

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

APRIL 2006

FISCAL OVERVIEW

— Allan Lundell

Total General Revenue Fund (GRF) receipts for March were above estimate by \$199 million and GRF program disbursements for the month were below estimate by \$134 million. Through the first nine months of FY 2006, total GRF receipts are \$152 million above estimate, program disbursements are \$440 million below estimate, and the cash balance remains above its expected level.¹

Tracking the Economy

The national economy continues to expand, while Ohio's economic performance lags. Employment, factory output, and retail sales nationwide grew in March. Nonfarm payroll employment nationwide increased 211,000 and the unemployment rate fell to 4.7% of the labor force, the lowest since recession year 2001. Industrial production rose 0.6%, with increases in output in numerous sectors of the economy. Purchasing managers reported expansion in both the manufacturing and nonmanufacturing sectors. Retail sales rose 0.6% to 8% above a year earlier.

The problems at domestic automakers and their suppliers are placing particular pressures on the economies of Ohio and nearby states. In Ohio, total employment fell for the third straight month in February and the statewide unemployment rate was unchanged at 5.3% of the labor force. Personal income in Ohio rose 1.4% in last year's fourth quarter, less than the 2.3% increase in personal income nationwide. A Federal Deposit Insurance Corporation report noted that the share of Ohio mortgage loans in foreclosure in the fourth quarter of 2005 was about double the national average.

Receipts

Total GRF receipts for March were above estimate by \$199 million (9.8%). State-source receipts were \$166 million (10.5%) above estimate and federal grants were above estimate by \$33 million (7.3%). Tax revenues were above estimate by \$142 million (9.5%). Corporate franchise tax revenue was \$35 million (11.6%) above estimate and personal income tax revenue was above estimate by

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Tracking the Economy 144

- The national economy continues to forge ahead
- Ohio's economy by various measures lags that of the country as a whole
- Oil and gasoline prices jump

STATUS OF THE GRF

Revenue 149

- Nonauto sales tax revenues exceed estimate for second straight month and finish third quarter \$40 million above estimate
- Federal grants reduced by Medicaid reconciliation
- Earnings on investments exceed March estimate by \$11 million and are \$28 million above estimate for the fiscal year

Disbursements 157

- Medicaid posts a -\$81.1 million variance in March, \$270.7 million under estimate for the year to date
- Total Welfare and Human Services disbursements \$309.4 million under the estimate for the year to date
- Department of Education disbursements \$75.9 million below the estimate for the year to date

ISSUES OF INTEREST

Lottery Ticket Sales and Profit Transfers, Third Quarter 165

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

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

	Month of March	Fiscal Year 2006 to Date	Last Year	Difference
Beginning Cash Balance	-\$334.5	\$1,209.2		
Plus Revenue and Transfers In	\$2,224.3	\$18,592.0		
Available Resources	\$1,889.8	\$19,801.2		
Less Disbursements and Transfers Out	\$1,914.5	\$19,825.9		
Ending Cash Balances	-\$24.7	-\$24.7	-\$353.3	\$328.6
Less Encumbrances and Accts. Payable		\$555.3	\$453.8	\$101.5
Unobligated Balance		-\$580.0	-\$807.2	\$227.1
Plus BSF Balance		\$576.6	\$180.7	\$395.9
Combined GRF and BSF Balance		-\$3.4	-\$626.4	\$623.0

\$70 million (16.0%). Nonauto sales tax revenue was \$35 million (7.2%) above estimate and auto sales tax revenue was \$5 million (5.3%) below estimate. Cigarette tax revenue was above estimate by \$11 million (15.1%) and revenue from the foreign insurance tax was below estimate by \$11 million (15.2%).

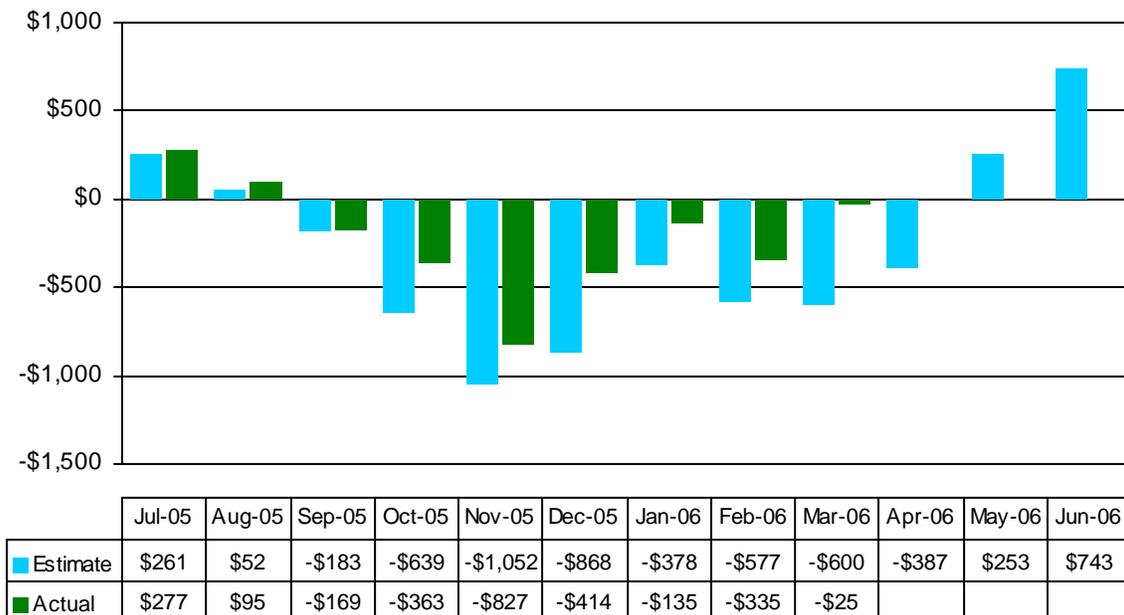
Fiscal year-to-date GRF receipts are \$152 million (0.8%) above estimate. State-source receipts are \$268 million (1.9%) above estimate and federal grants are below estimate by \$115 million (2.6%). Tax revenues are \$204 million (1.5%) above estimate. Corporate franchise tax revenue is above estimate by \$109 million (17.5%) and revenue from the commercial activity tax is above estimate by \$30 million (34.1%). Personal income tax revenue is above estimate by \$60 million (1.0%). Nonauto sales tax revenue is below estimate by \$22 million (0.5%) and auto sales tax revenue is below estimate by \$20 million (2.8%). Revenue from the cigarette tax is above estimate by \$22 million (3.0%). Compared to the same point in FY 2005, GRF receipts are up 3.9%. State-source receipts are up 4.7%, federal grants are up 1.2%, and tax revenues are up 3.9%.

Disbursements

Program disbursements for March were below estimate by \$134 million (6.6%). Disbursements for primary and secondary education were \$15 million (2.6%) below estimate and disbursements for higher education were above estimate by \$9 million (5.6%). Health care/Medicaid disbursements were \$81 million (10.9%) below estimate and TANF disbursements were above estimate by \$9 million (43.6%). Debt service payments were below estimate by \$66 million (81.9%) and disbursements for property tax relief were above estimate by \$21 million (20.2%).

GRF program disbursements for the fiscal year to date are \$440 million (2.2%) below estimate. Health care/Medicaid disbursements are \$271 million (3.6%) below estimate, disbursements for primary and secondary education are \$76 million (1.5%) below estimate, and disbursements for justice and corrections are below estimate by \$65 million (4.1%). Disbursements for higher education are above estimate by \$39 million (2.2%), disbursements for property tax relief are above estimate by

Estimated and Actual Ending Cash Balances
(in millions)



\$36 million (4.3%), and debt service payments are \$27 million (6.5%) below estimate. Compared to the same point in FY 2005, GRF program disbursements are up 2.7%.

Cash Balance

As shown in Table 1, the GRF began March with a -\$335 million cash balance. Monthly revenues plus transfers in totaled \$2,224 million and disbursements plus transfers out totaled \$1,914 million. The monthly surplus of \$310 million raised the cash balance to -\$25 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

-\$600 million, \$575 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 \$555 million combine with the cash balance to yield an unobligated balance of -\$580 million. This amount is \$227 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 -\$3 million is \$623 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 \$18,592 million and disbursements plus transfers out total \$19,826 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 \$1,234 million reduces the cash balance to -\$25 million.

TRACKING THE ECONOMY

—Phil Cummins

The national economy continues to expand, while Ohio's economic performance lags. Employment, factory output, and retail sales nationwide grew in March. Purchasing managers for both manufacturing and nonmanufacturing organizations reported growth in various measures of activity, accompanied by rising prices. Housing starts fell in March as mortgage interest rates rose to four-year highs. Crude oil and gasoline prices have jumped recently. Inflation at the wholesale level in March, excluding food and energy prices, remained tame. Consumer price inflation, excluding food and energy, rose in March. Continued growth in world economic activity and demand for resources is putting renewed upward pressures on metals prices. Instability in Iraq, Iran, and Nigeria, in conjunction with strong demand, have pushed crude oil prices to new all-time highs. The problems at domestic automakers and their suppliers are placing particular pressures on the economies of Ohio and nearby states.

Inflation-adjusted gross domestic product rose at a 1.7% annual rate (latest revision) in last year's fourth quarter. For all of 2005, it increased 3.5%. Corporate profits in 2005 rose 16%, the fourth consecutive yearly increase in profits, and reached 10.8% of gross domestic product (in current

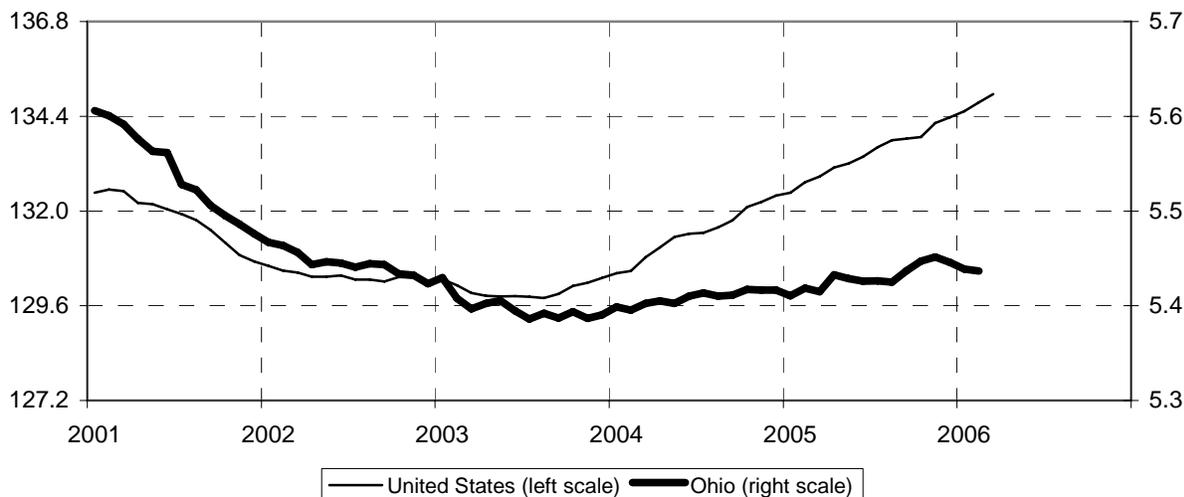
dollars, not adjusted for inflation), the highest share of the value of total output going to profits in nearly 40 years but below shares reached in the 1940s, 1950s, and 1960s.¹

Employment Falls Again in Ohio but Rises in the Nation

Nonfarm payroll employment nationwide increased 211,000 in March to 2.1 million (1.6%) above a year earlier. Unemployment, at 7 million people, was 4.7% of the labor force, down from 4.8% in February and equal to January's rate, the lowest since recession year 2001, when unemployment was rising. Gains in employment in March were widespread among service industries, over the month as well as from a year earlier. Local governments added to staffing in both the month-to-month and year-over-year comparisons, in education and in other types of positions. In goods-producing industries, construction employment rose but the number of factory jobs fell, with the losses concentrated in production of nondurable goods.

In Ohio, total employment fell for the third straight month in February, declining 2,000 from January to 18,200 (0.3%) above a year earlier.

Total Nonfarm Payroll Employment
Millions, Seasonally Adjusted



The statewide unemployment rate was unchanged at 5.3% of the labor force, following a 0.6 percentage point decline in the rate in January, an unusually large one-month change. In releasing the report, the Department of Job and Family Services again questioned the seeming inconsistency between the dramatic drop in the calculated unemployment rate and other indicators of Ohio labor market conditions--see for example, the weakness shown in the chart entitled "Total Nonfarm Payroll Employment."² Employment gains from a year earlier were concentrated in service industry groups, including educational and health services, professional and business services, and finance. The number of government jobs in the state was lower than a year earlier. Manufacturing employment also was lower, as was employment in natural resources and mining. In construction, the number of jobs in the state was up slightly from a year earlier.

Production Increases Nationwide

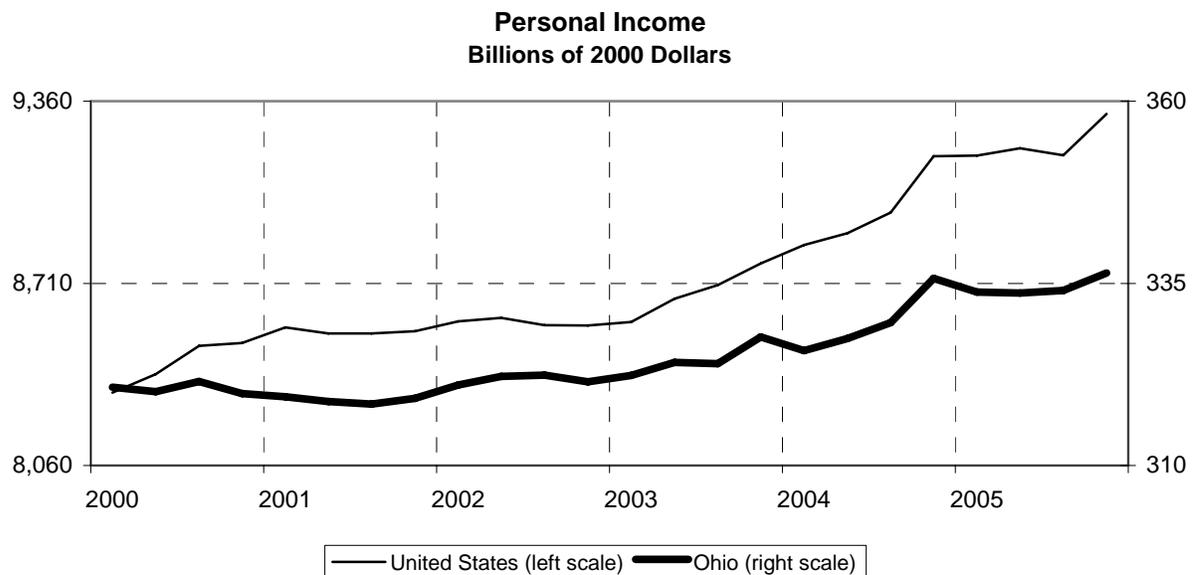
Industrial production rose 0.6% in March, with increases in output in numerous sectors of the economy. Total manufacturing output increased 0.5% in March to 4.8% above a year earlier. Output of consumer durable goods slowed in the first quarter as production of automotive products as well as other types of consumer durables declined. Production of business equipment was again up at a double-digit annual rate in the first quarter, including sharp gains in civilian aircraft

and in medium and heavy trucks. Oil and gas extraction continued to recover from the impact of the hurricanes last August and September, but remained below year-earlier levels. Output of coal mines surged, apparently responding to the higher prices for coal.

Purchasing managers again reported expansion in the manufacturing sector in March, in the Institute for Supply Management's monthly survey. New orders, production, and order backlogs increased, accompanied by rising prices paid. A comparable survey of purchasing managers with nonmanufacturing organizations also showed expansion in measures of activity, with rising prices, though price increases were less widespread than in earlier months during the past two years. Construction materials and some metals were in short supply. Tightening in labor markets for some types of skills was also noted by survey respondents, in construction, finance, and other services.

Higher Consumer Incomes and Spending

Retail sales rose 0.6% in March to 8% above a year earlier. First-quarter sales at retailers were up from the fourth quarter at around a 13% annual rate, chiefly reflecting a large jump in retailers' sales in January only partly offset by slower sales in February. Retail sectors registering sizable increases in the first quarter included motor vehicles and parts dealers; furniture stores;



electronics and appliances; building materials and garden supply dealers; and sporting equipment, hobby, book, and music stores. General merchandise stores' sales gains were below average, and department store sales were up only slightly.

Personal income in Ohio rose 1.4% in last year's fourth quarter, less than the 2.3% increase in personal income nationwide. The total for the country rebounded after being held down in the third quarter by uninsured losses, resulting from hurricanes Katrina and Rita, of residential and business fixed assets owned by households. These losses were subtracted from third-quarter personal income, mostly in Louisiana. For all of 2005, personal income rose 4.4% in Ohio and 5.6% in the nation. Personal income growth in Ohio and nearby states was restrained by difficulties in durable goods manufacturing, specifically at producers of light motor vehicles and vehicle parts. Per capita personal income of Ohioans last year averaged \$32,478, less than the national average by 6%. Ohio ranked 26th among the states in 2005 per capita personal income. The chart entitled "Personal Income" shows the generally slower growth of inflation-adjusted personal income in Ohio than in the nation during the past few years.³

Slowdown in Housing

A Federal Deposit Insurance Corporation (FDIC) report noted that the share of Ohio mortgage loans in foreclosure in the fourth quarter of 2005, at 3.4%, was about double the national average. Delinquency rates on conventional mortgage loans in the state have been trending higher. Bankruptcy rates have been high and rising relative to those of the nation. The FDIC study relates these indications of stress on household finances to slow job growth, with job losses in manufacturing, notably in electrical equipment, appliances, and transportation equipment. Incomes have been constrained by slow job and population growth compared with the nation.

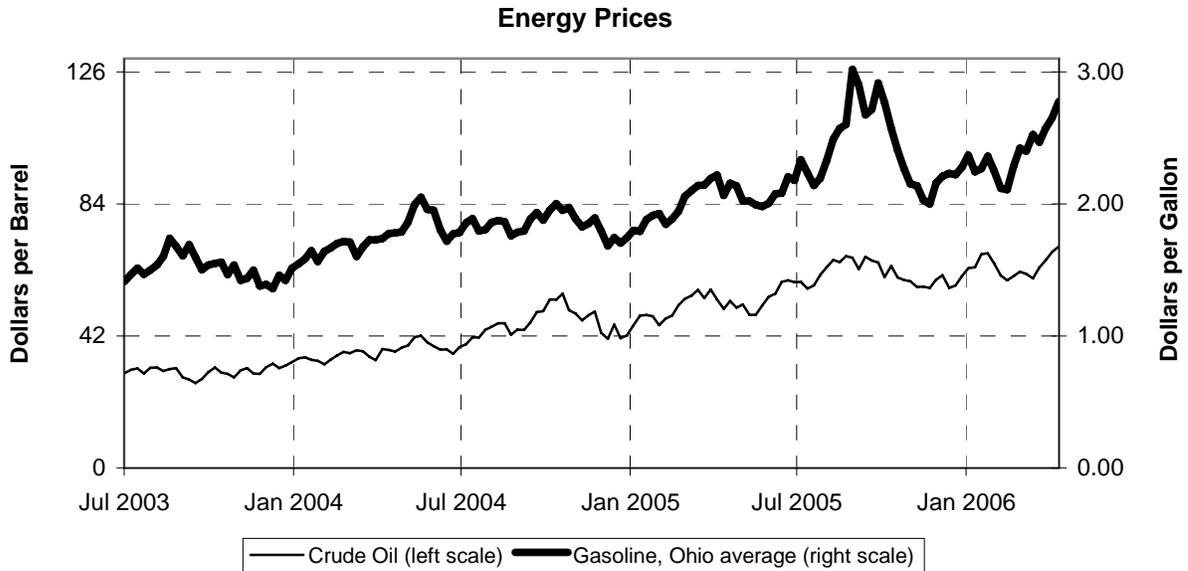
Housing starts nationwide fell 8% in March to their slowest pace since a year earlier. Because of strength earlier in 2006, year-to-date starts

were 3% higher than a year earlier, mainly reflecting more homebuilding in the South. Year-to-date starts in the Midwest were 11% lower than last year. The slowing is related in part to higher mortgage interest rates. The nationwide average contract interest rate on 30-year conventional fixed-rate mortgage loans, reported by the Federal Home Loan Mortgage Corporation, rose to 6.49% in the week ending April 13, highest since 2002.

Sales of new homes nationwide declined 11%, seasonally adjusted, from January to February, falling to 13% below a year earlier. The pace of sales was the slowest in nearly three years, but remained above totals for all previous years, in statistics kept since 1963. A sale is counted, in the new home sales statistics, when a deposit is taken or a sales agreement is signed, and the month-to-month drop may have resulted in part from the more seasonable weather in February. The number of new homes under construction or completed, but not sold, was 18% higher in February than a year earlier. Used home sales, reported by the National Association of Realtors (NAR), rose 5% from January to February, seasonally adjusted, and were about even with the year-earlier month. Sales declined in the five months prior to February, and the sales rate so far this year is below the total for last year. The NAR series is for closings on transactions, and February's upturn may have been in part a product of increased real estate market activity in January, encouraged by that month's unusually mild weather. The inventory of homes listed but unsold was 30% higher in February than a year earlier. In Ohio, the number of homes sold, reported by the Ohio Association of Realtors, was 7% higher in February than a year earlier, and at a record pace.

Energy Costs Rising

The producer price index for finished goods rose 0.5% in March to 3.5% above a year earlier. March's increase was led by higher energy prices, particularly gasoline prices, following a drop in energy prices in February. Excluding volatile food and energy prices, the producer price index for finished goods rose only 0.1% in March to 1.7%



above a year earlier. At earlier stages in the production process, producer price indexes for intermediate goods and crude materials fell in March, after falling in February, reflecting declines in some food and energy prices partly offset by increases in construction materials and some metals.

Crude oil prices in April have risen above their highs reached last August. Gasoline prices have climbed. Not all energy prices are at new peaks; natural gas prices have recently been around half of their peak in December 2005, though they have risen this week. The chart of energy prices in this article shows the cost of crude oil, represented by the spot price for industry benchmark West Texas Intermediate, and the average retail price of regular gasoline in Ohio. The gasoline price rose to \$2.77 per gallon as of April 17. This is still short of the peak of over \$3.00 last September, following hurricane disruption of petroleum product refining and shipment. The United States Department of Energy expects domestic petroleum refineries to have fully recovered from last year's hurricanes by the middle of this summer, but nevertheless projects that gasoline prices will remain high because of strong demand; crude oil supply uncertainties related to instability in Iraq, Iran, and Nigeria; and shifts in gasoline formulation toward lower sulfur content and increased blending of ethanol, supplies of which are tight.

The consumer price index (CPI) rose 0.4% in March, seasonally adjusted, to 3.4% above a year earlier. Higher energy prices, particularly for gasoline, pushed the all-items index higher last month. Excluding food and energy, consumer prices rose 0.3% in March, the largest monthly increase in a year, to 2.1% above the year-earlier level. Much of this larger monthly increase is attributed to two components. The cost of shelter increased 0.4% in March, and a component of this index, for lodging away from home, increased 0.8%. The cost of apparel rose 1.0% in March, after falling 1.0% in February, with most of the rise in the latest month due to higher prices for women's and girls' apparel as spring and summer lines are being introduced. The modest uptick in inflationary pressures apart from food and energy, measured by the change in the CPI excluding those categories, may be temporary, attributable in part to difficulties in seasonally adjusting for inherently seasonal changes in pricing. A concern of policy makers is that higher prices for energy and other commodities may increasingly be incorporated in pricing of a broad range of goods and services.

Rising Interest Rates

Market interest rates have increased, with the benchmark ten-year United States Treasury note yield rising above 5% for the first time since 2002. The central bank raised its target interest rate on overnight loans between banks to 4.75% at the

March 27-28 meeting of its Federal Open Market Committee. In announcing the decision, this Committee again noted the likelihood of an additional interest rate increase or increases to follow, saying that “some further policy firming may be needed.” The minutes of the meeting, released April 18, indicate some members of the Committee were concerned that this phrase might be

misconstrued as suggesting that the Committee thought several additional tightenings were likely. Another increase in the target interest rate to 5% seems to be widely expected at the next meeting of this group on May 10, but the series of increases in short-term interest rates at each Open Market Committee meeting since mid-2004 appears to be approaching a pause.

¹ Corporate profits as used here, from the national income and product accounts, are sometimes referred to as profits from current production or economic profits, with inventories adjusted to a last-in-first-out basis, and depreciation adjusted to approximate the pattern of decline in value, at current replacement cost, over estimated useful lives of equipment and structures.

² Unemployment rates declined, seasonally adjusted, in nearly all states in January, perhaps related to mild weather. Unemployment rates increased in two-thirds of states in February, but the increases averaged much less than January’s declines.

³ The data in the chart are adjusted for inflation using the personal consumption expenditures implicit price deflator.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

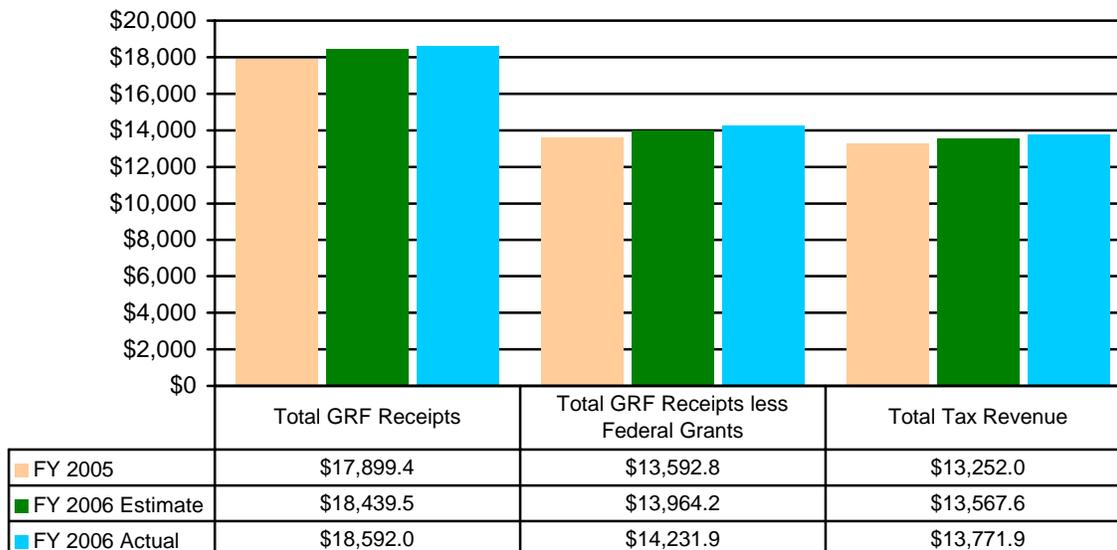
Total General Revenue Fund (GRF) receipts for March were above estimate by \$198.8 million (9.8%).¹ State-source receipts (tax revenues plus nontax revenues plus transfers in) were \$166.1 million (10.5%) above estimate and federal grants were above estimate by \$32.6 million (7.3%).² Tax revenues were above estimate by \$141.7 million (9.5%). Corporate franchise tax revenue was \$34.8 million (11.6%) above estimate and personal income tax revenue was above estimate by \$70.4 million (16.0%). Nonauto sales tax revenue was \$35.0 million (7.2%) above estimate and auto sales tax revenue was \$4.8 million (5.3%) below estimate. Cigarette tax revenue was above estimate by \$11.3 million (15.1%) and revenue from the foreign insurance tax was below estimate by \$11.4 million (15.2%).

Through the first nine months of FY 2006, total GRF receipts were above estimate by \$152.5 million (0.8%). State-source receipts were above estimate by \$267.7 million (1.9%)

and federal grants were above estimate by \$115.2 million (2.6%). Tax revenues were above estimate by \$204.3 million (1.5%). Corporate franchise tax revenue was above estimate by \$108.7 million (17.5%) and revenue from the commercial activity tax was above estimate by \$30.1 million (34.1%). Revenue from the public utility excise tax was above estimate by \$9.5 million (10.4%) and revenue from the kilowatt-hour tax was above estimate by \$14.3 million (5.9%). Cigarette tax revenue was above estimate by \$22.2 million (3.0%). Nonauto sales tax revenue was below estimate by \$22.2 million (0.5%) and auto sales tax revenue was \$19.9 million (2.8%) below estimate. Personal income tax revenue was above estimate by \$59.6 million (1.0%).

For the fiscal year to date, total GRF receipts are up 3.9% compared to FY 2005. State-source receipts are up 4.7% and federal grants are up 1.2%. Tax revenues are up 3.9%. Revenue from

Year-to-Date GRF Receipts
(in millions)



the corporate franchise tax is up 5.3%, personal income tax revenue is up 4.1%, and cigarette tax revenue is up 96.1%. 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 4.0% and auto sales tax revenue is down 11.3%. 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%.

Personal Income Tax

The GRF received \$511.5 million from the personal income tax in March, \$70.4 million (16.0%) more than estimated. Gross collections of \$789.9 million were below estimate by \$16.1 million (2.0%) and refunds of \$237.4 million were \$86.7 million (26.7%) less than estimated. Withholding was \$27.1 million (3.8%) below estimate and payments associated with annual returns were above estimate by \$4.0 million (6.0%).

The GRF received \$5,897.0 million from the personal income tax during the first nine months of the fiscal year, \$59.6 million (1.0%) above estimate. Through March, gross collections were below estimate by \$25.2 million (0.3%) and

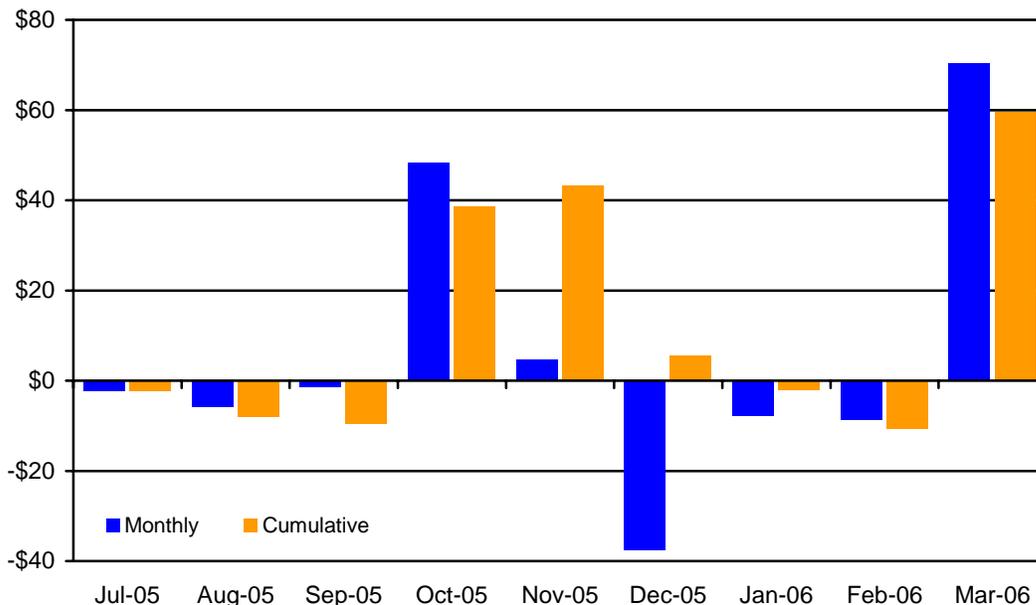
refunds were below estimate by \$86.0 million (9.8%). Withholding, which is expected to account for 74% of gross income tax collections for FY 2006, was \$39.6 million (0.7%) below estimate. Year-to-date quarterly estimated payments were \$40.4 million (4.0%) below estimate, payments associated with annual returns were above estimate by \$25.7 million (13.4%), and trust payments were \$18.9 million (89.8%) above estimate.³

Compared to a year ago, GRF revenue from the personal income tax is up 4.1% for the fiscal year to date. Gross collections are up 4.9% and refunds are up 16.0%. Withholding is up 4.0%.⁴ Quarterly estimated payments are up 6.6%, payments associated with annual returns are up 10.9%, and trust payments are up 69.8%.

Sales and Use Tax

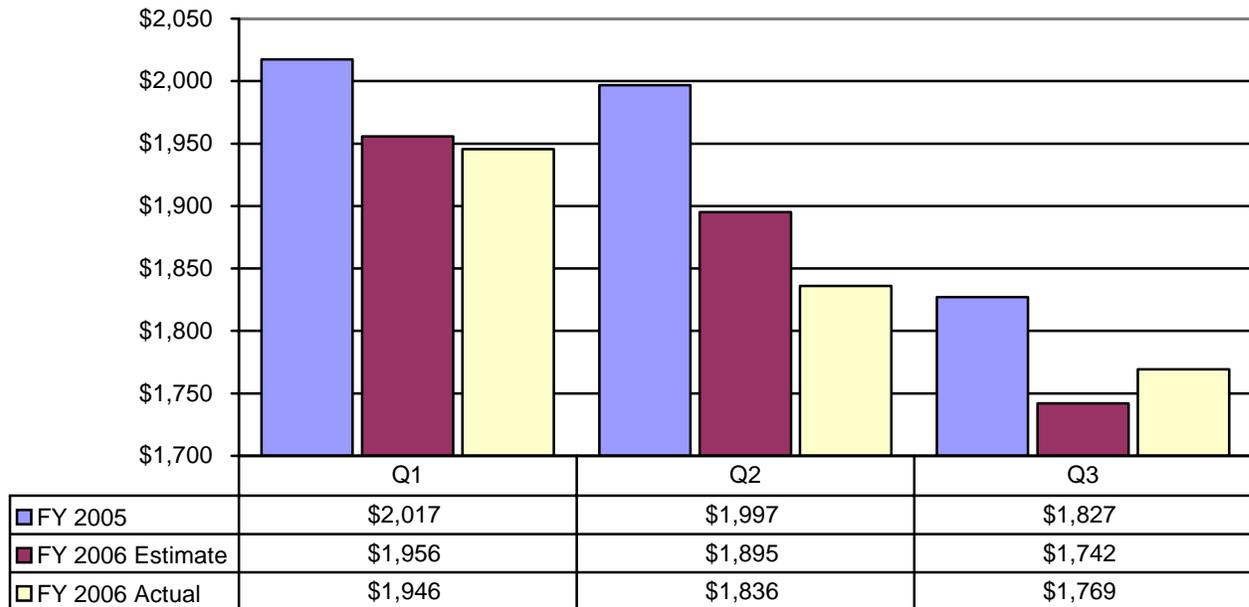
Total sales and use tax revenues in March 2006 were \$607.3 million, \$30.3 million (5.2%) above projected revenues. Auto sales and use tax receipts were \$4.8 million (5.3%) below estimate. Nonauto sales and use tax receipts were \$35.0 million (7.2%) above estimate. Total sales and use tax receipts in March 2006 were \$0.7 million (0.1%) below revenues in March

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



Year-to-Date Quarterly Sales and Use Tax Receipts

(in millions)



2005. Tax receipts partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during the current month.⁵

In the third quarter of FY 2006, total sales and use tax receipts were \$27.3 million (1.6%) higher than estimate. However, through March, FY 2006 year-to-date total sales and use tax revenues of \$5,550.9 million were \$42.1 million (0.8%) below estimate. FY 2006 sales and use tax receipts were also \$290.2 million (5.0%) below year-to-date tax receipts in March 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

Revenues from the nonauto sales and use tax in March were \$521.6 million, \$35.0 million (7.2%) above anticipated receipts. Nonauto sales and use tax receipts were also \$14.3 million (2.8%) above revenues in the same month last year. In the third quarter, nonauto sales and use tax receipts were \$40.0 million (2.6%) above estimate, helping to reduce the negative variance accumulated through December 2005. Through March, FY 2006 nonauto sales and use tax

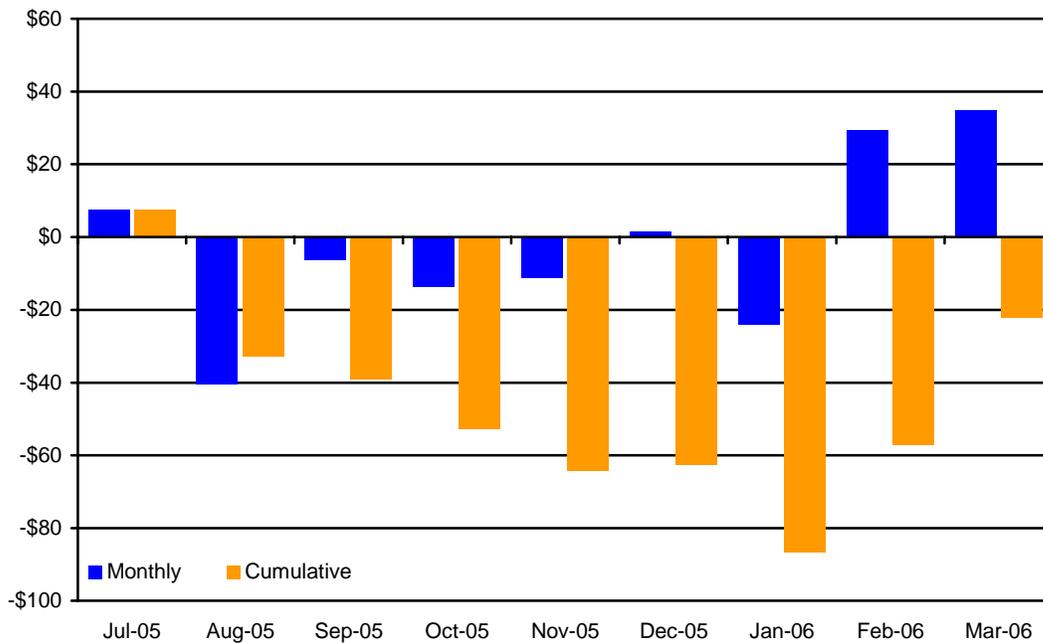
receipts were \$4,857.7 million, \$22.2 million (0.5%) below estimate. These receipts were also \$201.7 million (4.0%) below year-to-date receipts in March 2005.

Auto Sales and Use Tax

Auto sales and use tax receipts were \$85.7 million in March, \$4.8 million (5.3%) below estimate. These tax receipts were also \$14.9 million (14.9%) below receipts in March 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.

Third-quarter auto sales and use tax receipts were \$13.1 million (6.1%) below estimate, adding to the negative variance of \$6.8 million for the first half of FY 2006. Through March, FY 2006 year-to-date auto sales tax receipts were \$693.2 million, \$19.9 million (2.8%) below estimate. For the fiscal year to date, auto sales and use tax receipts were \$88.4 million (11.3%) below receipts through the same period in FY 2005.

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



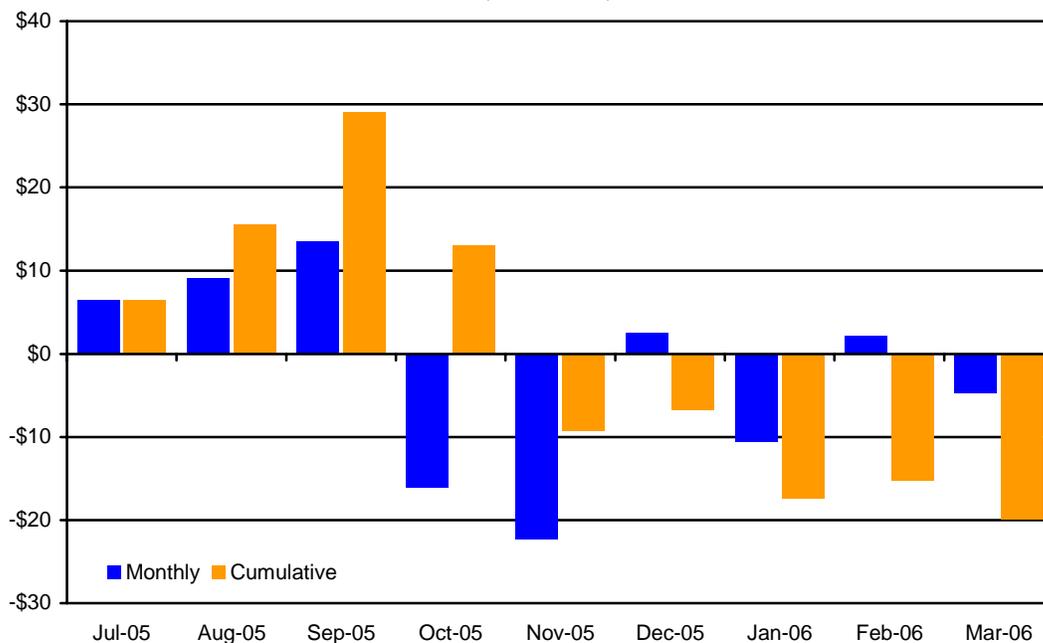
Through March, fiscal year-to-date titles issued by the Ohio Bureau of Motor Vehicles were down by 73,206 (4.5%) and Ohio spending on motor vehicles declined \$866.4 million (5.6%) from the same period in FY 2005. Titles issued for new vehicles were down 26,944 (7.9%) and spending on new vehicles decreased \$793.1 million (9.4%). Titles issued for used vehicles dropped 46,262

(3.6%) and spending on used vehicles declined \$73.4 million (1.0%).

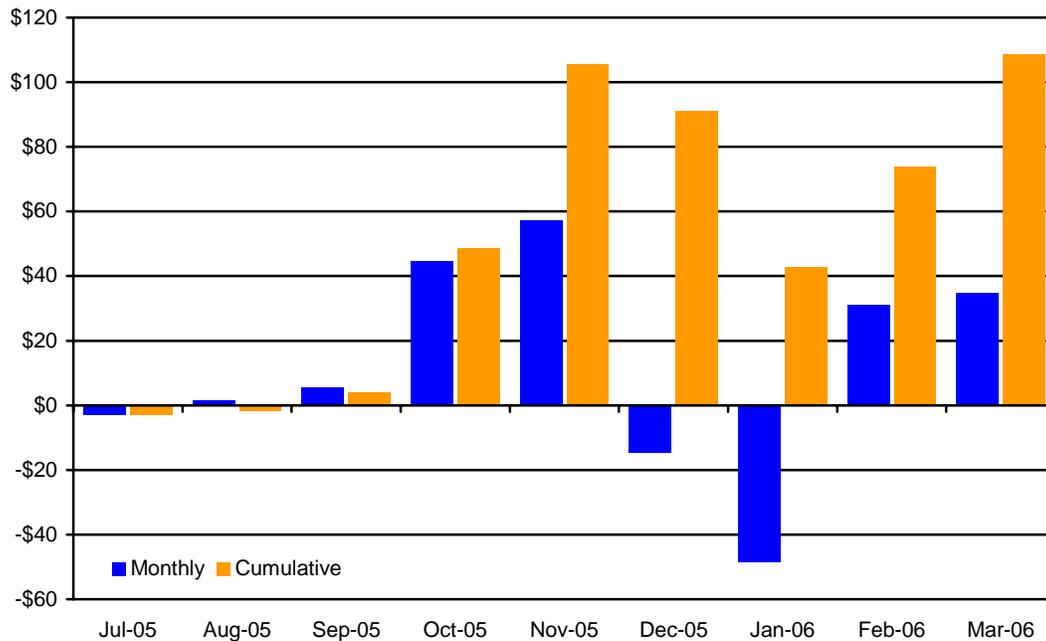
Corporate Franchise Tax

Corporate franchise tax (CFT) receipts in March 2006 were \$334.1 million, \$34.8 million (11.6%) above estimate. CFT receipts were also

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



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



\$14.0 million (4.0%) below March receipts last year. Through March, FY 2006 year-to-date CFT receipts were \$731.0 million, \$108.7 million (17.5%) above estimate. Year-to-date receipts include \$17.0 million from the tax amnesty in January and February, according to the Office of Budget and Management. Strong growth in corporate profits in CY 2005 (before-tax profits were up 35.8%, according to the U.S. Bureau of Economic Analysis) is reflected in hefty CFT receipts. FY 2006 year-to-date receipts were also \$37.0 million (5.3%) above year-to-date receipts in March 2005, despite corporations paying only 80% of the total CFT tax liability this year.

Cigarette and Other Tobacco Products Tax

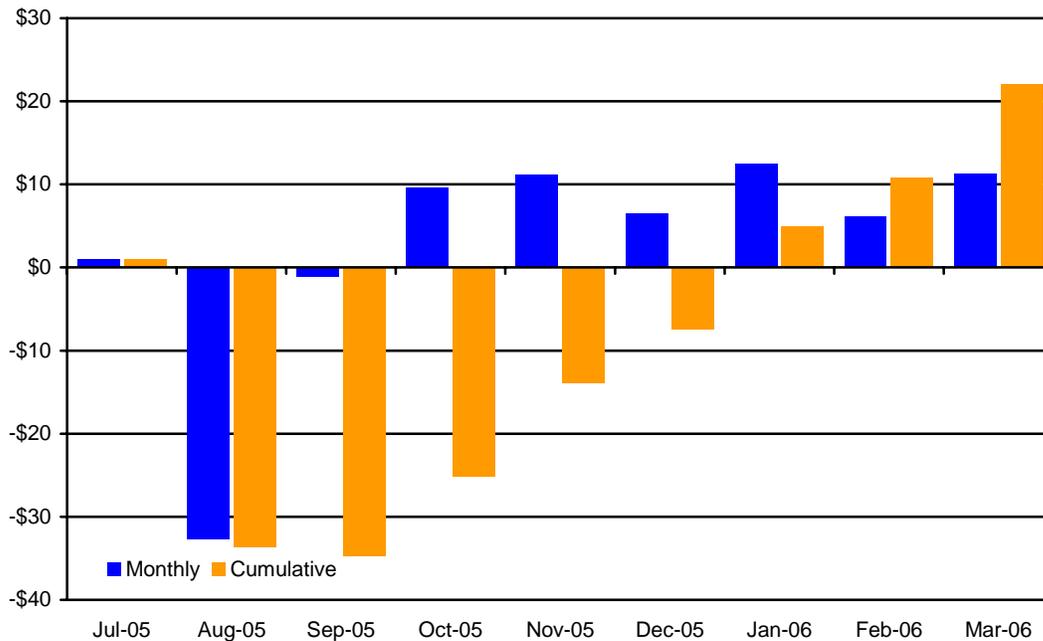
Since October 2005, monthly revenues from the cigarette and other tobacco products tax have been above estimate. Receipts from the cigarette and other tobacco products tax in March 2006 were \$86.2 million, \$11.3 million (15.1%) above estimate. Compared to year-ago receipts in the

same month, revenues in March 2006 were \$41.6 million (93.4%) higher.

In the third quarter, cigarette and other tobacco products receipts were \$29.6 million (13.6%) above estimate, reversing the negative variance of \$7.4 million through the first half of the fiscal year. Through March, FY 2006 year-to-date receipts from the cigarette and other tobacco products tax were \$750.6 million, \$22.2 million (3.0%) above estimate. Receipts from the cigarette excise tax were \$661.2 million (88.1% of total receipts). Receipts from the “floor tax” received in the first quarter were \$66.4 million (8.8% of total receipts).⁶ Revenues from the tax on other tobacco products were \$22.9 million (3.1% of total receipts).

FY 2006 year-to-date revenues were also \$367.8 million (96.1%) above revenues in FY 2005. The large increase in cigarette tax revenues compared to a year ago was due to the 70-cent per pack tax rate increase on July 1, 2005.

Cigarette Tax Variance from August 2005 estimates
(in millions)



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 first half of the fiscal year, suggesting a stable labor market. Withholding for February and March were down 0.3% and 1.0% from a year earlier, pulling the FY 2006 year-to-date growth rate down from 5.4% through January to 4.0%. This slowdown in withholding growth 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.

⁶ Am. Sub. H.B. 66 imposed a “floor” tax on cigarettes in inventory on July 1, 2005. These cigarettes had the “old” stamp of 55 cents per pack of 20 cigarettes, and dealers paid the additional 70 cents on the amount of cigarettes in inventory.

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

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$85,669	\$90,423	-\$4,754	-5.3%
Nonauto Sales & Use	\$521,644	\$486,610	\$35,034	7.2%
Total Sales & Use Taxes	\$607,313	\$577,033	\$30,279	5.2%
Personal Income	\$511,520	\$441,100	\$70,420	16.0%
Corporate Franchise	\$334,093	\$299,300	\$34,793	11.6%
Public Utility	-\$5,997	-\$2,600	-\$3,397	130.6%
Kilowatt-Hour Excise	\$26,117	\$24,000	\$2,117	8.8%
Total Major Taxes	\$1,473,046	\$1,338,833	\$134,213	10.0%
Commercial Activity Tax	\$4,519	\$0	\$4,519	---
Foreign Insurance	\$63,964	\$75,400	-\$11,436	-15.2%
Domestic Insurance	\$25	\$20	\$5	24.7%
Business & Property	\$101	\$45	\$56	123.6%
Cigarette	\$86,208	\$74,900	\$11,308	15.1%
Alcoholic Beverage	\$5,029	\$4,400	\$629	14.3%
Liquor Gallonage	\$2,502	\$2,400	\$102	4.3%
Estate	\$2,323	\$0	\$2,323	---
Total Other Taxes	\$164,671	\$157,165	\$7,506	4.8%
Total Tax Revenue	\$1,637,717	\$1,495,998	\$141,718	9.5%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$24,479	\$13,000	\$11,479	88.3%
Licenses and Fees	\$7,266	\$6,200	\$1,066	17.2%
Other Revenue	\$6,996	\$13,500	-\$6,504	-48.2%
Nontax State-Source Revenue	\$38,741	\$32,700	\$6,041	18.5%
TRANSFERS				
Liquor Transfers	\$16,000	\$11,000	\$5,000	45.5%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$50,883	\$37,500	\$13,383	35.7%
Total Transfers In	\$66,883	\$48,500	\$18,383	37.9%
TOTAL GRF before Federal Grants	\$1,743,341	\$1,577,198	\$166,142	10.5%
Federal Grants	\$480,927	\$448,297	\$32,630	7.3%
TOTAL GRF SOURCES	\$2,224,268	\$2,025,495	\$198,773	9.8%

* 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 March 2006
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
TAX REVENUE						
Auto Sales	\$693,231	\$713,154	-\$19,923	-2.8%	\$781,639	-11.3%
Nonauto Sales & Use	\$4,857,683	\$4,879,903	-\$22,221	-0.5%	\$5,059,431	-4.0%
Total Sales & Use Taxes	\$5,550,913	\$5,593,057	-\$42,144	-0.8%	\$5,841,070	-5.0%
Personal Income	\$5,897,000	\$5,837,400	\$59,600	1.0%	\$5,666,148	4.1%
Corporate Franchise	\$730,990	\$622,300	\$108,690	17.5%	\$694,036	5.3%
Public Utility	\$101,315	\$91,800	\$9,515	10.4%	\$55,228	83.4%
Kilowatt-Hour Excise	\$259,346	\$245,000	\$14,346	5.9%	\$258,979	0.1%
Total Major Taxes	\$12,539,565	\$12,389,557	\$150,008	1.2%	\$12,515,462	0.2%
Commercial Activity Tax	\$118,158	\$88,100	\$30,058	34.1%	\$0	---
Foreign Insurance	\$261,171	\$260,350	\$821	0.3%	\$256,166	2.0%
Domestic Insurance	\$1,109	\$100	\$1,009	1008.5%	\$222	399.3%
Business & Property	\$1,150	\$1,270	-\$120	-9.5%	\$972	18.2%
Cigarette	\$750,560	\$728,400	\$22,160	3.0%	\$382,798	96.1%
Alcoholic Beverage	\$42,692	\$42,400	\$292	0.7%	\$42,721	-0.1%
Liquor Gallonage	\$25,152	\$24,500	\$652	2.7%	\$24,218	3.9%
Estate	\$32,360	\$32,900	-\$540	-1.6%	\$29,420	10.0%
Total Other Taxes	\$1,232,351	\$1,178,020	\$54,331	4.6%	\$736,516	67.3%
Total Tax Revenue	\$13,771,916	\$13,567,577	\$204,339	1.5%	\$13,251,978	3.9%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$71,824	\$44,000	\$27,824	63.2%	\$21,006	241.9%
Licenses and Fees	\$50,640	\$52,950	-\$2,310	-4.4%	\$48,047	5.4%
Other Revenue	\$134,515	\$124,280	\$10,235	8.2%	\$95,793	40.4%
Nontax State-Source Revenue	\$256,979	\$221,230	\$35,749	16.2%	\$164,847	55.9%
TRANSFERS						
Liquor Transfers	\$105,000	\$90,000	\$15,000	16.7%	\$91,000	15.4%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$97,993	\$85,400	\$12,593	14.7%	\$84,984	15.3%
Total Transfers In	\$202,993	\$175,400	\$27,593	15.7%	\$175,984	15.3%
TOTAL GRF before Federal Grants	\$14,231,888	\$13,964,207	\$267,681	1.9%	\$13,592,809	4.7%
Federal Grants	\$4,360,073	\$4,475,292	-\$115,219	-2.6%	\$4,306,555	1.2%
TOTAL GRF SOURCES	\$18,591,962	\$18,439,499	\$152,463	0.8%	\$17,899,364	3.9%

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

DISBURSEMENTS

— Steve Mansfield*

General Revenue Fund (GRF) disbursements in March for program spending totaled \$1,914.5 million, which was below the estimate by \$134.2 million (6.6%). At this point in the fiscal year, total GRF program disbursements are \$19,247.7 million, which is \$439.8 million (2.2%) below the estimate and 2.7% ahead of the level of spending last year.¹

Like last month, disbursements for three of the state's four major GRF program categories (Welfare and Human Services, Government Operations, and Education) are under the estimate for the year to date. Disbursements for the other major program category (Property Tax Relief) are over the estimate for the year to date by \$35.8 million (see the chart titled "GRF Disbursement Variances by Program Category" and Table 5). As shown in Table 4, the largest variance in March was posted by the Welfare and Human Services category, which was under estimate by \$72.6 million (8.2%). Within the four major GRF program categories, the Health Care/

Medicaid subcategory again posted the largest variance among subcategories, with a variance of \$81.1 million (10.9%) under the estimate for the month. The Debt Service program (which is not one of the four major program categories) posted a \$66.1 million (81.9%) variance below the estimate in March. This variance offset last month's overage for debt service, which was mostly the result of a payment by the School Facilities Commission that was posted in late February instead of in March. For the year to date, debt service payments are below the estimate by \$27.1 million, and because of changes in interest rates, are expected to remain under estimate for the rest of the fiscal year. We will discuss in the sections that follow the details of the most significant variances between what was actually disbursed through March compared to the estimates for the fiscal year prepared by the Office of Budget and Management (OBM) in August 2005. For each major program category, the year-to-date variance is noted parenthetically in the category's heading.

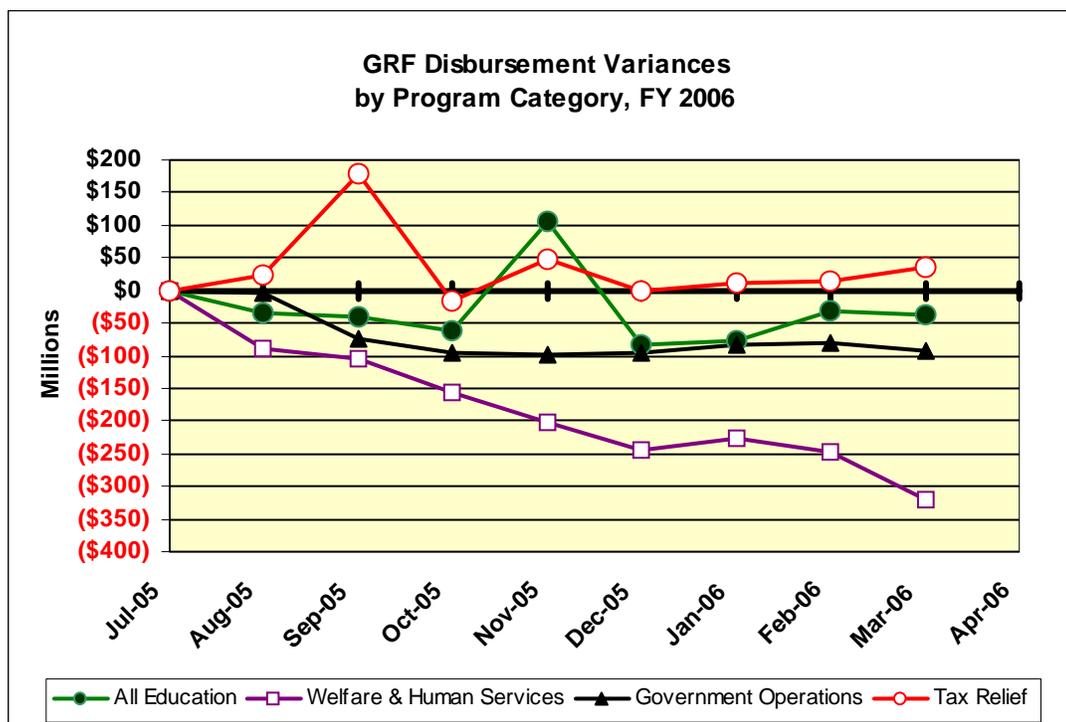


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of March 2006
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$539,020	\$553,674	-\$14,654	-2.6%
Higher Education	\$163,978	\$155,258	\$8,720	5.6%
Total Education	\$702,998	\$708,931	-\$5,933	-0.8%
Health Care/Medicaid	\$663,576	\$744,710	-\$81,134	-10.9%
Temporary Assistance to Needy Families (TANF)	\$28,727	\$20,000	\$8,727	43.6%
General/Disability Assistance	\$0	\$0	\$0	---
Other Welfare (2)	\$56,241	\$49,850	\$6,391	12.8%
Human Services (3)	\$68,063	\$74,641	-\$6,578	-8.8%
Total Welfare & Human Services	\$816,607	\$889,201	-\$72,594	-8.2%
Justice & Corrections	\$174,130	\$182,702	-\$8,572	-4.7%
Environment & Natural Resources	\$5,654	\$5,894	-\$241	-4.1%
Transportation	\$878	\$1,534	-\$656	-42.8%
Development	\$17,428	\$18,369	-\$941	-5.1%
Other Government	\$55,887	\$56,200	-\$313	-0.6%
Capital	\$26	\$100	-\$74	-73.8%
Total Government Operations	\$254,002	\$264,800	-\$10,797	-4.1%
Property Tax Relief (4)	\$126,238	\$105,000	\$21,238	20.2%
Debt Service	\$14,636	\$80,767	-\$66,131	-81.9%
Total Other Disbursements	\$140,874	\$185,767	-\$44,893	-24.2%
Total Program Disbursements	\$1,914,481	\$2,048,699	-\$134,218	-6.6%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$0	\$0	\$0	---
Total Transfers Out	\$0	\$0	\$0	---
TOTAL GRF USES	\$1,914,481	\$2,048,699	-\$134,218	-6.6%

(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.

Welfare and Human Services **(-\$319.4 million)**

The Welfare and Human Services category posted a disbursement variance of \$72.6 million (8.2%) under the estimate in March. For the year

to date, outlays in this category are \$319.4 million (3.4%) under the estimate. The Health Care/Medicaid and Other Welfare program subcategories continue to register the largest percentage differences from the year-to-date estimates.

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

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
Primary & Secondary Education (1)	\$5,138,717	\$5,214,579	-\$75,862	-1.5%	\$5,022,539	2.3%
Higher Education	\$1,799,583	\$1,760,665	\$38,918	2.2%	\$1,749,122	2.9%
Total Education	\$6,938,300	\$6,975,244	-\$36,944	-0.5%	\$6,771,661	2.5%
Health Care/Medicaid	\$7,322,842	\$7,593,583	-\$270,741	-3.6%	\$7,200,510	1.7%
Temporary Assistance to Needy Families (TANF)	\$254,563	\$242,938	\$11,625	4.8%	\$256,078	-0.6%
General/Disability Assistance	\$0	\$0	\$0	---	\$18,708	-100.0%
Other Welfare (2)	\$450,837	\$502,642	-\$51,804	-10.3%	\$359,884	25.3%
Human Services (3)	\$958,054	\$966,486	-\$8,432	-0.9%	\$915,533	4.6%
Total Welfare & Human Services	\$8,986,295	\$9,305,648	-\$319,353	-3.4%	\$8,750,712	2.7%
Justice & Corrections	\$1,509,524	\$1,574,500	-\$64,976	-4.1%	\$1,495,030	1.0%
Environment & Natural Resources	\$81,797	\$84,723	-\$2,925	-3.5%	\$95,386	-14.2%
Transportation	\$23,170	\$23,516	-\$346	-1.5%	\$25,991	-10.9%
Development	\$124,127	\$137,936	-\$13,809	-10.0%	\$132,878	-6.6%
Other Government	\$322,935	\$333,139	-\$10,204	-3.1%	\$314,538	2.7%
Capital	\$285	\$128	\$157	122.7%	\$0	---
Total Government Operations	\$2,061,839	\$2,153,942	-\$92,103	-4.3%	\$2,063,823	-0.1%
Property Tax Relief (4)	\$872,196	\$836,411	\$35,785	4.3%	\$817,568	6.7%
Debt Service	\$389,043	\$416,185	-\$27,143	-6.5%	\$345,392	12.6%
Total Other Disbursements	\$1,261,239	\$1,252,597	\$8,642	0.7%	\$1,162,961	8.5%
Total Program Disbursements	\$19,247,673	\$19,687,431	-\$439,758	-2.2%	\$18,749,156	2.7%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$394,205	\$0	\$394,205	---	\$0	---
Other Transfers Out	\$184,017	\$0	\$184,017	---	\$36,681	401.7%
Total Transfers Out	\$578,222	\$0	\$578,222	---	\$36,681	1476.4%
TOTAL GRF USES	\$19,825,895	\$19,687,431	\$138,464	0.7%	\$18,785,837	5.5%

(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 March in the Health Care/Medicaid program (primarily line item 600-525) are \$270.7 million (3.6%) below the estimate (see Table 6). Compared to the same point in FY 2005, Health Care/Medicaid service payments are 3.6% higher in the current fiscal year

(see Table 7). Once offsets are taken into account, however, FY 2006 spending for the year to date is 1.7% higher than at the same point in FY 2005.

The largest contributor to the year-to-date variance in Health Care/Medicaid spending is the Nursing Facilities Payments category, which is

now \$108.7 million (5.2%) below the estimate. 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 related NF Franchise Fee Offsets category is \$55.9 million (24.0%) below the estimate for the year to date.

A close second, the HMO category is now \$108.2 million (9.6%) below estimate for the year. As we have noted in previous reports, spending in this category has not grown as fast as anticipated, especially in the Covered Families and Children (CFC) program. The caseload for Managed Care-CFC is 688,987 for March versus an estimated caseload of 730,522. Inversely related to the HMO category, spending in the Inpatient Hospitals category is \$25.4 million (2.3%) above estimate through March. The slower than anticipated enrollment in managed care is driving up spending in fee-for-service categories, such as the Inpatient Hospitals and the Physicians categories.

Another significant contributor to the year-to-date variance is the Prescription Drugs category, which is \$103.8 million (7.1%) below estimate. 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 \$77.0 million for January through March. However, there have been no payments so far; they 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 must make five payments in FY 2006 rather than the six payments that were originally budgeted.

The Disability Assistance (DA) Medical category is \$6.2 million above estimate (21.0%) for the year to date. On March 13, the Controlling Board approved an increase in spending of \$4.7 million for the DA Medical program for

FY 2006. Also, Am. Sub. H.B. 530 of the 126th General Assembly (the reappropriations and corrections act) provided for an additional \$4.3 million for the program in FY 2006 and \$5.7 million in FY 2007 (GRF line item 600-513, Disability Medical Assistance). The money for this increase was transferred from the Department of Mental Health.

The number of Medicaid “eligibles” in the CFC portion of the program is now over the budgeted caseload for this point in the fiscal year by 13,747 individuals. The number of eligibles in the ABD portion of the program, however, is under the budgeted level by 8,262 individuals. Historically, the ABD population accounts for about 70% of Medicaid expenditures.

Job and Family Services. Disbursements for the Department of Job and Family Services’ operating and subsidy programs, which are captured in the Other Welfare subcategory, were above the estimate for March by \$6.4 million (12.8%). For the year to date, however, disbursements in this subcategory are \$51.8 million (10.3%) 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 \$25.4 million (20.8%). Through the Entitlement Administration-Local line item, the Department advances to the counties the state’s share of the cost of county administration of family services programs (primarily the Medicaid and Food Stamp programs). The variance appears to be related to an unexpected and perhaps temporary 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.

Line item 600-416, Computer Projects, is now \$16.3 million (13.2%) 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.

Another significant contributor to the variance in this subcategory is line item 600-523, Child and Family Subsidy, which is under estimate for

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

Service Category	March				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Mar.	Estimate thru Mar.	Variance	Percent Variance
Nursing Facilities Payments	\$207,495	\$213,807	(\$6,312)	-3.0%	\$1,981,991	\$2,090,654	(\$108,663)	-5.2%
ICF/MR Payments	\$39,865	\$40,271	(\$406)	-1.0%	\$384,471	\$385,789	(\$1,318)	-0.3%
Inpatient Hospitals	\$101,151	\$109,493	(\$8,342)	-7.6%	\$1,127,084	\$1,101,712	\$25,372	2.3%
Outpatient Hospitals	\$50,427	\$53,414	(\$2,987)	-5.6%	\$505,562	\$507,530	(\$1,968)	-0.4%
Physicians	\$51,169	\$53,209	(\$2,040)	-3.8%	\$484,345	\$475,345	\$9,000	1.9%
Prescription Drugs	\$87,481	\$121,894	(\$34,413)	-28.2%	\$1,364,710	\$1,468,475	(\$103,765)	-7.1%
ODJFS Waiver	\$16,542	\$17,352	(\$810)	-4.7%	\$167,971	\$165,931	\$2,040	1.2%
HMO	\$135,528	\$138,097	(\$2,569)	-1.9%	\$1,020,583	\$1,128,794	(\$108,211)	-9.6%
Medicare Buy-In	\$21,026	\$21,141	(\$115)	N/A	\$171,069	\$169,483	\$1,586	0.9%
Home Health	\$14,406	\$14,650	(\$244)	-1.7%	\$134,387	\$127,329	\$7,058	5.5%
Dental	\$7,986	\$9,003	(\$1,017)	-11.3%	\$94,412	\$89,689	\$4,723	5.3%
Hospice	\$9,436	\$12,640	(\$3,204)	-25.3%	\$91,622	\$105,318	(\$13,696)	-13.0%
All Other	\$48,082	\$51,881	(\$3,799)	-7.3%	\$448,848	\$440,072	\$8,776	2.0%
Total Medicaid Payments	\$790,594	\$856,852	(\$66,258)	-7.7%	\$7,977,055	\$8,256,121	(\$279,066)	-3.4%
Medicare Part D	\$0	\$25,820	(\$25,820)	100.0%	\$0	\$77,039	(\$77,039)	100.0%
DA Medical	\$2,971	\$2,470	\$501	20.3%	\$35,770	\$29,565	\$6,205	21.0%
Drug Rebates Offsets	(\$83,194)	(\$86,606)	\$3,412	-3.9%	(\$495,377)	(\$520,997)	\$25,620	-4.9%
ICF/MR Franchise Fee Offsets	(\$1,753)	(\$1,722)	(\$31)	1.8%	(\$17,423)	(\$15,074)	(\$2,349)	15.6%
NF Franchise Fee Offsets	(\$45,042)	(\$52,102)	\$7,060	-13.6%	(\$177,186)	(\$233,071)	\$55,885	-24.0%
DSH Rebate Offsets	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
Total Health Care (Net of Offsets)	\$663,576	\$744,712	(\$81,136)	-10.9%	\$7,322,839	\$7,593,583	(\$270,744)	-3.6%
Est. Federal Share	\$397,702	\$446,329	(\$48,627)		\$4,388,804	\$4,551,069	(\$162,265)	
Est. State Share	\$265,874	\$298,383	(\$32,509)		\$2,934,035	\$3,042,514	(\$108,479)	

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.

the year to date by \$14.2 million (26.6%). Appropriations in this line item are used to provide subsidies to county departments of job and family services for a number of social service costs and their associated administrative costs. The variance stemmed completely from a payment scheduled for April 1, which fell on a Saturday, that was made on March 31.

TANF. GRF disbursements from line item 600-410, TANF State, were over the estimate by \$8.7 million (43.6%) in March and now stand at \$11.6 million (4.8%) over the estimate for the year to date. In order to offset underspending by the counties in previous months, the Department of Job and Family Services, like last month, increased payments to the counties from the state portion of the program and correspondingly

reduced payments to the counties from the federal portion of the program.

Disbursements from TANF federal funds (Fund 3V6) through March totaled \$502.5 million (52.3%) out of the FY 2006 appropriation of \$960.3 million. At the same point in FY 2005, disbursements from Fund 3V6 totaled \$435.8 million.

The TANF caseload grew in March, up from a historic low point in February. In March there were 180,744 TANF recipients, up by nearly 4,000, and there were 83,264 assistance groups.

Mental Health. March disbursements by the Department of Mental Health were under the estimate by \$3.0 million (8.8%). This pushed

Service Category	FY 2006	FY 2005	Dollar Change	Percent Increase
	Yr.-to-Date as of Mar. '06	Yr.-to-Date as of Mar. '05		
Nursing Facilities Payments	\$1,981,991	\$2,046,637	(\$64,646)	-3.2%
ICF/MR Payments	\$384,471	\$334,601	\$49,870	14.9%
Inpatient Hospitals	\$1,127,084	\$1,065,557	\$61,527	5.8%
Outpatient Hospitals	\$505,562	\$488,249	\$17,313	3.5%
Physicians	\$484,345	\$466,959	\$17,386	3.7%
Prescription Drugs	\$1,364,710	\$1,482,724	(\$118,014)	-8.0%
ODJFS Waiver	\$167,971	\$164,695	\$3,276	2.0%
HMO	\$1,020,583	\$796,221	\$224,362	28.2%
Medicare Buy-In	\$171,069	\$140,092	\$30,977	22.1%
All Other*	\$769,269	\$711,992	\$57,277	8.0%
Total Medicaid Payments	\$7,977,055	\$7,697,727	\$279,328	3.6%
DA Medical	\$35,770	\$57,322	(\$21,552)	-37.6%
Drug Rebates Offsets	(\$495,377)	(\$375,234)	(\$120,143)	32.0%
ICF/MR Franchise Fee Offsets	(\$17,423)	(\$13,582)	(\$3,841)	28.3%
NF Franchise Fee Offsets	(\$177,186)	(\$160,480)	(\$16,706)	10.4%
DSH Rebate Offsets	\$0	(\$5,244)	\$5,244	-100.0%
Total Health Care (Net of Offsets)	\$7,322,839	\$7,200,509	\$122,330	1.7%
Est. Federal Share	\$4,388,804	\$4,315,488	\$73,316	
Est. State Share	\$2,934,035	\$2,885,021	\$49,014	

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, 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.

the year-to-date disbursement variance to \$13.3 million (3.0%) 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 \$13.2 million (4.0%). Spending from line item 322-416, Waiver State Match, is over the estimate by \$21.2 million, more than offsetting

underspending in other line items. 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 (-\$92.1 million)

In March, outlays in the Government Operations category were \$10.8 million (4.1%) under the estimate for the month, increasing the year-to-date variance to \$92.1 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 \$60.8 million under the estimate (up by \$5.0 million from last month). As reported last month, the variance is due in part to attrition of personnel in the first quarter of FY 2006. These positions have not been fully replaced. The Department has lost around 300 employees since July 1, 2005. Another reason for the underspending is a higher degree of caution in maintenance and equipment spending in the main operations line item, 501-321, Institutional Operations.

Also contributing to the Department's variance in March is the timing of processing payments for Halfway House and other community sanctions programs. These payments were originally estimated to be posted in March but were not made. They are expected to post in April. The Department has also carefully managed recent expenditures in order to provide for a \$7 million GRF transfer, largely from line item 501-321, Institutional Operations, to line item 505-321, Institution Medical Services, necessary to cover higher than anticipated medical costs. 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 March produced a variance of \$0.5 million under the estimate for the month and pushed the year-to-date variance to \$13.0 million under the estimate. Like last month, the two largest contributors to the year-to-date variance are line item 195-434, Ohio Investment in Training program (\$4.7 million under the estimate), and line item 195-412, Business Development Grants (\$3.9 million under the estimate). The underspending from these line items appears to be related to timing issues.

Education (-\$36.9 million)

March outlays in the Education category were \$5.9 million (0.8%) under the estimate. For the year to date, outlays in this category are \$36.9 million (0.5%) under the estimate, with the Board of Regents' overspending partially offsetting underspending by the Department of Education.

Department of Education. March disbursements by the Department of Education were \$14.0 million (2.5%) under the estimate. This increased the Department's year-to-date disbursement variance to \$71.7 million (1.4%) under the estimate, with total GRF disbursements of \$5,056.3 million so far in FY 2006.

The sources of the variance for the year to date has a couple of standouts: line item 200-550, Foundation Funding (\$37.7 million under estimate), and line item 200-437, Student Assessment (\$9.5 million under estimate). The variance for line item 200-550 is relatively small (0.9%) in comparison to the total estimate for the year to date, but the underspending reflects the fact that Average Daily Membership (ADM) counts have decreased from last year.

Line item 200-437, Student Assessment, posted a disbursement variance of \$10.5 million (98.8%) under the estimate for March and stands at \$9.5 million (16.1%) under the estimate for the year to date. Funds from line item 200-437 are used to develop, field test, print, distribute, score, and report results of Ohio proficiency tests, achievement tests, the Ohio Graduation Test, and diagnostic assessments. The variance is timing related.

Board of Regents. Disbursements from the Board of Regents' line items are over the estimate by \$38.9 million (2.2%) for the year to date. This is largely traceable to \$30.8 million (35.9%) 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 for FY 2005. The capital reappropriations and corrective act, Am. Sub. H.B. 530, contains a provision to increase the appropriation and transfer funds to line item 235-503 by up to \$30 million.

Tax Relief (\$35.8 million)

Through March, total Tax Relief payments have totaled \$872.2 million, which is \$35.8 million (4.3%) above the estimate. March's

disbursements of \$126.2 million were above the estimate for the month by \$21.2 million (20.2%). Disbursement variances in the Property Tax Relief program are usually traceable to the timing of local government 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 \$19,825.9 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).

Issues of Interest

LOTTERY TICKET SALES AND PROFIT TRANSFERS THIRD QUARTER, FISCAL YEAR 2006

— Jean Botomogno

Ticket Sales

Ticket sales in the third quarter of FY 2006 were \$590.5 million, \$36.9 million (6.6%) higher than second-quarter sales. Instant ticket sales were \$346.8 million, \$34.5 million (11.0%) higher than sales in the previous quarter. On-line ticket sales¹ were \$243.8 million, \$2.5 million (1.0%) higher than sales in the second quarter. Table 1 summarizes quarterly ticket sales by game so far this fiscal year.

Compared to third-quarter sales a year ago, total ticket sales increased \$46.0 million (8.5%) this fiscal year. Instant ticket sales improved \$37.2 million (12.0%). On-line ticket sales were up \$8.8 million (3.7%).

Table 2 summarizes year-to-date ticket sales by game in FY 2006 and FY 2005. Through March 2006, FY 2006 year-to-date ticket sales were \$1,651.3 million, \$33.3 million (2.1%) higher than sales during the same period in FY 2005. Instant and on-line ticket sales increased \$12.9 million (1.4%) and \$20.5 million (2.9%), respectively. Pick 3 sales were down \$7.6 million (2.6%). Sales of Super Lotto/Lot'O Play

decreased \$23.3 million (26.8%). Rolling Cash 5 sales declined \$0.5 million (0.8%). Sales of Kicker increased \$0.9 million (5.9%). Pick 4 sales grew \$4.0 million (3.1%). Mega Million sales were up \$47.0 million (37.2%).

Transfers to the Lottery Profits Education Fund

Table 3 shows transfers from operations to the Lottery Profits Education Fund (LPEF) in FY 2006. Third-quarter transfers were \$166.4 million, \$3.7 million (2.1%) below projected transfers. The State Lottery Commission also transferred \$3.0 million to the Deferred Prize Trust Fund (DPTF) in February. Through March 2005, year-to-date transfers to LPEF were \$472.8 million, \$2.2 million (0.5%) below projected transfers. These transfers from operations were 28.6% of total ticket sales. Year-to-date transfers to the DPTF were \$5.0 million.

Through March 2006, transfers from operations in FY 2006 were \$15.6 million (3.2%) lower than transfers in the same period in FY 2005.

Table 1: Quarterly Ticket Sales by Game in FY 2006 (in millions)

	Pick 3	Pick 4	Kicker	Rolling Cash 5	Super Lotto/Lot'O Play	Mega Millions	On-line	Instants	Total
Q1	\$90.5	\$41.2	\$4.5	\$17.9	\$25.1	\$58.9	\$238.0	\$269.2	\$507.2
Q2	\$92.1	\$43.8	\$5.7	\$18.4	\$23.9	\$57.3	\$241.3	\$312.3	\$553.6
Q3	\$101.3	\$46.4	\$5.9	\$18.1	\$14.7	\$57.3	\$243.8	\$346.8	\$590.5
Total	\$283.9	\$131.4	\$16.1	\$54.4	\$63.7	\$173.5	\$723.1	\$928.3	\$1,651.3

Totals may not add up due to rounding.

Table 2: Year-to-Date Ticket Sales by Game in FY 2006 and FY 2005 (in millions)

	Pick 3	Pick 4	Kicker	Rolling Cash 5	Super Lotto/Lot'O Play	Mega Millions	On-line	Instants	Total
FY 2006	\$283.9	\$131.4	\$16.2	\$54.4	\$63.7	\$173.5	\$723.1	\$928.3	\$1,651.3
FY 2005	\$291.5	\$127.4	\$15.3	\$54.9	\$87.0	\$126.5	\$702.6	\$915.4	\$1,618.0
\$ Change	-\$7.6	\$4.0	\$0.9	-\$0.5	-\$23.3	\$47.0	\$20.5	\$12.9	\$33.3
% Change	-2.6%	3.1%	5.9%	-0.8%	-26.8%	37.2%	2.9%	1.4%	2.1%

Totals may not add up due to rounding.

Table 3: Quarterly Transfers to LPEF in FY 2006 (in millions)

	Ticket Sales	Actual Transfers	Projected Transfers	Dollar Variance	FY 2005 Transfers	Dollar Variance	Percent Variance
Q1	\$507.2	\$148.0	\$146.5	\$1.5	\$161.9	-\$13.9	-8.6%
Q2	\$553.6	\$158.4	\$158.4	\$0.0	\$169.3	-\$10.9	-6.4%
Q3	\$590.5	\$166.4	\$170.1	-\$3.7	\$157.2	\$9.2	5.9%
Total	\$1,651.3	\$472.8	\$475.0	-\$2.2	\$488.4	-\$15.6	-3.2%

Totals may not add up due to rounding.

¹ On-line games refer to Pick 3, Pick 4, Kicker, Rolling Cash 5, Super Lotto/Lot' O Play, and Mega Millions. These games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters' computers. On-line games do not refer to Internet lottery sales.