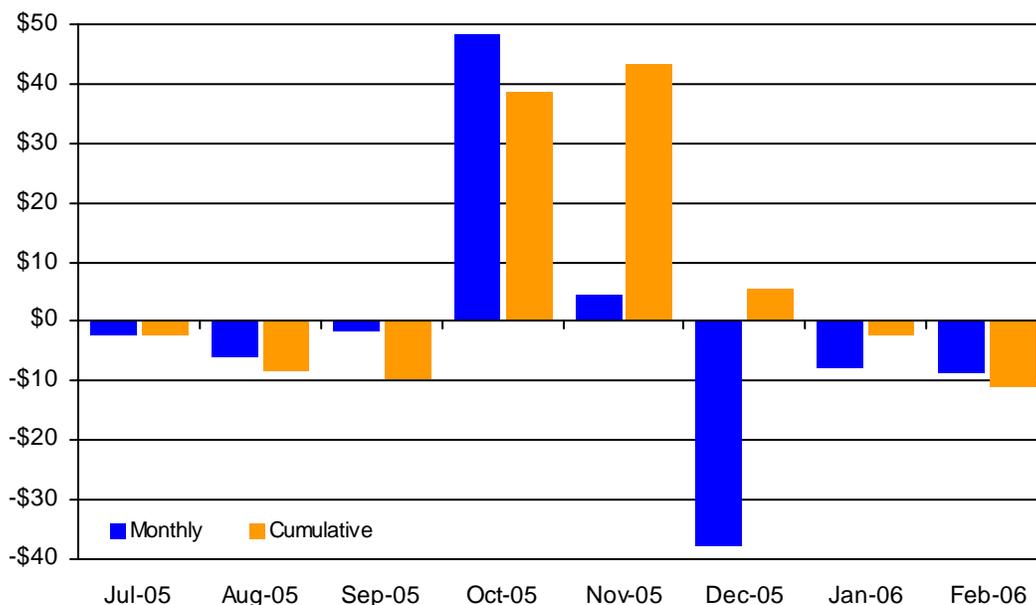
estimate. Through February, gross collections were below estimate by \$9.1 million (0.1%) and refunds were above estimate by \$627,000 (0.1%). Withholding, which is expected to account for 74% of gross income tax collections for FY 2006, was \$12.5 million (0.2%) below estimate. Year-to-date quarterly estimated payments were \$41.9 million (4.2%) below estimate, payments associated with annual returns were above estimate by \$21.7 million (17.3%), and trust payments were \$18.7 million (93.0%) above estimate.³

Compared to a year ago, GRF revenue from the personal income tax is up 4.8% for the fiscal year to date. Gross collections are up 5.5% and refunds are up 20.0%. Withholding is up 4.7%.⁴ Quarterly estimated payments are up 6.6%, payments associated with annual returns are up 14.4%, and trust payments are up 72.7%.

Sales and Use Tax

Total sales and use tax revenues in February 2006 were \$523.5 million, \$31.6 million (6.4%) above projected revenues. Auto sales and use tax receipts were \$2.2 million (4.0%) above estimate. Nonauto sales and use tax receipts were \$29.4 million (6.7%) above estimate. Total sales and use tax receipts in February 2006 were

Personal Income Tax Variance from August 2005 Estimates
(in millions)



\$8.8 million (1.7%) above revenues in February 2005. Tax receipts partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during that month.⁵

Through February, FY 2006 year-to-date total sales and use tax revenues were \$4,943.6 million, \$72.4 million (1.4%) below estimate. FY 2006 sales and use tax receipts were also \$289.5 million (5.5%) below year-to-date tax receipts in February 2005. 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).

Nonauto Sales and Use Tax

For the first time this fiscal year, nonauto sales and use tax revenues were substantially above estimate. In July and December 2005, nonauto sales and use tax revenues were 1.2% and 0.2% above estimates, respectively. Revenues from this tax in February were \$466.2 million, \$29.4 million (6.7%) above anticipated receipts. Nonauto sales and use tax receipts were also \$12.8 million (2.8%) above revenues in the same month last year. Through February, FY 2006 nonauto sales and use tax receipts were \$4,336.0 million, \$57.3 million (1.3%) below estimate. These

receipts were also \$216.0 million (4.7%) below year-to-date receipts in February 2005.

Auto Sales and Use Tax

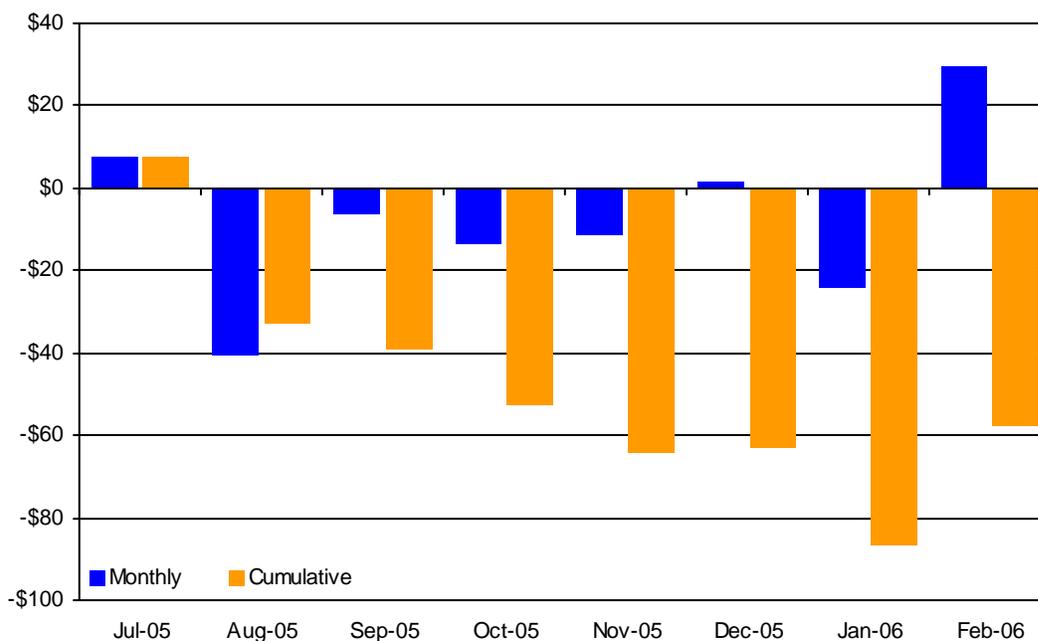
Auto sales and use tax receipts in February 2006 were \$57.2 million, \$2.2 million (4.0%) above estimate. They were also \$4.0 million (6.5%) below receipts in February 2005. The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

Through February 2006, FY 2006 year-to-date auto sales tax receipts were \$607.6 million, \$15.2 million (2.4%) below estimate. Year to date, auto sales and use tax receipts were \$73.4 million (10.8%) below receipts through the same period in FY 2005.

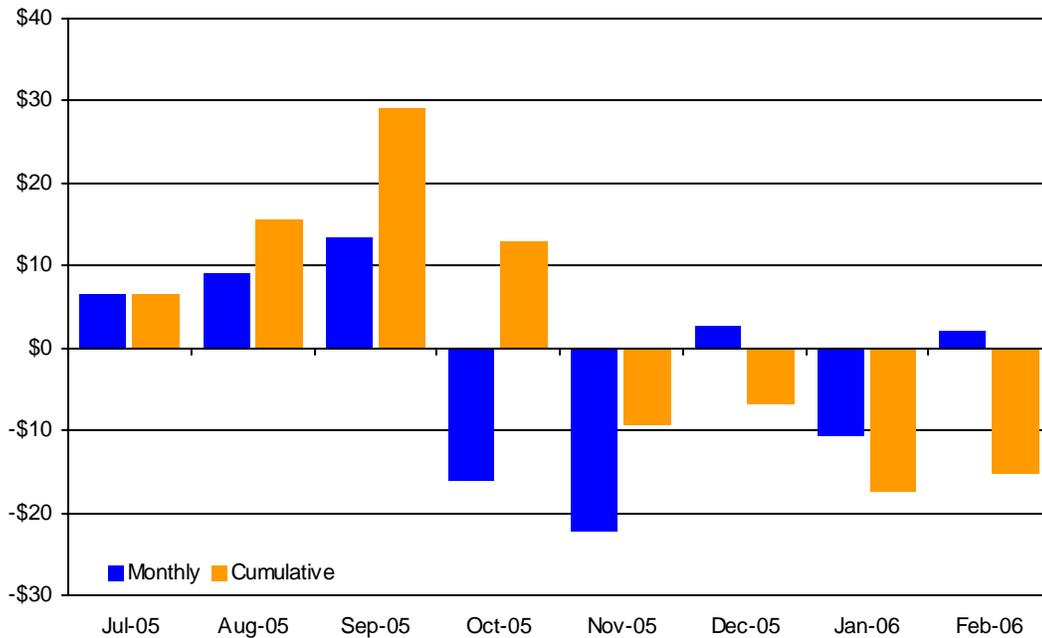
Corporate Franchise Tax

Major tax receipts under the corporate franchise tax (CFT) are due in the second half of the fiscal year. Activities under the franchise tax in the first half of the fiscal year are generally

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



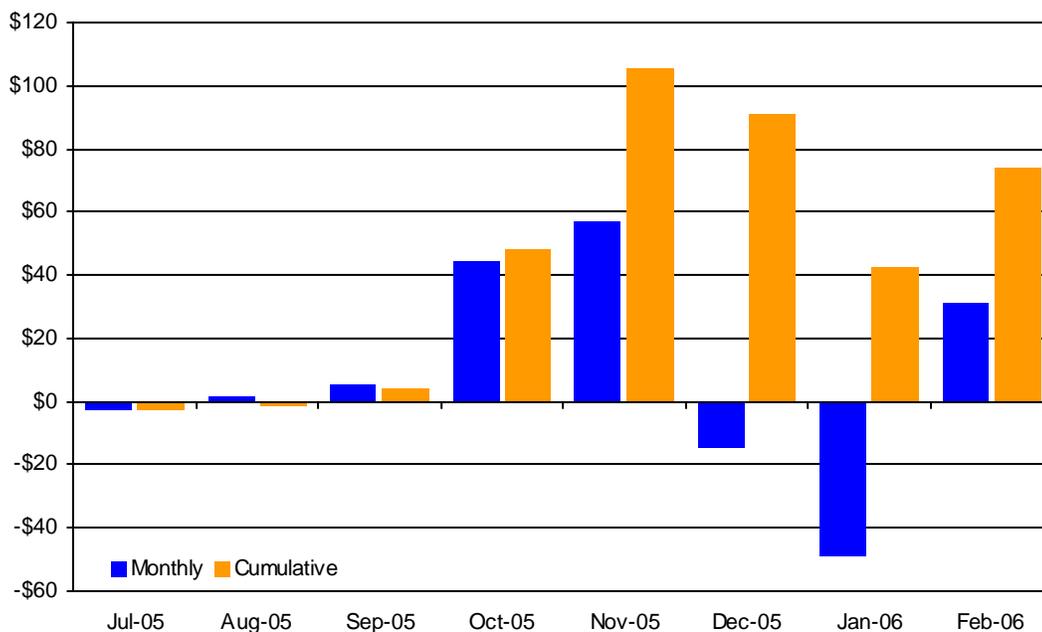
Auto Sales Tax Variance from August 2005 Estimates
(in millions)



refunds, payments due to audit findings, tax reconciliations, and settlements. Am. Sub. H.B. 66 (the main operating appropriations act for the biennium) phases out the CFT over a five-year period for nonfinancial corporations. Financial corporations, which have a different tax base than general corporations, will continue to pay the

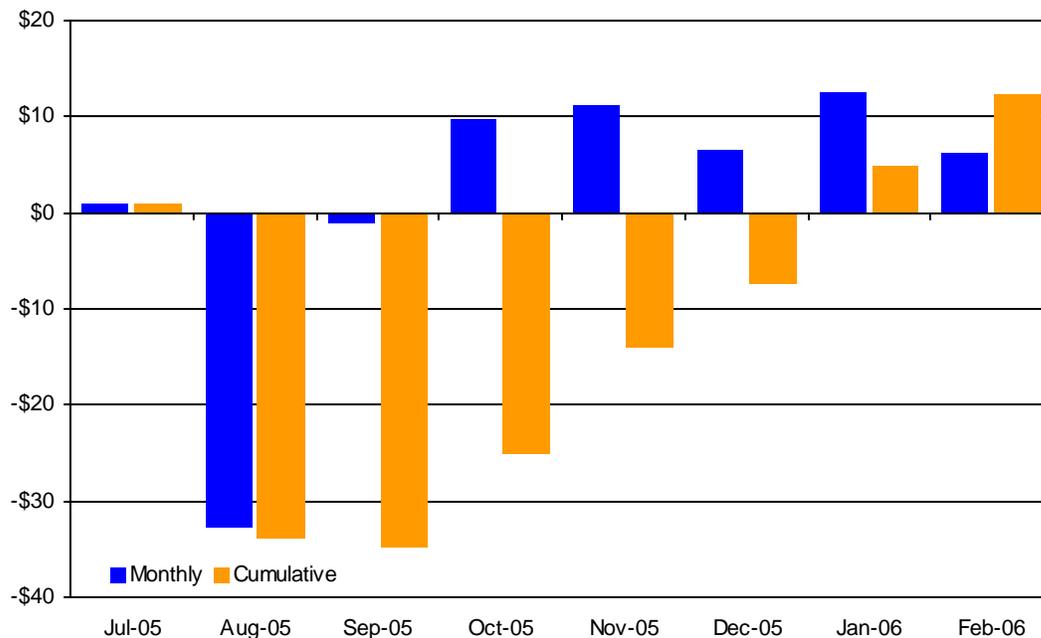
13-mill tax on their net worth base. Starting in FY 2006, nonfinancial corporations will pay a decreasing percentage of their regular CFT liability each year. CFT payments from nonfinancial corporations will be 80% of the overall tax liability this year. This change will affect year-over-year revenue comparisons.

Corporate Franchise Tax Variance from August 2005 Estimates
(in millions)



Cigarette Tax Variance from August 2005 Estimates

(in millions)



CFT receipts in February 2006 were \$131.6 million, \$31.2 million (31.0%) above estimate. CFT receipts were also \$23.9 million (22.2%) above February receipts last year. For the January-February tax period in FY 2006, CFT revenues were \$320.7 million, \$17.2 million (5.1%) below estimate. Revenues were also \$42.0 million (11.6%) below CFT receipts in the same two-month period last year. As of February 2006, FY 2006 year-to-date CFT receipts were \$396.9 million, \$73.9 million (22.9%) above estimate. FY 2006 year-to-date receipts were also \$50.9 million (14.7%) above year-to-date receipts in February 2005. This year-over-year variance is expected to shrink steadily throughout the rest of the fiscal year.

Cigarette and Other Tobacco Products Tax

As a result of smokers stocking up on cigarettes in May and June 2005 (ahead of the tax increase on July 1, 2005), receipts from the cigarette and other tobacco products tax were \$25.2 million above estimate in June 2005. The gain was reversed in the first two months of FY 2006, when fewer cigarettes were purchased and revenues fell about \$25.0 million below estimate. However, since October 2005, monthly

revenues from the cigarette and other tobacco products tax have been above estimate.

Receipts from the cigarette and other tobacco products tax in February 2006 were \$73.1 million, \$5.8 million (8.7%) above estimate. Compared to year-ago receipts in the same month, revenues in February 2006 were \$32.6 million (80.2%) higher. Through February, FY 2006 year-to-date receipts from the cigarette and other tobacco products tax were \$664.4 million, \$10.9 million (1.7%) above estimate. FY 2006 year-to-date revenues were also \$326.1 million (96.4%) above revenues in FY 2005. The large increase in cigarette tax revenue compared to year-ago revenue is due to the \$0.70 per pack tax rate increase on July 1, 2005.

Commercial Activity Tax

Am. Sub. H.B. 66 created the commercial activity tax (CAT), a new privilege tax on business entities operating in Ohio. The tax is being phased in over five years. Although the first CAT payment was due February 10, 2006 for the period covering July 1 through December 31, 2005, early GRF CAT receipts of \$1.3 million were recorded in January 2006. GRF receipts in February were

\$112.3 million, \$24.2 million (27.5%) above estimate.

Am. Sub. H.B. 66 earmarked revenues from the CAT for the GRF and for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property. To that end, revenues from the CAT are distributed to the School District Tangible Property Tax Replacement Fund (SDRF) and to the Local Government Tangible Property Tax Replacement Fund (LGRF). Varying percentages are applied to the distribution of revenues from the commercial activity tax. For FY 2006, the GRF will receive 67.7% of CAT revenues, the SDRF will receive 22.6%, and the

LGRF will receive 9.7%. Total CAT revenues are estimated at \$212.0 million in FY 2006. The GRF is estimated to receive \$143.5 million in the fiscal year. The SDRF and the LGRF are estimated to receive \$47.9 million and \$20.6 million, respectively.

Through February, FY 2006 year-to-date total CAT revenues were \$167.8 million. The GRF received \$113.6 million, \$25.5 million (29.0%) above estimate. The School District Tangible Property Tax Replacement Fund (SDRF) received \$37.9 million, and the Local Government Tangible Property Tax Replacement Fund (LGRF) received \$16.2 million.

¹ “Estimate” refers to the August 2005 estimate of the Office of Budget and Management.

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 Year-to-date withholding growth had been in the 5% to 6% range throughout the fiscal year, suggesting a stable labor market. Withholding for February was down 0.3% from a year earlier, pulling the FY 2006 year-to-date growth down from 5.4% through January to 4.7%. This is most likely due to a change in employer withholding tables to account for the reduction in marginal income tax rates.

⁵ 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.

Table 2
General Revenue Fund Sources
Actual vs. Estimate
Month of February 2006
(\$ in thousands)

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$57,231	\$55,017	\$2,213	4.0%
Nonauto Sales & Use	\$466,219	\$436,844	\$29,375	6.7%
Total Sales & Use Taxes	\$523,450	\$491,862	\$31,588	6.4%
Personal Income	\$288,980	\$297,600	-\$8,620	-2.9%
Corporate Franchise	\$131,550	\$100,400	\$31,150	31.0%
Public Utility	\$39,164	\$33,600	\$5,564	16.6%
Kilowatt Hour Excise	\$31,318	\$30,800	\$518	1.7%
Total Major Taxes	\$1,014,464	\$954,262	\$60,202	6.3%
Commercial Activity Tax	\$112,293	\$88,100	\$24,193	27.5%
Foreign Insurance	\$67,298	\$60,000	\$7,298	12.2%
Domestic Insurance	\$3	\$10	-\$7	-74.6%
Business & Property	\$0	\$45	-\$45	-99.2%
Cigarette	\$73,145	\$67,300	\$5,845	8.7%
Alcoholic Beverage	\$4,054	\$4,100	-\$46	-1.1%
Liquor Gallonage	\$2,436	\$2,400	\$36	1.5%
Estate	\$1,165	\$0	\$1,165	---
Total Other Taxes	\$260,393	\$221,955	\$38,438	17.3%
Total Tax Revenue	\$1,274,857	\$1,176,217	\$98,640	8.4%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$10,420	\$10,550	-\$130	-1.2%
Other Revenue	\$55,338	\$56,195	-\$857	-1.5%
Nontax State-Source Revenue	\$65,758	\$66,745	-\$987	-1.5%
TRANSFERS				
Liquor Transfers	\$12,000	\$10,000	\$2,000	20.0%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$2,662	\$100	\$2,562	2561.6%
Total Transfers In	\$14,662	\$10,100	\$4,562	45.2%
TOTAL GRF before Federal Grants	\$1,355,276	\$1,253,062	\$102,214	8.2%
Federal Grants	\$444,792	\$463,211	-\$18,419	-4.0%
TOTAL GRF SOURCES	\$1,800,068	\$1,716,273	\$83,795	4.9%
* 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 February 2006
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
TAX REVENUE						
Auto Sales	\$607,562	\$622,731	-\$15,169	-2.4%	\$681,021	-10.8%
Nonauto Sales & Use	\$4,336,038	\$4,393,293	-\$57,255	-1.3%	\$4,552,061	-4.7%
Total Sales & Use Taxes	\$4,943,600	\$5,016,024	-\$72,423	-1.4%	\$5,233,081	-5.5%
Personal Income	\$5,385,480	\$5,396,300	-\$10,820	-0.2%	\$5,138,889	4.8%
Corporate Franchise	\$396,897	\$323,000	\$73,897	22.9%	\$345,974	14.7%
Public Utility	\$107,312	\$94,400	\$12,912	13.7%	\$64,728	65.8%
Kilowatt Hour Excise	\$233,229	\$221,000	\$12,229	5.5%	\$229,322	1.7%
Total Major Taxes	\$11,066,519	\$11,050,724	\$15,795	0.1%	\$11,011,994	0.5%
Commercial Activity Tax	\$113,639	\$88,100	\$25,539	29.0%	\$0	---
Foreign Insurance	\$197,206	\$184,950	\$12,256	6.6%	\$177,732	11.0%
Domestic Insurance	\$1,084	\$80	\$1,004	1254.5%	\$208	420.2%
Business & Property	\$1,049	\$1,225	-\$176	-14.4%	\$932	12.6%
Cigarette	\$664,352	\$653,500	\$10,852	1.7%	\$338,229	96.4%
Alcoholic Beverage	\$37,663	\$38,000	-\$337	-0.9%	\$38,318	-1.7%
Liquor Gallonage	\$22,650	\$22,100	\$550	2.5%	\$21,836	3.7%
Estate	\$30,037	\$32,900	-\$2,863	-8.7%	\$28,613	5.0%
Total Other Taxes	\$1,067,680	\$1,020,855	\$46,825	4.6%	\$605,868	76.2%
Total Tax Revenue	\$12,134,199	\$12,071,579	\$62,620	0.5%	\$11,617,862	4.4%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$47,345	\$31,000	\$16,345	52.7%	\$13,754	244.2%
Licenses and Fees	\$43,374	\$46,750	-\$3,376	-7.2%	\$40,451	7.2%
Other Revenue	\$127,520	\$110,780	\$16,740	15.1%	\$69,987	82.2%
Nontax State-Source Revenue	\$218,238	\$188,530	\$29,708	15.8%	\$124,192	75.7%
TRANSFERS						
Liquor Transfers	\$89,000	\$79,000	\$10,000	12.7%	\$77,000	15.6%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$47,110	\$47,900	-\$790	-1.6%	\$54,774	-14.0%
Total Transfers In	\$136,110	\$126,900	\$9,210	7.3%	\$131,774	3.3%
TOTAL GRF before Federal Grants	\$12,488,548	\$12,387,009	\$101,539	0.8%	\$11,873,829	5.2%
Federal Grants	\$3,879,146	\$4,026,996	-\$147,849	-3.7%	\$3,769,495	2.9%
TOTAL GRF SOURCES	\$16,367,694	\$16,414,004	-\$46,310	-0.3%	\$15,643,324	4.6%

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

DISBURSEMENTS

— Steve Mansfield*

February disbursements from the General Revenue Fund (GRF) for program spending totaled \$1,996.8 million, which was above the estimate by \$82.2 million (4.3%). At this point in the fiscal year, total program disbursements are \$305.5 million (1.7%) below the estimate, but still 3.5% ahead of the level of spending last year.¹

Disbursements for three of the state's four major GRF program categories (Welfare and Human Services, Government Operations, and Education) are currently under the estimate for the year to date. Disbursements for the other major program category (Property Tax Relief) are slightly over the estimate for the year to date (see the chart titled "GRF Disbursement Variances by Program Category" and Table 5). Of these, the largest variance in February was posted in the Education category, which was over estimate by \$47.2 million (5.7%). Within the four major GRF program categories, the Health Care/Medicaid subcategory posted the largest variance among subcategories, with a variance of \$48.4 million (6.3%) under the estimate for the month. The Debt Service program posted a \$49.8 million

(223.5%) variance above the estimate in February, which was the result of a payment by the School Facilities Commission that was posted in late February instead of in March. We will discuss in the sections that follow the details of the most significant variances between what was actually disbursed through February compared to the estimates for the fiscal year 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 (-\$246.8 million)

The Welfare and Human Services category posted a disbursement variance of \$19.1 million (2.1%) under the estimate in February. For the year to date, outlays in this category are \$246.8 million (2.9%) under the estimate. Two program subcategories (Health Care/Medicaid, and Other Welfare) continue to be the most significant contributors to the year-to-date variance.

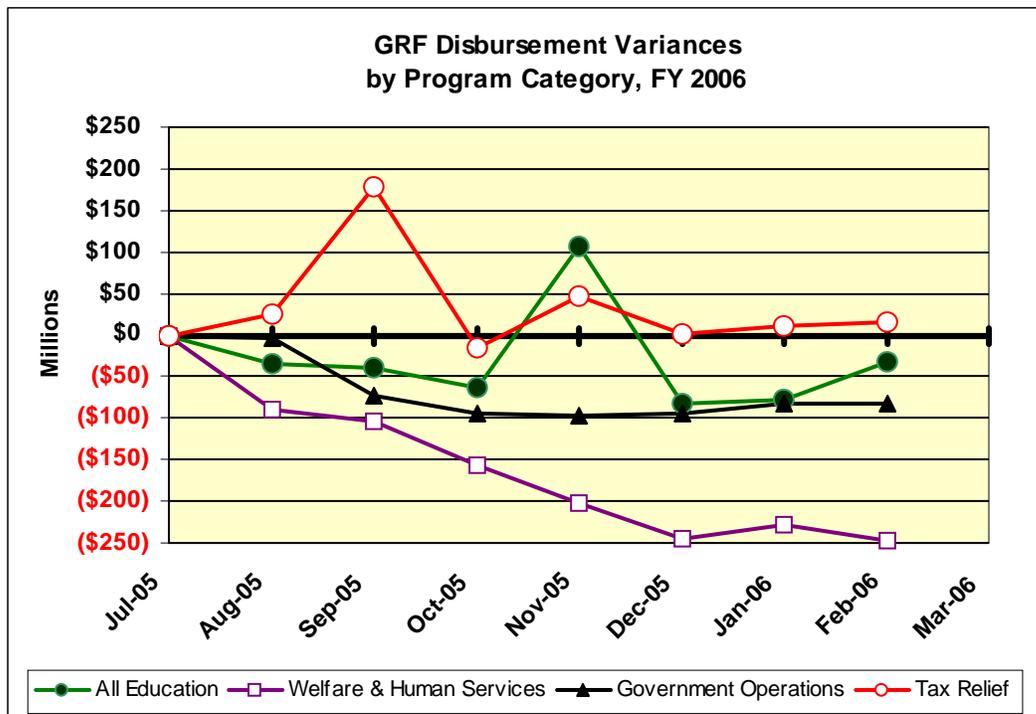


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of February 2006
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$643,538	\$609,263	\$34,274	5.6%
Higher Education	\$231,843	\$218,875	\$12,968	5.9%
Total Education	\$875,381	\$828,138	\$47,243	5.7%
Health Care/Medicaid	\$722,632	\$771,054	-\$48,422	-6.3%
Temporary Assistance to Needy Families (TANF)	\$45,521	\$20,000	\$25,521	127.6%
General/Disability Assistance	\$0	\$0	\$0	---
Other Welfare (2)	\$41,828	\$45,335	-\$3,507	-7.7%
Human Services (3)	\$84,519	\$77,168	\$7,351	9.5%
Total Welfare & Human Services	\$894,499	\$913,556	-\$19,057	-2.1%
Justice & Corrections	\$119,106	\$115,687	\$3,419	3.0%
Environment & Natural Resources	\$6,593	\$6,410	\$183	2.9%
Transportation	\$1,359	\$1,651	-\$293	-17.7%
Development	\$7,514	\$7,843	-\$329	-4.2%
Other Government	\$16,647	\$18,094	-\$1,447	-8.0%
Capital	\$46	\$0	\$46	---
Total Government Operations	\$151,264	\$149,686	\$1,579	1.1%
Property Tax Relief (4)	\$3,622	\$930	\$2,692	289.3%
Debt Service	\$72,024	\$22,261	\$49,763	223.5%
Total Other Disbursements	\$75,646	\$23,191	\$52,455	226.2%
Total Program Disbursements	\$1,996,791	\$1,914,571	\$82,220	4.3%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$2,321	\$0	\$2,321	---
Total Transfers Out	\$2,321	\$0	\$2,321	---
TOTAL GRF USES	\$1,999,112	\$1,914,571	\$84,541	4.4%

(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 February in the Health Care/Medicaid program (primarily line item 600-525) are \$189.6 million (2.8%) below the estimate (see Table 6). Compared to the same point in FY 2005, Health Care/Medicaid service payments are 5.0% higher in the current fiscal year. Once offsets are taken into account,

however, FY 2006 spending for the year to date is 3.6% higher than at the same point in FY 2005.

Like last month, the largest contributor to the year-to-date variance in Health Care/Medicaid spending is the HMO category, which is now \$105.6 million (10.7%) below the estimate. As we have noted in previous reports, spending in

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

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
Primary & Secondary Education (1)	\$4,599,697	\$4,660,906	-\$61,209	-1.3%	\$4,513,961	1.9%
Higher Education	\$1,635,605	\$1,605,407	\$30,198	1.9%	\$1,593,798	2.6%
Total Education	\$6,235,302	\$6,266,313	-\$31,010	-0.5%	\$6,107,759	2.1%
Health Care/Medicaid	\$6,659,265	\$6,848,873	-\$189,608	-2.8%	\$6,426,421	3.6%
Temporary Assistance to Needy Families (TANF)	\$225,836	\$222,938	\$2,897	1.3%	\$235,656	-4.2%
General/Disability Assistance	\$0	\$0	\$0	---	\$16,692	-100.0%
Other Welfare (2)	\$394,596	\$452,791	-\$58,195	-12.9%	\$330,578	19.4%
Human Services (3)	\$889,991	\$891,844	-\$1,853	-0.2%	\$852,027	4.5%
Total Welfare & Human Services	\$8,169,688	\$8,416,447	-\$246,759	-2.9%	\$7,861,373	3.9%
Justice & Corrections	\$1,335,394	\$1,391,798	-\$56,404	-4.1%	\$1,311,976	1.8%
Environment & Natural Resources	\$76,144	\$78,828	-\$2,685	-3.4%	\$88,971	-14.4%
Transportation	\$22,292	\$21,982	\$310	1.4%	\$18,769	18.8%
Development	\$106,699	\$119,567	-\$12,868	-10.8%	\$116,111	-8.1%
Other Government	\$267,049	\$276,939	-\$9,891	-3.6%	\$261,509	2.1%
Capital	\$259	\$28	\$231	820.0%	\$0	---
Total Government Operations	\$1,807,836	\$1,889,142	-\$81,306	-4.3%	\$1,797,336	0.6%
Property Tax Relief (4)	\$745,959	\$731,411	\$14,547	2.0%	\$711,039	4.9%
Debt Service	\$374,407	\$335,418	\$38,988	11.6%	\$273,921	36.7%
Total Other Disbursements	\$1,120,365	\$1,066,830	\$53,535	5.0%	\$984,960	13.7%
Total Program Disbursements	\$17,333,192	\$17,638,731	-\$305,540	-1.7%	\$16,751,428	3.5%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$394,205	\$0	\$394,205	---	\$0	---
Other Transfers Out	\$184,017	\$0	\$184,017	---	\$31,985	475.3%
Total Transfers Out	\$578,222	\$0	\$578,222	---	\$31,985	1707.8%
TOTAL GRF USES	\$17,911,413	\$17,638,731	\$272,682	1.5%	\$16,783,413	6.7%

(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 2005 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

this category has not grown as fast as anticipated, especially in the Covered Families and Children (CFC) program.

A close second, the Nursing Facilities Payments category is now \$102.4 million (5.5%) below estimate for the year, with total spending in the category through February coming in at

\$1,774.5 million. As noted in previous reports, this variance stems in part from a new direct billing system for nursing home facilities that is being implemented. Those nursing home facilities that have not yet implemented the new system are receiving a lower reimbursement rate. The NF Franchise Fee Offset category is \$48.8 million (27.0%) below the estimate for the year to date.

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

Service Category	February				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Feb.	Estimate thru Feb.	Variance	Percent Variance
Nursing Facilities Payments	\$226,143	\$236,715	(\$10,572)	-4.5%	\$1,774,497	\$1,876,847	(\$102,350)	-5.5%
ICF/MR Payments	\$44,800	\$44,585	\$215	0.5%	\$344,605	\$345,518	(\$913)	-0.3%
Inpatient Hospitals	\$110,150	\$117,926	(\$7,776)	-6.6%	\$1,025,933	\$992,219	\$33,714	3.4%
Outpatient Hospitals	\$52,270	\$57,267	(\$4,997)	-8.7%	\$455,135	\$454,116	\$1,019	0.2%
Physicians	\$53,408	\$50,610	\$2,798	5.5%	\$433,175	\$422,136	\$11,039	2.6%
Prescription Drugs	\$87,404	\$117,770	(\$30,366)	-25.8%	\$1,277,229	\$1,346,581	(\$69,352)	-5.2%
ODJFS Waiver	\$17,275	\$17,352	(\$77)	-0.4%	\$151,429	\$148,580	\$2,849	1.9%
HMO	\$132,872	\$137,452	(\$4,580)	-3.3%	\$885,055	\$990,698	(\$105,643)	-10.7%
Medicare Buy-In	\$21,153	\$21,091	\$62	N/A	\$150,043	\$148,342	\$1,701	1.1%
Home Health	\$15,017	\$13,916	\$1,101	7.9%	\$119,982	\$112,679	\$7,303	6.5%
Dental	\$8,765	\$8,552	\$213	2.5%	\$86,427	\$80,686	\$5,741	7.1%
Hospice	\$9,931	\$12,007	(\$2,076)	-17.3%	\$82,186	\$92,677	(\$10,491)	-11.3%
All Other	\$50,537	\$49,282	\$1,255	2.5%	\$400,766	\$388,191	\$12,575	3.2%
Total Medicaid Payments	\$829,725	\$884,525	(\$54,800)	-6.2%	\$7,186,462	\$7,399,270	(\$212,808)	-2.9%
Medicare Part D	\$0	\$25,679	(\$25,679)	100.0%	\$0	\$51,218	(\$51,218)	100.0%
DA Medical	\$3,065	\$2,470	\$595	24.1%	\$32,799	\$27,094	\$5,705	21.1%
Drug Rebates Offsets	(\$63,652)	(\$86,578)	\$22,926	-26.5%	(\$412,183)	(\$434,391)	\$22,208	-5.1%
ICF/MR Franchise Fee Offsets	(\$1,729)	(\$1,685)	(\$44)	2.6%	(\$15,670)	(\$13,351)	(\$2,319)	17.4%
NF Franchise Fee Offsets	(\$44,780)	(\$53,359)	\$8,579	-16.1%	(\$132,142)	(\$180,969)	\$48,827	-27.0%
DSH Rebate Offsets	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
Total Health Care (Net of Offsets)	\$722,629	\$771,052	(\$48,423)	-6.3%	\$6,659,266	\$6,848,871	(\$189,605)	-2.8%
Est. Federal Share	\$433,094	\$462,115	(\$29,021)		\$3,991,104	\$4,104,740	(\$113,636)	
Est. State Share	\$289,535	\$308,937	(\$19,402)		\$2,668,162	\$2,744,131	(\$75,969)	

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 was \$4.30 per bed per day for FY 2005 and is \$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.

Another significant contributor to the year-to-date variance is the Prescription Drugs category, which is \$69.4 million (5.2%) below estimate with spending of \$1,277.2 million through February. The costs per claim and utilization rates in the Prescription Drug category are under estimate for both the CFC and the Aged, Blind, and Disabled (ABD) programs.

Disbursements for the new Medicare Part D category were estimated at \$25.7 million for February and \$25.5 million for January. However, there were no actual payments made in either month. Payments have been temporarily delayed in accordance with notification from the Center for Medicare and Medicaid Services (CMS). The

Department of Job and Family Services still anticipates five payments in FY 2006.

Job and Family Services. Disbursements for the Department of Job and Family Services' operating and subsidy programs continue to come in below estimate. In February they were \$3.5 million (7.7%) under the estimate. For the year to date, disbursements in this subcategory now stand at \$58.2 million (12.9%) under the estimate. The largest contributor to the year-to-date variance is line item 600-521, Entitlement Administration-Local, which is under estimate by \$24.8 million. Through the Entitlement Administration-Local line item, the Department advances to the counties the state's share of the

Service Category	FY 2006	FY 2005	Dollar Change	Percent Increase
	Yr.-to-Date as of Feb. '06	Yr.-to-Date as of Feb. '05		
Nursing Facilities Payments	\$1,774,497	\$1,836,625	(\$62,128)	-3.4%
ICF/MR Payments	\$344,605	\$300,166	\$44,439	14.8%
Inpatient Hospitals	\$1,025,933	\$941,268	\$84,665	9.0%
Outpatient Hospitals	\$455,135	\$428,782	\$26,353	6.1%
Physicians	\$433,175	\$412,103	\$21,072	5.1%
Prescription Drugs	\$1,277,229	\$1,313,907	(\$36,678)	-2.8%
ODJFS Waiver	\$151,429	\$147,912	\$3,517	2.4%
HMO	\$885,055	\$705,262	\$179,793	25.5%
Medicare Buy-In	\$150,043	\$122,722	\$27,321	22.3%
All Other*	\$689,361	\$633,037	\$56,324	8.9%
Total Medicaid Payments	\$7,186,462	\$6,841,784	\$344,678	5.0%
DA Medical	\$32,799	\$51,519	(\$18,720)	-36.3%
Drug Rebates Offsets	(\$412,183)	(\$325,724)	(\$86,459)	26.5%
ICF/MR Franchise Fee Offsets	(\$15,670)	(\$11,848)	(\$3,822)	32.3%
NF Franchise Fee Offsets	(\$132,142)	(\$124,067)	(\$8,075)	6.5%
DSH Rebate Offsets	\$0	(\$5,244)	\$5,244	-100.0%
Total Health Care (Net of Offsets)	\$6,659,266	\$6,426,420	\$232,846	3.6%
Est. Federal Share	\$3,991,104	\$3,851,552	\$139,552	
Est. State Share	\$2,668,162	\$2,574,868	\$93,294	

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 was \$4.30 per bed per day for FY 2005 and is \$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, 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.

cost of county administration of family services programs (primarily the Medicaid and Food Stamps programs). The variance is partly due to an unexpected shift in the mix of the reported county administrative activities away from these programs and toward the federal portion of the Temporary Assistance for Needy Families (TANF) program. Administrative costs attributed to the federal portion of the TANF program have grown significantly in the last year.

Line item 600-416, Computer Projects, is now \$11.0 million under the estimate for the year to date. The bulk of the variance is traceable to underspending from the encumbered FY 2005 appropriation to this line item.

In Tables 4 and 5, these disbursements are captured in the Other Welfare subcategory, which excludes the separately tracked Medicaid and

TANF programs. The remainder of the variance for year-to-date disbursements in this subcategory is derived from a number of smaller items.

TANF. The state's portion of the TANF program that is expended from the GRF is composed of funds from line item 600-410, TANF State, a portion of line item 600-413, Day Care Match/MOE, and a portion of line item 600-321, Support Services. These are supplemented by Fund 4A8, line item 600-658, Child Support Collection, and by county expenditures for part of the program's administrative costs.

GRF disbursements in the TANF program were over estimate by \$25.5 million (127.6%) in February and now stand at \$2.9 million (1.3%) over estimate for the year to date. To offset underspending by the counties in previous months, the Department of Job and Family Services

increased spending from the state portion of the program.

Disbursements from TANF federal funds (Fund 3V6) through February totaled \$478.3 million (49.8%) out of an appropriation of \$960.3 million. At the same point in FY 2005, disbursements from Fund 3V6 totaled \$423.6 million.

The TANF caseload is at a new historic low point. In February there were 176,565 TANF recipients, down by over 4,000 from January. In February there were 81,601 assistance groups. The size of the average assistance group decreased to 2.16 members, also a historic low.

Mental Health. February disbursements by the Department of Mental Health were over the estimate by \$5.4 million (13.7%), which reduced the year-to-date disbursement variance to \$10.3 million (2.5%) under the estimate. The largest part of the year-to-date variance 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. The variance is timing-based and is expected to even out by the end of the fiscal year.

Mental Retardation and Developmental Disabilities. For the year to date, outlays by the Department of Mental Retardation and Developmental Disabilities are over the estimate by \$15.4 million (6.0%). Spending from line item 322-416, Waiver State Match, is over the estimate by \$20.7 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 submit bills for their services.

Government Operations (-\$81.3 million)

In February, outlays in the Government Operations category were \$1.6 million (1.1%) over the estimate for the month, reducing the year-to-date variance to \$81.3 million (4.3%) below the estimate.

Corrections. The largest single source of the year-to-date variance in the Justice and Corrections category continues to be the Department of Rehabilitation and Correction, with a variance of \$55.8 million under the estimate (down by \$2.9 million from last month). As reported last month, the variance for the year to date is due in part to attrition of personnel in the first quarter of FY 2006. Many of these positions have now been filled or are in the process of being filled. This is reflected in the disbursements over the estimate for February. Another reason for the underspending is a freeze on expenditures for maintenance and equipment in anticipation of high winter utility costs. In addition, for the year so far medical treatment costs for inmates have been lower than were projected by the OBM estimates. This situation has now reversed and medical expenditures are now near the estimate. Another contributing factor was a debt service payment that was lower than expected by \$10.0 million.

Development. The Department of Development's disbursement activity in February produced a variance of \$0.3 million under the estimate for the month, and pushed the year-to-date variance to \$12.5 million under the estimate. Among the largest contributors to the year-to-date variance are line item 195-412, Business Development Grants (\$4.6 million under the estimate), and line item 195-434, Ohio Investment in Training Program (\$3.8 million under the estimate). Both of these variances may be the result of a lull in certain sectors of Ohio's business climate, which could impact the pace of business investments.

Education (-\$31.0 million)

February outlays in the Education category were \$47.2 million (5.7%) over the estimate. For the year to date, outlays in this category are \$31.0 million (0.5%) under the estimate, with the Board of Regents' overspending partially offsetting underspending by the Department of Education.

Department of Education. February disbursements by the Department of Education were \$33.7 million (5.6%) over the estimate. This reduced the Department's year-to-date

disbursement variance to \$57.7 million (1.3%) under the estimate, with total GRF disbursements \$4,520.5 million so far in FY 2006.

The variance in disbursements for the year to date has a couple of standouts: line item 200-550, Foundation Funding (\$23.1 million under estimate), and line item 200-503, Bus Purchase Allowance (\$9.4 million under estimate). The variance for line item 200-550 is relatively small (0.6%) in comparison to the total estimate for the year to date; this line item typically has variances as data are collected and updated throughout the year. The variance for line item 200-503, however, is relatively large (77.1%) in comparison to the estimate. This variance is due to the absence of an expected payment, which has been delayed by an auditing process taking longer than expected. The payment is anticipated in March.

Board of Regents. Disbursements from the Board of Regents' line items are over the estimate by \$30.2 million for the year to date. This is traceable to \$32.0 million in overspending from line item 235-503, Ohio Instructional Grants. The Ohio Instructional Grant program provides a financial grant for higher education to any full-time

Ohio student who is an Ohio resident and whose family income does not exceed a specified maximum level. As reported in previous months, the overage is due to higher than expected enrollments in FY 2005 and the exhaustion of last year's appropriation for this purpose. Some payments from the FY 2006 appropriation have been used to support not only current year grants but also grants from FY 2005. The capital reappropriations and corrective bill, H.B. 530, introduced on March 14, 2006, contains a provision to increase the appropriation and transfer funds to line item 235-503.

Tax Relief (\$14.5 million)

Through February, total Tax Relief payments have totaled \$746.0 million, which is \$14.5 million (2.0%) above the estimate. February's disbursements of \$3.6 million were nearly triple the estimate for the month, but the dollar amount of the variance is relatively small. Disbursement variances in the Property Tax Relief program are usually traceable to the timing of county auditor requests for reimbursement.

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

¹ Disbursements plus transfers out total \$15,912.3 million for the year to date. Major items included in transfers out are 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).