

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MAY 2006

FISCAL OVERVIEW

— Allan Lundell

Total General Revenue Fund (GRF) receipts for April were below estimate by \$185 million and GRF program disbursements for the month were below estimate by \$198 million. Through the first ten months of FY 2006, total GRF receipts are \$32 million below estimate, program disbursements are \$637 million below estimate, and the cash balance remains above its expected level.¹

Tracking the Economy

The national economic expansion continues. Gross domestic product rose at a 4.8% annual rate during this year's first quarter, compared to 3.5% for all of last year. Personal income rose 0.8% in March and is up 6.4% from a year earlier. Wage and salary income was up 0.4% in March and is up 5.0% from a year earlier. Total retail sales grew by 0.5% in April with auto sales falling slightly and nonauto sales up 0.7%. Gas station sales rose 4.6% during the month due to higher gasoline prices. Core sales (excluding autos and gas) were up 0.2%. Compared to a year ago, total sales are up 6.6%, gas station sales are up 17.4%, and core sales are up 7.4%.

The number of nonfarm payroll jobs nationwide rose 138,000 in April, the 32nd consecutive month of net increase. During that time (since September 2003) the monthly net increase has averaged 165,000. The unemployment rate held steady at 4.7% in April. The rate for those between the ages of 16 and 25 was 10.3% and the rate for those over age 25 was 3.7%. For those over age 25, the rate for individuals with less than a high school education was 7.0%, the rate for high school graduates was 4.4%, the rate for individuals with some college or an associate degree was 3.8%, and the rate for individuals with a bachelor's degree or higher was 2.2%.

Receipts

Total GRF receipts for April were below estimate by \$185 million (8.1%). State-source receipts were \$196 million (10.5%) below estimate and federal grants were above estimate

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Tracking the Economy 170

- National economic indicators show continued expansion
- Inflation has edged higher this year
- Ohio employment rose in March and April

STATUS OF THE GRF

Revenue 174

- Personal income tax receipts below estimate due to slower than expected processing of returns
- Sales tax performance reverses course, falling below estimate
- Corporate franchise tax receipts above estimate for the second payment period

Disbursements 182

- Total GRF program disbursements lag year-to-date estimates by \$637.5 million
- Medicaid underspending continues (now \$293.8 million under the estimate for the year to date)
- Total Welfare and Human Services disbursements now \$398.3 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 April	Fiscal Year 2006 to Date	Last Year	Difference
Beginning Cash Balance	-\$24.7	\$1,209.2		
Plus Revenue and Transfers In	\$2,094.7	\$20,686.6		
Available Resources	\$2,070.0	\$21,895.9		
Less Disbursements and Transfers Out	\$1,872.2	\$21,698.1		
Ending Cash Balances	\$197.8	\$197.8	-\$33.8	\$231.6
Less Encumbrances and Accts. Payable		\$458.1	\$372.7	\$85.4
Unobligated Balance		-\$260.3	-\$406.5	\$146.2
Plus BSF Balance		\$576.6	\$180.7	\$395.9
Combined GRF and BSF Balance		\$316.3	-\$225.8	\$542.1

by \$11 million (2.7%). Tax revenues were below estimate by \$200 million (10.9%). Personal income tax revenue was below estimate by \$152 million (14.8%) and corporate franchise tax revenue was \$11 million (15.9%) below estimate. Nonauto sales tax revenue was \$38 million (6.9%) below estimate and auto sales tax revenue was \$7 million (9.0%) below estimate. Cigarette tax revenue was above estimate by \$4 million (5.4%).

Fiscal year-to-date GRF receipts are \$32 million (0.2%) below estimate. State-source receipts are \$72 million (0.5%) above estimate and federal grants are below estimate by \$104 million (2.1%). Tax revenues are \$4 million (0.03%) above estimate. Corporate franchise tax revenue is above estimate by \$98 million (14.1%), revenue from the commercial activity tax is above estimate by \$33 million (37.8%), and revenue from the cigarette tax is above estimate by \$26 million (3.3%). Personal income tax revenue is below estimate by \$93 million (1.4%). Nonauto sales tax revenue is below estimate by \$60 million (1.1%) and auto sales tax revenue is below estimate by \$27 million (3.4%). Compared to the same point in FY 2005, GRF receipts are

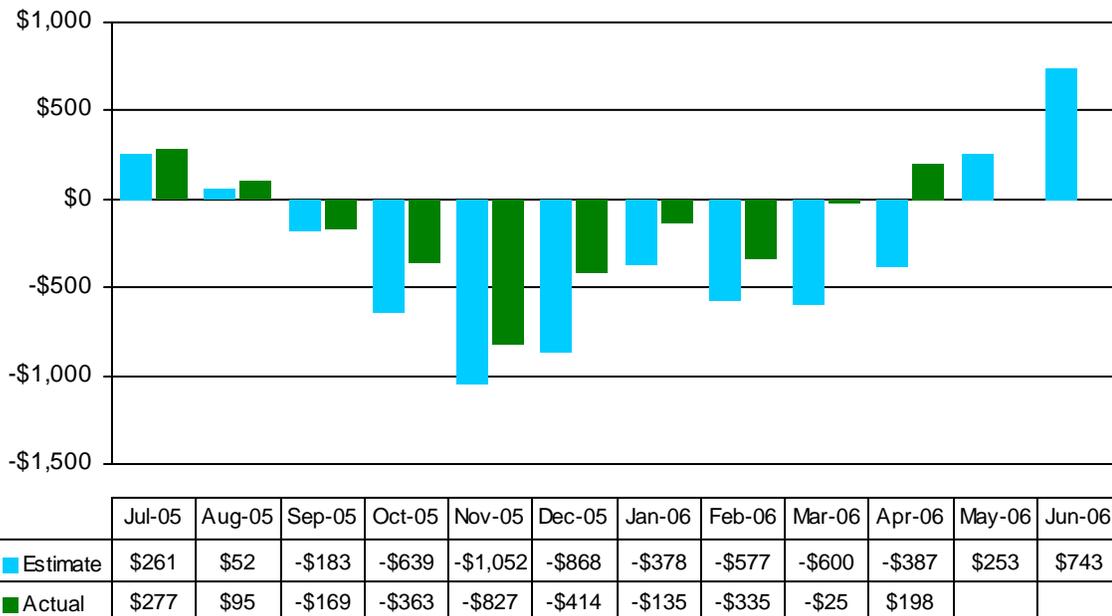
up 1.6%. State-source receipts are up 2.0%, federal grants are up 0.4%, and tax revenues are up 1.3%.

Disbursements

Program disbursements for April were below estimate by \$198 million (9.6%). Health Care/Medicaid disbursements were \$23 million (3.5%) below estimate, disbursements for primary and secondary education were \$6 million (1.1%) below estimate, and disbursements for higher education were below estimate by \$15 million (9.1%). Disbursements for property tax relief were below estimate by \$103 million (52.9%). Disbursements for justice and corrections were above estimate by \$14 million (8.4%).

GRF program disbursements for the fiscal year to date are \$637 million (2.9%) below estimate. Health Care/Medicaid disbursements are \$294 million (3.6%) below estimate, disbursements for primary and secondary education are \$82 million (1.4%) below estimate, and disbursements for justice and corrections are below estimate by \$51 million (3.0%). Disbursements for higher education

Estimated and Actual Ending Cash Balances
(in millions)



are above estimate by \$24 million (1.2%). Disbursements for property tax relief are below estimate by \$67 million (6.5%) and debt service payments are \$32 million (7.0%) below estimate. Compared to the same point in FY 2005, GRF program disbursements are up 1.1%.

Cash Balance

As shown in Table 1, the GRF began April with a -\$25 million cash balance. Monthly revenues plus transfers in totaled \$2,095 million and disbursements plus transfers out totaled \$1,872 million. The monthly surplus of \$223 million raised the cash balance to \$198 million.² If receipts and disbursements had equaled their estimates for the fiscal year, the cash balance would have been -\$387 million, \$585 million lower 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 has tracked higher (less negative) than the estimate thus far this fiscal year and has turned positive a month earlier than expected.

Encumbrances and accounts payable of \$458 million combine with the cash balance to yield an unobligated balance of -\$260 million. This amount is \$146 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 \$316 million is \$542 million higher 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 \$20,687 million and disbursements plus transfers out total \$21,698 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 \$1,011 million reduces the cash balance to \$198 million.

TRACKING THE ECONOMY

—Phil Cummins

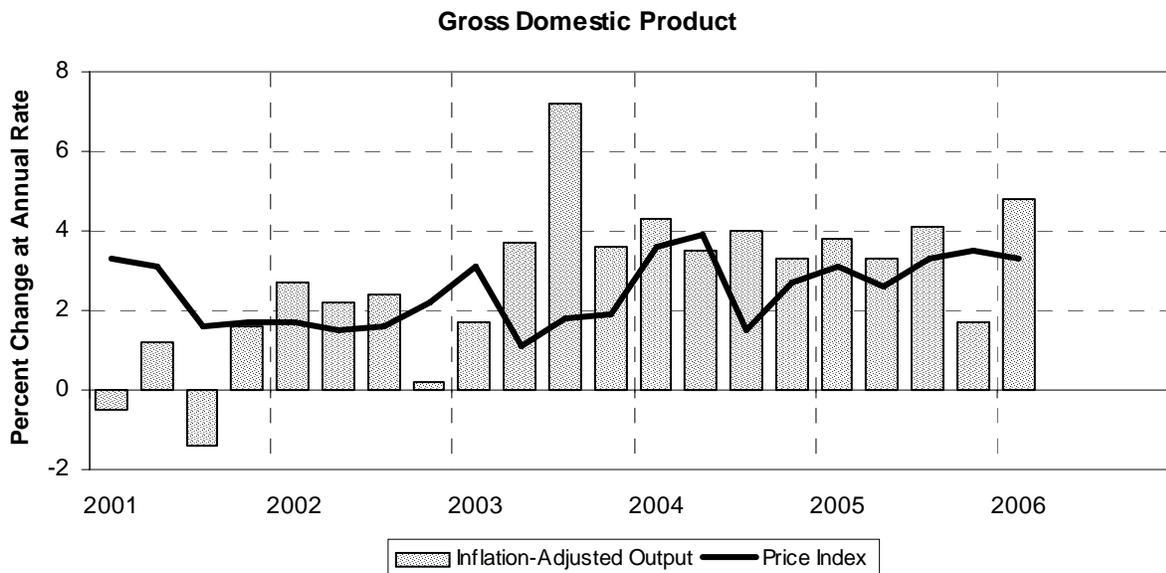
The national economy continues to expand, as indicated by statistical reports on employment, production, and retail sales, augmented by observations of purchasing managers and of other business sources summarized in the Federal Reserve's Beige Book. Housing sales and construction in many markets around the country appear to be trending lower, which may in turn lead to cutbacks in the growth of consumer spending. Business investment spending continues a vigorous expansion. Inflation has edged higher measured by consumer prices excluding volatile food and energy costs. Interest rates have risen further, and in view of continued inflation concerns and growing economic activity, another increase in the central bank's primary target short-term interest rate appears plausible, either in late June or in the year's second half.

Gross domestic product, adjusted for inflation, rose at a 4.8% annual rate in this year's first quarter, according to the Commerce Department's initial estimate, up from only a 1.7% rate of growth in last year's fourth quarter. Growth averaged 3.5% for all of last year. This year is the fifth year of expansion

following the recession in 2001. Consumer spending rose at a 5.5% annual rate in the first quarter, following 3.5% growth in all of last year. Nonresidential fixed investment grew at a robust 14% annual rate in this year's first three months, after 9% growth in 2005. Inflation trended higher through the first quarter, as the GDP price index rose at a 3.3% annual rate following increases averaging 2.8% in 2005, 2.6% in 2004, 2.0% in 2003, and 1.7% in 2002.

Employment Growth Continues Nationwide and Resumes in Ohio

The number of nonfarm payroll jobs nationwide rose 138,000 in April, and the previous two months' figures were revised downward. Unemployment remained at 4.7% of the labor force, the lowest in nearly five years. April's gain in total employment continued the uptrend for the nation underway since mid-2003. The number of service-sector jobs rose again in April, including increases in healthcare, finance and insurance, professional and business services, and restaurants and bars. Local governments again added to staffing. Employment in goods-producing industries



rose last month, at durable goods manufacturers and in construction and mining, particularly support activities for oil and gas extraction. Nondurable goods manufacturers, however, continued to reduce payrolls in April, a downtrend that has been underway for years. Since the end of the 2001 recession, apparel makers and textile mills, beset by foreign competition, have each shed more than 100,000 workers. These industries have relatively small concentrations in the Ohio economy. Other nondurable goods producing industries that have made large cuts in employment during this period, and that have more substantial presence in this state, include printing and related activities, paper and paper products, plastics and rubber products, and chemicals.

Ohio nonagricultural payroll employment rose 18,500 in April after a smaller increase in March and declines from November through February. Unemployment in the state was reported at 5.5% of the labor force in April, up from 5.0% in March, the lowest since November 2001.

Business Activity Expanding

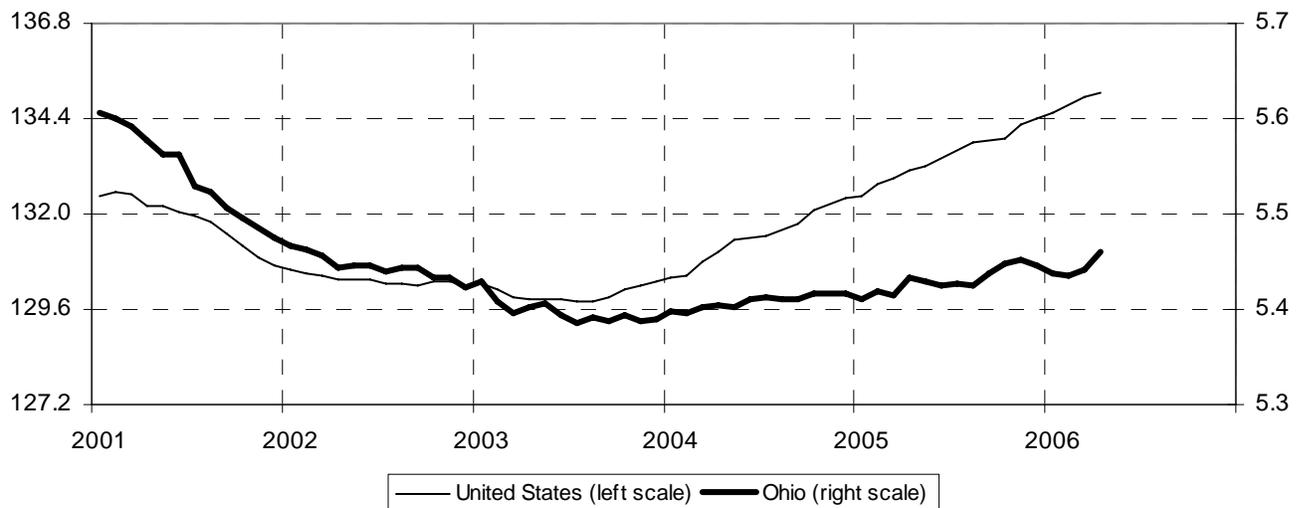
The April survey of purchasing managers at manufacturers, by the Institute for Supply Management, showed continuation of the growth underway for nearly three years in measures of activity. New orders, backlogs of

orders, production, and employment rose, accompanied by higher prices paid for various types of commodities. The monthly survey of nonmanufacturing purchasing managers also showed further growth of activity and higher prices paid.

Similarly, the Federal Reserve's Beige Book, a summary of information regarding business conditions gathered from contacts outside the central bank, again indicated further expansion with rising prices, particularly for energy but also for metals, shipping, and construction materials. Manufacturing and service sector activity are increasing. Housing market activity is moderating in many parts of the country while leasing and construction of commercial buildings are strengthening. In the Cleveland District, which includes all of Ohio and parts of three adjacent states, trends were described in broadly similar terms, though labor markets in this region appear softer than in some other parts of the country.

Industrial production rose a solid 0.8% in April as factory output increased 0.7%, and mining and utility production were also higher. Manufacturing production in April was 5.5% ahead of a year earlier. Consumer goods output was 2.7% above April 2005. Business equipment production was 12.5% higher than a year ago. Oil and gas extraction remained 5% below a year earlier, reflecting damage to

**Total Nonfarm Payroll Employment
Millions, Seasonally Adjusted**



production facilities from last year's hurricanes, while coal mine output was 12% higher than a year ago. The rise in total utility output in April reflected higher electric utility transmissions and lower natural gas utility output, plausibly due to reduced heating needs in northern states and increased use of air conditioners in parts of the South, consequences of the warmest April in this country on National Climatic Data Center records.

Consumer Spending Rises

Consumer spending continues to grow. Retail sales in April rose 0.5% to 6.6% above a year earlier. Motor vehicle dealer sales were down but sales at other stores that carry large ticket items – furniture and home furnishings stores, electronics and appliances stores, and building materials dealers – were well above a year earlier. Gasoline station sales were up sharply, mainly reflecting higher prices. The high price of fuel is diverting purchasing power away from consumers. Slower sales and construction of homes, along with slower home price appreciation, are also likely to weigh on consumer spending in the months ahead, both by dampening spending for appliances and furnishings following home purchases and by reducing conversion of equity in homes into cash for spending on other goods and services.

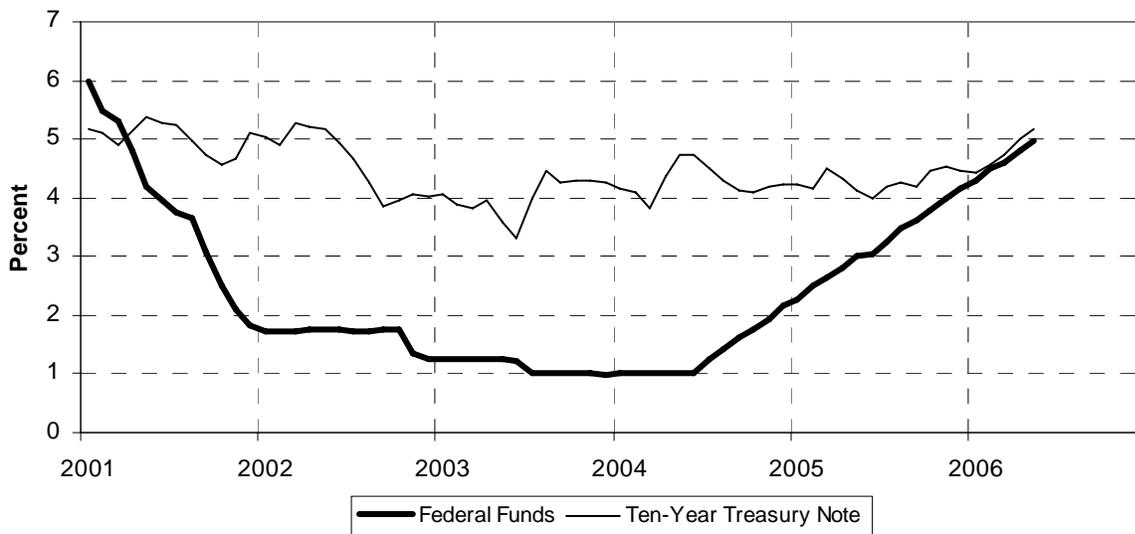
Softening Housing Markets

Housing starts nationwide fell 7%, seasonally adjusted, from March to April, to the lowest level since late 2004. Year-to-date starts were only 0.8% below a year earlier, in part reflecting the boost to construction activity from the mild winter, but the trend appears to be downward. In the Midwest, year-to-date housing starts in the year's first four months were 6% below a year ago. New home sales rose in March but year-to-date sales were 8% below a year earlier nationwide and 7% lower in the Midwest. Used home sales, reported by the National Association of Realtors, were 2% lower nationwide in the first quarter than a year earlier, but 1% higher in the Midwest and 6% higher in Ohio. The biggest declines were in the West, followed by the Northeast. Sales are slowing in much of the country in part in response to higher mortgage interest rates. Thirty-year conventional fixed-rate mortgage interest rates have risen above 6.5% in recent weeks, the highest since 2002, and interest rates on adjustable rate loans also are higher.

Inflation Edges Higher

The producer price index for finished goods rose 0.9% in April to 4% above a year earlier, reflecting a large jump in energy prices. Excluding food and energy, finished producer

Selected Interest Rates



goods prices were relatively tame, up 0.1% for the month to 1.5% above a year earlier. At earlier stages in the production process, energy prices were also up sharply, but price pressures were not confined to energy. The price index for crude nonfood materials less energy was up 4.7% in April to 16% above a year earlier. Prices for raw cotton, coal, and metal ores and scrap registered double-digit percentage increases from a year earlier in April. Commodity prices have generally fallen back during the past several trading sessions but remain well above earlier levels.

Consumer prices rose 0.6% in April, reflecting the jump in energy prices, to 3.5% above a year earlier. Motor fuel prices rose sharply; the price of regular unleaded gasoline averaged over \$2.70 a gallon nationwide last month and \$2.87 in the latest week. Excluding food and energy, the consumer price index rose 0.3% in April, the same as in March, to 2.3% above April 2005. This was the highest year-over-year increase in this inflation measure

since early last year, and before that since 2002. Owners' equivalent rent of primary residence, which accounts for a relatively large share of the total consumer price index (over 23%), rose 0.4% for the second consecutive month. Apparel prices rose 0.6%. The price index for medical care rose 0.4%.

Short-term Interest Rates Raised Again

The Federal Reserve again raised its target for the interest rate on federal funds (which are overnight loans between banks) by 0.25 percentage point at the May meeting of its Federal Open Market Committee (FOMC), to 5%. This interest rate is 4 percentage points higher than two years ago. In announcing the latest increase, the FOMC emphasized the role of incoming information in determining its view on the economic outlook and on future monetary policy changes. Longer term interest rates also rose. The ten-year United States Treasury note climbed above 5% this month, the highest in nearly four years.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

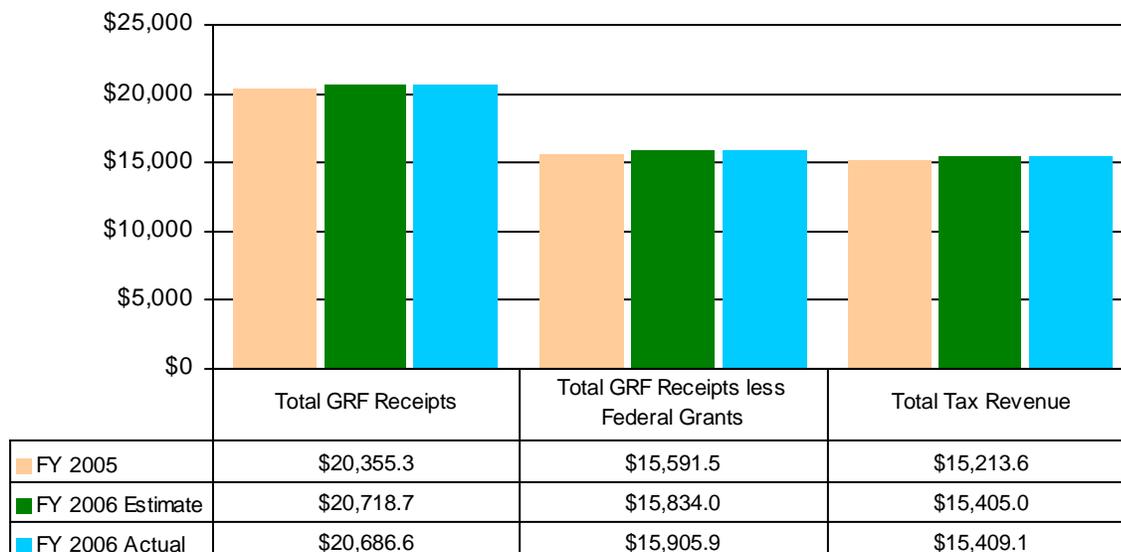
Total General Revenue Fund (GRF) receipts for April were below estimate by \$184.6 million (8.1%).¹ State-source receipts (tax revenues plus nontax revenues plus transfers in) were \$195.7 million (10.5%) below estimate and federal grants were above estimate by \$11.2 million (2.7%).² Tax revenues were below estimate by \$200.3 million (10.9%). Personal income tax revenue was below estimate by \$152.4 million (14.8%) and corporate franchise tax revenue was \$11.2 million (15.9%) below estimate. Nonauto sales tax revenue was \$37.5 million (6.9%) below estimate and auto sales tax revenue was \$7.3 million (9.0%) below estimate. Cigarette tax revenue was above estimate by \$4.1 million (5.4%).

Through the first ten months of FY 2006, total GRF receipts were below estimate by \$32.1 million (0.2%). State-source receipts were above estimate by \$72.0 million (0.5%) and federal grants were below estimate by \$104.1 million (2.1%). Tax revenues were above estimate by \$4.1 million (0.03%).

Corporate franchise tax revenue was above estimate by \$97.5 million (14.1%), revenue from the commercial activity tax was above estimate by \$33.3 million (37.8%), and cigarette tax revenue was above estimate by \$26.2 million (3.3%). 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 \$14.2 million (5.2%). Nonauto sales tax revenue was below estimate by \$59.8 million (1.1%) and auto sales tax revenue was \$27.2 million (3.4%) below estimate. Personal income tax revenue was below estimate by \$92.8 million (1.4%). Earnings on investments were above estimate by \$27.8 million (63.2%) and liquor transfers were above estimate by \$15.0 million (14.9%).

For the fiscal year to date, total GRF receipts are up 1.6% compared to FY 2005. State-source receipts are up 2.0% and federal grants are up 0.4%. Tax revenues are up 1.3%. Revenue from the corporate franchise tax is up 2.1%, personal income tax revenue is down

Year-to-Date GRF Receipts
(in millions)



0.5%, and cigarette tax revenue is up 95.3%. 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 12.6%. 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% and by the effect of higher gasoline prices on spending on taxable goods and services. Earnings on investments are up 241.9% due to higher interest rates and larger fund balances.

Personal Income Tax

April receipts from the personal income tax were affected by a later than usual filing date, which left fewer days for processing returns, and a slower than expected implementation of a new processing system for paper returns. The April shortfall is expected to be offset by a May surplus.

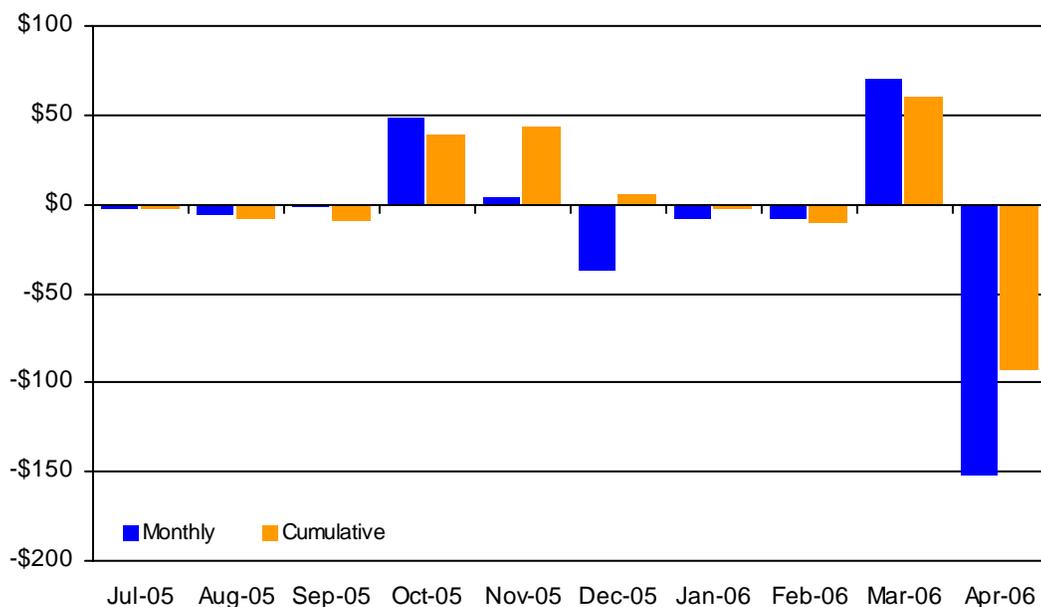
The GRF received \$874.3 million from the personal income tax in April, \$152.4 million (14.8%) less than estimated. Gross collections of \$1,180.0 million were below estimate by \$280.8 million (19.2%) and refunds of \$205.3 million were \$128.8 million (38.6%)

less than estimated. Withholding was \$12.6 million (2.0%) below estimate and payments associated with annual returns were below estimate by \$224.8 million (38.2%). Quarterly estimated payments were below estimate by \$19.6 million (9.2%) and trust payments were below estimate by \$24.6 million (84.2%).³

The GRF received \$6,771.3 million from the personal income tax during the first ten months of the fiscal year, \$92.8 million (1.4%) below estimate. Through April, gross collections were below estimate by \$341.0 million (3.8%) and refunds were below estimate by \$249.8 million (20.0%). Withholding, which is expected to account for 74% of gross income tax collections for FY 2006, was \$114.3 million (1.7%) below estimate. Year-to-date quarterly estimated payments were \$42.0 million (3.5%) below estimate, payments associated with annual returns were below estimate by \$190.0 million (24.7%), and trust payments were \$5.7 million (11.4%) below estimate.

Compared to a year ago, GRF revenue from the personal income tax is down 0.5% for the fiscal year to date. Gross collections are up 0.8% and refunds are up 11.1%. Withholding

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



is up 3.8%.⁴ Quarterly estimated payments are up 4.6%, payments associated with annual returns are down 27.4%, and trust payments are down 20.5%.

Sales and Use Tax

Following two months in which receipts were above estimates, the sales and use tax performance reversed course. Total sales and use tax revenues in April 2006 were \$583.0 million, \$44.9 million (7.1%) below projected revenues. Auto sales and use tax receipts were \$7.3 million (9.0%) below estimate. Nonauto sales and use tax receipts were \$37.5 million (6.9%) below estimate. Total sales and use tax receipts in April 2006 were \$82.3 million (12.4%) below revenues in April 2005. Tax receipts partly reflect taxable retail sales activity in the prior month and partly taxable retail sales during the current month.⁵

Through April, FY 2006 year-to-date total sales and use tax revenues were \$6,133.9 million, \$87.0 million (1.4%) below estimate. FY 2006 sales and use tax receipts were also \$373.0 million (5.7%) below year-to-date tax receipts in April 2005. The year-over-year decrease in revenues in FY 2006 is primarily due to the 8.3% decrease in the tax

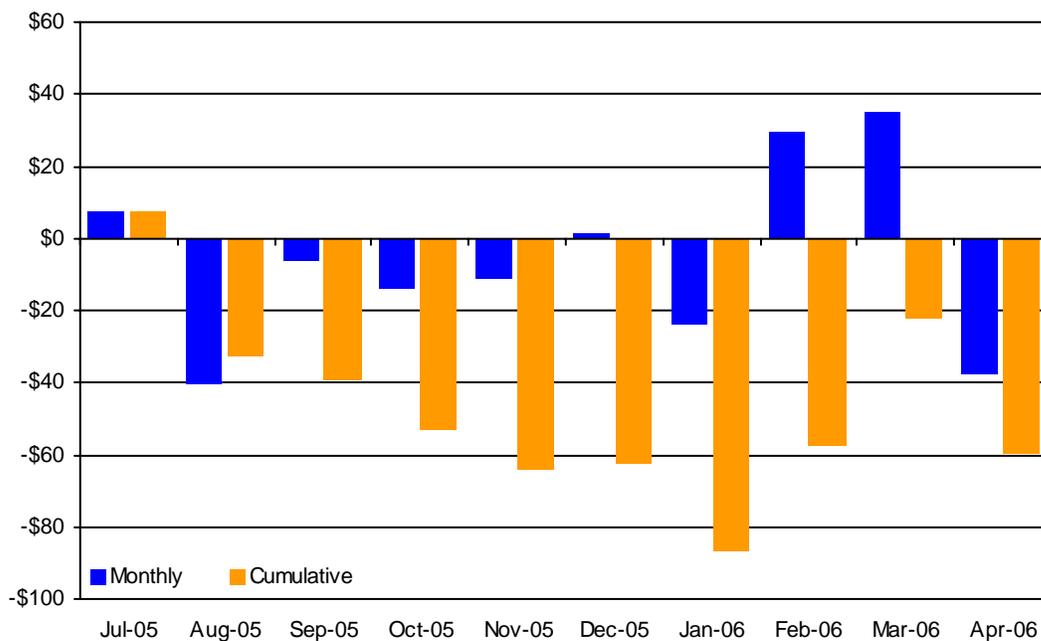
rate on July 1, 2005 (to 5.5%, down from 6.0% in FY 2005). With two months remaining in the fiscal year, it is likely that receipts from this tax source will finish below estimate.

Nonauto Sales and Use Tax

Revenues from the nonauto sales and use tax in April were \$508.6 million, \$37.5 million (6.9%) below anticipated receipts. Nonauto sales and use tax receipts were also \$60.9 million (10.7%) below revenues in the same month last year. Through April, FY 2006 nonauto sales and use tax receipts were \$5,366.3 million, \$59.8 million (1.1%) below estimate. These receipts include \$20.4 million from the six-week Ohio Tax Amnesty Program in January and February 2006. (Nonauto sales and use tax receipts would have been below estimate by 1.5% if not for receipts from the amnesty program). Nonauto sales and use tax receipts were also \$262.5 million (4.7%) below year-to-date receipts in April 2005.

Nationwide core retail sales (retail sales excluding auto and gasoline sales) grew about 0.6% in March and 0.2% in April 2006. Compared to sales a year ago, nationwide core retail sales grew at a moderate 8.8% and 7.4%, respectively.⁶

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



High energy prices, expected to be a drag on sales, have yet to affect nationwide consumer spending seriously. However, energy price rises are clearly felt in Ohio, where they seem to affect receipts from the sales and use tax. Ohio consumers may have spent up to \$3.3 billion in additional expenditures for gasoline through April in FY 2006, compared to the same period in FY 2005. Gasoline is not included in the sales and use tax base; thus its sale is not captured in sales and use tax revenues. Assuming that 60% of the additional spending on gasoline would have been spent on goods and services taxable under the sales and use tax, up to \$110 million in additional sales and use tax receipts might have been collected in FY 2006. Monthly gasoline spending growth nationwide was negative in February and flat in March 2006. Coincidentally, receipts from the nonauto sales and use tax were above estimates in those two months.

Auto Sales and Use Tax

Auto sales and use tax receipts were \$74.3 million in April, \$7.3 million (9.0%) below estimate. These tax receipts were also \$22.1 million (22.9%) below receipts in April

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 April, FY 2006 year-to-date auto sales tax receipts were \$767.6 million, \$27.2 million (3.4%) below estimate. Year-to-date auto sales and use tax receipts were \$110.5 million (12.6%) below receipts through the same period in FY 2005. Receipts from the auto sales and use tax will finish the year below estimate, and for the third consecutive year, the auto sales and use taxable base (estimated from tax receipts) will shrink. The auto sales and use taxable base declined about 3% and 5% in FY 2004 and FY 2005, respectively. Based on year-to-date receipts this fiscal year, the taxable base is likely to decline another 2% to 3%.

Corporate Franchise Tax

Corporate franchise tax (CFT) receipts in April 2006 were \$59.0 million, \$11.2 million (15.9%) below estimate. CFT receipts were

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

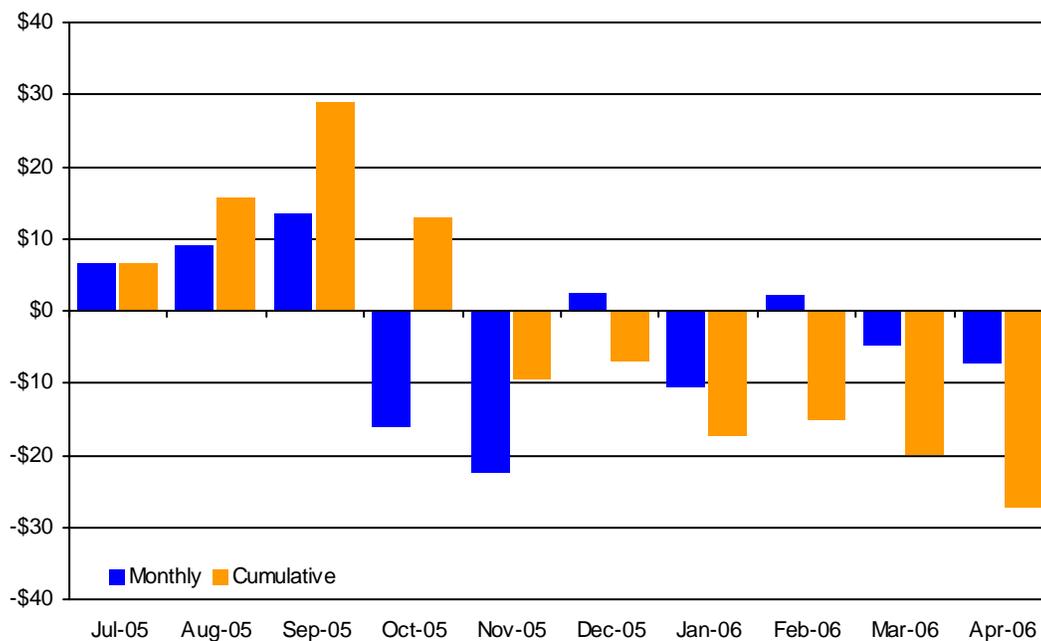


Table 2
General Revenue Fund Sources
Actual vs. Estimate
Month of April 2006
(\$ in thousands)

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$74,348	\$81,661	-\$7,313	-9.0%
Nonauto Sales & Use	\$508,612	\$546,152	-\$37,540	-6.9%
Total Sales & Use Taxes	\$582,960	\$627,813	-\$44,853	-7.1%
Personal Income	\$874,315	\$1,026,700	-\$152,385	-14.8%
Corporate Franchise	\$59,036	\$70,200	-\$11,164	-15.9%
Public Utility	-\$1	\$0	-\$1	---
Kilowatt Hour Excise	\$28,672	\$28,800	-\$128	-0.4%
Total Major Taxes	\$1,544,982	\$1,753,513	-\$208,531	-11.9%
Commercial Activity Tax	\$3,213	\$0	\$3,213	---
Foreign Insurance	\$55	\$0	\$55	---
Domestic Insurance	\$0	\$0	\$0	---
Business & Property	\$46	\$450	-\$404	-89.7%
Cigarette	\$79,877	\$75,800	\$4,077	5.4%
Alcoholic Beverage	\$5,682	\$4,900	\$782	16.0%
Liquor Gallonage	\$2,777	\$2,600	\$177	6.8%
Estate	\$545	\$200	\$345	172.5%
Total Other Taxes	\$92,195	\$83,950	\$8,245	9.8%
Total Tax Revenue	\$1,637,177	\$1,837,463	-\$200,286	-10.9%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$17,805	\$11,600	\$6,205	53.5%
Other Revenue	\$8,050	\$9,700	-\$1,650	-17.0%
Nontax State-Source Revenue	\$25,855	\$21,300	\$4,555	21.4%
TRANSFERS				
Liquor Transfers	\$11,000	\$11,000	\$0	0.0%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$4	\$0	\$4	---
Total Transfers In	\$11,004	\$11,000	\$4	0.0%
TOTAL GRF before Federal Grants	\$1,674,036	\$1,869,763	-\$195,727	-10.5%
Federal Grants	\$420,647	\$409,486	\$11,161	2.7%
TOTAL GRF SOURCES	\$2,094,683	\$2,279,249	-\$184,566	-8.1%

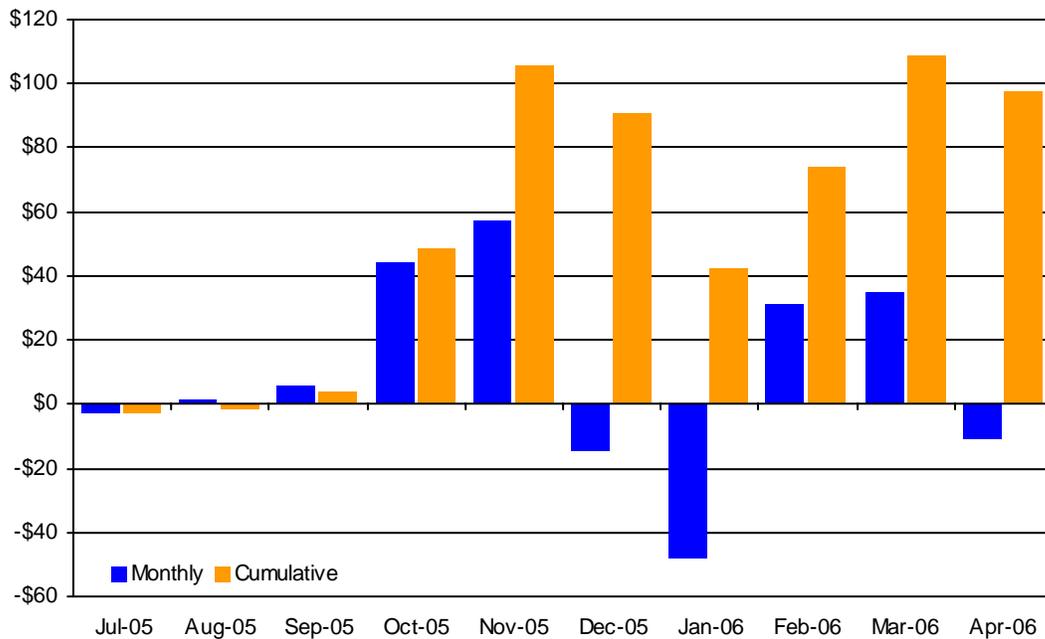
* August 2005 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 3
General Revenue Fund Sources
Actual vs. Estimate
FY 2006 as of April 2006
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
TAX REVENUE						
Auto Sales	\$767,579	\$794,815	-\$27,236	-3.4%	\$878,071	-12.6%
Nonauto Sales & Use	\$5,366,295	\$5,426,055	-\$59,760	-1.1%	\$5,628,843	-4.7%
Total Sales & Use Taxes	\$6,133,874	\$6,220,870	-\$86,996	-1.4%	\$6,506,914	-5.7%
Personal Income	\$6,771,315	\$6,864,100	-\$92,785	-1.4%	\$6,802,498	-0.5%
Corporate Franchise	\$790,027	\$692,500	\$97,527	14.1%	\$773,909	2.1%
Public Utility	\$101,315	\$91,800	\$9,515	10.4%	\$55,247	83.4%
Kilowatt Hour Excise	\$288,017	\$273,800	\$14,217	5.2%	\$288,038	0.0%
Total Major Taxes	\$14,084,547	\$14,143,070	-\$58,523	-0.4%	\$14,426,606	-2.4%
Commercial Activity Tax	\$121,371	\$88,100	\$33,271	37.8%	\$0	---
Foreign Insurance	\$261,225	\$260,350	\$875	0.3%	\$256,187	2.0%
Domestic Insurance	\$1,109	\$100	\$1,009	1008.5%	\$222	399.2%
Business & Property	\$1,196	\$1,720	-\$524	-30.5%	\$1,693	-29.4%
Cigarette	\$830,436	\$804,200	\$26,236	3.3%	\$425,145	95.3%
Alcoholic Beverage	\$48,374	\$47,300	\$1,074	2.3%	\$47,337	2.2%
Liquor Gallonage	\$27,929	\$27,100	\$829	3.1%	\$26,845	4.0%
Estate	\$32,905	\$33,100	-\$195	-0.6%	\$29,563	11.3%
Total Other Taxes	\$1,324,546	\$1,261,970	\$62,576	5.0%	\$786,992	68.3%
Total Tax Revenue	\$15,409,092	\$15,405,040	\$4,053	0.0%	\$15,213,598	1.3%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$71,824	\$44,000	\$27,824	63.2%	\$21,006	241.9%
Licenses and Fees	\$68,445	\$64,550	\$3,895	6.0%	\$65,167	5.0%
Other Revenue	\$142,566	\$133,980	\$8,586	6.4%	\$107,747	32.3%
Nontax State-Source Revenue	\$282,835	\$242,530	\$40,305	16.6%	\$193,920	45.9%
TRANSFERS						
Liquor Transfers	\$116,000	\$101,000	\$15,000	14.9%	\$99,000	17.2%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$97,997	\$85,400	\$12,597	14.8%	\$84,984	15.3%
Total Transfers In	\$213,997	\$186,400	\$27,597	14.8%	\$183,984	16.3%
TOTAL GRF before Federal Grants	\$15,905,924	\$15,833,970	\$71,954	0.5%	\$15,591,501	2.0%
Federal Grants	\$4,780,720	\$4,884,778	-\$104,058	-2.1%	\$4,763,840	0.4%
TOTAL GRF SOURCES	\$20,686,644	\$20,718,748	-\$32,104	-0.2%	\$20,355,342	1.6%

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

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



also \$20.8 million (26.1%) below April receipts last year. For the March-April period (which corresponds to revenue intake for the second major CFT payment of the fiscal year), revenues were \$23.6 million (6.4%) above estimates and \$34.8 million (8.1%) below receipts in the same two-month period last year.

As of April 2006, FY 2006 year-to-date CFT receipts were \$790.0 million, \$97.5 million (14.1%) above estimate. (Year-to-date receipts include \$17.8 million from the tax amnesty). FY 2006 year-to-date receipts were also \$16.1 million (2.1%) above year-to-date receipts in April 2005, even though this year corporations have to pay only 80% of the total CFT tax liability. However, this positive year-over-year variance is expected to turn negative at the end of the fiscal 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 April 2006 were \$79.9 million, \$4.1 million

(5.4%) above estimate. Compared to year-ago receipts in the same month, revenues in April 2006 were \$37.8 million (88.8%) higher.

Through April, FY 2006 year-to-date receipts from the cigarette and other tobacco products tax were \$830.4 million, \$26.2 million (3.3%) above estimate. FY 2006 year-to-date revenues were also \$405.3 million (95.3%) above year-to-date revenues in April of FY 2005. The large increase in cigarette tax revenues compared to year-ago revenues is due to the \$0.70 per pack tax rate increase on July 1, 2005.

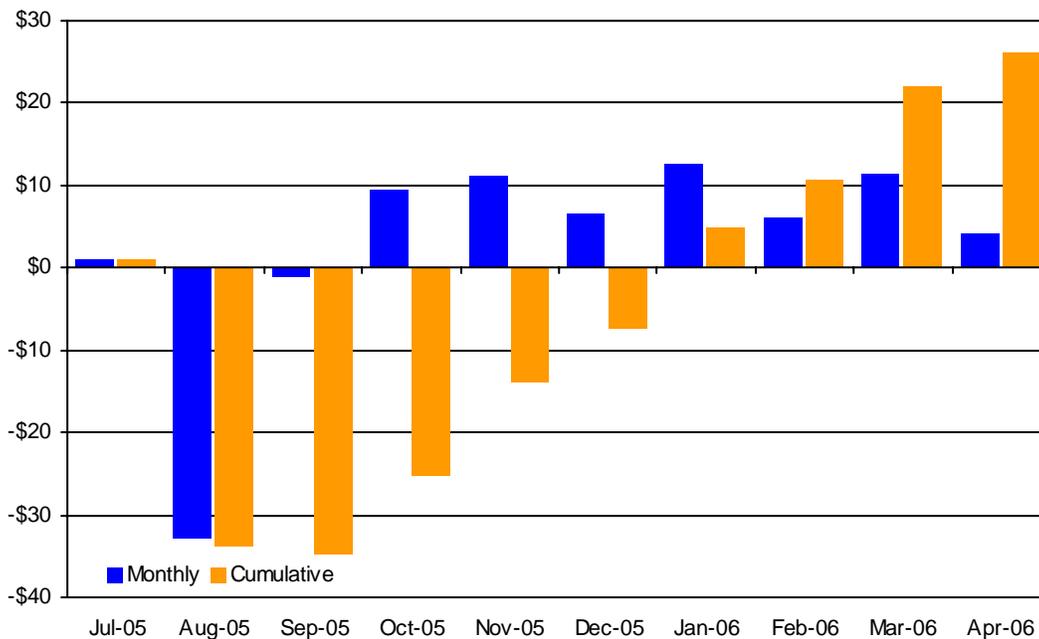
Commercial Activity Tax

The second and last due date for the commercial activity tax (CAT) this fiscal year is May 10, 2006. It covers the calendar quarter from January 1, 2006 through March 31, 2006 for calendar quarter taxpayers. These taxpayers will pay the bulk of CAT taxes.

Through April, FY 2006 year-to-date total CAT revenues were \$179.3 million, \$49.1 million (37.8%) above estimate. Year-to-date GRF receipts were \$121.4 million, \$33.3 million (37.8%) above estimate. The

Cigarette Tax Variance from August 2005 Estimates

(in millions)



School District Tangible Property Tax Replacement Fund (SDRF) received \$40.5 million, \$11.1 million above estimate.

The Local Government Tangible Property Tax Replacement Fund (LGRF) received \$17.4 million, \$4.8 million above estimate.

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 was in the 5% to 6% range throughout the first half of the fiscal year, suggesting a stable labor market. The slowdown in withholding growth during the second half of FY 2006 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 Data are from the Monthly Retail Trade Survey of the U.S. Census Bureau. Another measure of retail sales strength, the Index of Chain Store Sales, averaged 4.3% in the March-April period in 2006, compared to the same two-month period in 2005. It tracks spending at major chain stores that fit into the broad “General Merchandise, Apparel, and Furniture” category. The index focuses on same-store sales (generally sales from stores that have been in business for at least a year). Coincidentally, the average growth rate of the index in FY 2006 is similar to year-to-date growth in the nonauto sales and use taxable base (4.0%).

DISBURSEMENTS

— Steve Mansfield*

Each month the Disbursements report covers the details of the most significant variances between what was actually disbursed from the General Revenue Fund (GRF) and what the Office of Budget and Management (OBM) estimated in August 2005 would be disbursed during the fiscal year. In April, GRF disbursements for program spending totaled \$1,868.9 million, which was below the estimate by \$197.7 million (9.6%). For the fiscal year to date, total GRF program disbursements are \$21,116.6 million. The year-to-date spending is \$637.5 million (2.9%) below the estimate but \$234.4 million (1.1%) ahead of spending at this point last year.¹

Disbursements for each of the state's four major GRF program categories (Education, Welfare and Human Services, Government Operations, and Tax Relief) are under the estimate for the year to date (see the chart titled "GRF Disbursement Variances by Program Category" and Table 5). The largest year-to-date disbursement variance is in the Welfare and Human Services category, which is now

under the estimate by \$398.3 million (3.9%). As shown in Table 4, the largest variance in April was posted by the Tax Relief category, which was under estimate by \$103.2 million (52.9%). Among the four major program categories, only Government Operations posted a variance for the month that was above the estimate (by \$11.4 million, or 5.7%). Within the GRF program subcategories, the Other Welfare subcategory posted the largest variance, which was \$30.5 million (52.2%) under the estimate for the month. In the sections that follow, the most significant variances within each of the major categories will be discussed.

Welfare and Human Services (-\$398.3 million)

The Welfare and Human Services category posted a variance of \$78.9 million (8.8%) under the estimate in April disbursements. For the year to date, outlays in this category are \$398.3 million (3.9%) under the estimate. The Health Care/Medicaid and Other Welfare

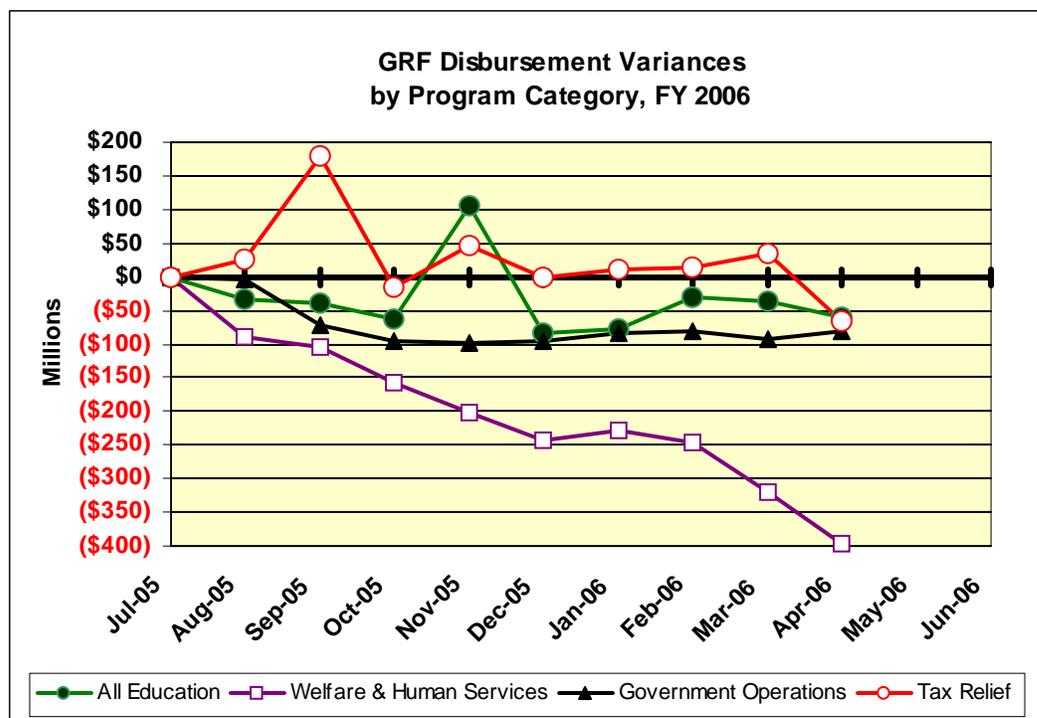


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of April 2006
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary & Secondary Education (1)	\$551,874	\$558,104	-\$6,230	-1.1%
Higher Education	\$154,451	\$169,837	-\$15,386	-9.1%
Total Education	\$706,325	\$727,941	-\$21,616	-3.0%
Health Care/Medicaid	\$643,590	\$666,649	-\$23,058	-3.5%
Temporary Assistance to Needy Families (TANF)	\$38,060	\$37,521	\$539	1.4%
General/Disability Assistance	\$0	\$0	\$0	---
Other Welfare (2)	\$27,982	\$58,518	-\$30,536	-52.2%
Human Services (3)	\$110,920	\$136,775	-\$25,855	-18.9%
Total Welfare & Human Services	\$820,552	\$899,462	-\$78,911	-8.8%
Justice & Corrections	\$174,436	\$160,910	\$13,526	8.4%
Environment & Natural Resources	\$5,684	\$6,158	-\$474	-7.7%
Transportation	\$1,619	\$1,904	-\$285	-15.0%
Development	\$6,392	\$7,571	-\$1,179	-15.6%
Other Government	\$21,860	\$22,040	-\$179	-0.8%
Capital	\$0	\$10	-\$10	-100.0%
Total Government Operations	\$209,992	\$198,593	\$11,399	5.7%
Property Tax Relief (4)	\$91,754	\$195,000	-\$103,246	-52.9%
Debt Service	\$40,280	\$45,626	-\$5,346	-11.7%
Total Other Disbursements	\$132,034	\$240,626	-\$108,592	-45.1%
Total Program Disbursements	\$1,868,902	\$2,066,622	-\$197,720	-9.6%
TRANSFERS				
Local Govt Distribution	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$3,268	\$0	\$3,268	---
Total Transfers Out	\$3,268	\$0	\$3,268	---
TOTAL GRF USES	\$1,872,170	\$2,066,622	-\$194,452	-9.4%

(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.

program subcategories continue to register the largest percentage differences from the year-to-date estimate.

Health Care/Medicaid. Year-to-date disbursements through April in the Health Care/Medicaid program (primarily line item 600-525) are \$293.8 million (3.6%) below the

estimate (see Table 6). Compared to the same point in FY 2005, Health Care/Medicaid service payments are 3.3% higher in the current fiscal year (see Table 7). Once offsets are taken into account, however, FY 2006 net spending for the year to date is 0.5% higher than at the same point in FY 2005.

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

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2005	Percent Change
Primary & Secondary Education (1)	\$5,690,591	\$5,772,683	-\$82,093	-1.4%	\$5,577,938	2.0%
Higher Education	\$1,954,034	\$1,930,501	\$23,533	1.2%	\$1,939,348	0.8%
Total Education	\$7,644,625	\$7,703,185	-\$58,560	-0.8%	\$7,517,286	1.7%
Health Care/Medicaid	\$7,966,432	\$8,260,232	-\$293,800	-3.6%	\$7,927,782	0.5%
Temporary Assistance to Needy Families (TANF)	\$292,623	\$280,459	\$12,164	4.3%	\$318,347	-8.1%
General/Disability Assistance	\$0	\$0	\$0	---	\$20,699	-100.0%
Other Welfare (2)	\$478,819	\$561,160	-\$82,341	-14.7%	\$386,549	23.9%
Human Services (3)	\$1,068,974	\$1,103,260	-\$34,287	-3.1%	\$1,038,741	2.9%
Total Welfare & Human Services	\$9,806,847	\$10,205,110	-\$398,264	-3.9%	\$9,692,118	1.2%
Justice & Corrections	\$1,683,960	\$1,735,409	-\$51,449	-3.0%	\$1,662,910	1.3%
Environment & Natural Resources	\$87,481	\$90,881	-\$3,399	-3.7%	\$101,803	-14.1%
Transportation	\$24,789	\$25,420	-\$631	-2.5%	\$28,545	-13.2%
Development	\$130,519	\$145,507	-\$14,988	-10.3%	\$139,048	-6.1%
Other Government	\$344,796	\$355,179	-\$10,383	-2.9%	\$332,199	3.8%
Capital	\$285	\$138	\$147	106.6%	\$0	---
Total Government Operations	\$2,271,830	\$2,352,535	-\$80,704	-3.4%	\$2,264,506	0.3%
Property Tax Relief (4)	\$963,951	\$1,031,411	-\$67,461	-6.5%	\$1,020,437	-5.5%
Debt Service	\$429,322	\$461,811	-\$32,489	-7.0%	\$387,873	10.7%
Total Other Disbursements	\$1,393,273	\$1,493,223	-\$99,950	-6.7%	\$1,408,311	-1.1%
Total Program Disbursements	\$21,116,575	\$21,754,053	-\$637,477	-2.9%	\$20,882,220	1.1%
TRANSFERS						
Local Govt Distribution	\$0	\$0	\$0	---	\$0	---
Budget Stabilization	\$394,205	\$0	\$394,205	---	\$0	---
Other Transfers Out	\$187,285	\$0	\$187,285	---	\$40,072	367.4%
Total Transfers Out	\$581,490	\$0	\$581,490	---	\$40,072	1351.1%
TOTAL GRF USES	\$21,698,065	\$21,754,053	-\$55,988	-0.3%	\$20,922,292	3.7%

(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.

The largest contributor to the year-to-date variance in Health Care/Medicaid spending is now the Prescription Drugs category, which is \$116.6 million (7.4%) 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. The underspending

also stems from pharmacy-related cost containment measures implemented in the last few years.

Now second in size, the variance of the Nursing Facilities Payments category is \$113.8 million (4.9%) below the estimate. As noted in previous reports, this variance stems

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

Service Category	April				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Apr.	Estimate thru Apr.	Variance	Percent Variance
Nursing Facilities Payments	\$225,191	\$230,309	(\$5,118)	-2.2%	\$2,207,182	\$2,320,963	(\$113,781)	-4.9%
ICF/MR Payments	\$44,269	\$43,596	\$673	1.5%	\$428,740	\$429,385	(\$645)	-0.2%
Inpatient Hospitals	\$111,875	\$103,573	\$8,302	8.0%	\$1,238,959	\$1,205,285	\$33,674	2.8%
Outpatient Hospitals	\$55,433	\$53,325	\$2,108	4.0%	\$560,995	\$560,855	\$140	0.0%
Physicians	\$50,596	\$48,929	\$1,667	3.4%	\$534,940	\$524,274	\$10,666	2.0%
Prescription Drugs	\$86,155	\$99,009	(\$12,854)	-13.0%	\$1,450,865	\$1,567,484	(\$116,619)	-7.4%
ODJFS Waiver	\$17,101	\$17,497	(\$396)	-2.3%	\$185,072	\$183,428	\$1,644	0.9%
HMO	\$135,607	\$138,041	(\$2,434)	-1.8%	\$1,156,191	\$1,266,835	(\$110,644)	-8.7%
Medicare Buy-In	\$21,323	\$21,192	\$131	N/A	\$192,392	\$190,675	\$1,717	0.9%
Home Health	\$14,690	\$13,838	\$852	6.2%	\$149,078	\$141,167	\$7,911	5.6%
Dental	\$8,434	\$8,150	\$284	3.5%	\$102,846	\$97,839	\$5,007	5.1%
Hospice	\$10,298	\$12,025	(\$1,727)	-14.4%	\$101,920	\$117,342	(\$15,422)	-13.1%
All Other	\$33,752	\$47,896	(\$14,144)	-29.5%	\$482,600	\$487,967	(\$5,367)	-1.1%
Total Medicaid Payments	\$814,724	\$837,380	(\$22,656)	-2.7%	\$8,791,780	\$9,093,499	(\$301,719)	-3.3%
Medicare Part D	\$16,510	\$25,962	(\$9,452)	-36.4%	\$16,510	\$103,000	(\$86,490)	-84.0%
DA Medical	\$2,818	\$2,038	\$780	38.3%	\$38,588	\$31,602	\$6,986	22.1%
Drug Rebates Offsets	(\$85,118)	(\$86,540)	\$1,422	-1.6%	(\$580,495)	(\$607,537)	\$27,042	-4.5%
ICF/MR Franchise Fee Offsets	(\$1,453)	\$0	(\$1,453)	N/A	(\$18,876)	(\$15,074)	(\$3,802)	25.2%
NF Franchise Fee Offsets	(\$44,888)	(\$53,186)	\$8,298	-15.6%	(\$222,073)	(\$286,257)	\$64,184	-22.4%
DSH Rebate Offsets	(\$59,002)	(\$59,002)	\$0	0.0%	(\$59,002)	(\$59,001)	\$0	0.0%
Total Health Care (Net of Offsets)	\$643,591	\$666,652	(\$23,061)	-3.5%	\$7,966,432	\$8,260,232	(\$293,799)	-3.6%
Est. Federal Share	\$385,724	\$399,545	(\$13,821)		\$4,774,529	\$4,950,612	(\$176,083)	
Est. State Share	\$257,867	\$267,107	(\$9,240)		\$3,191,903	\$3,309,620	(\$117,716)	

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.

in part from a new direct billing system for nursing home facilities that is being implemented. This has resulted in more accurate payments and also in the collection of more overpayments from previous periods. The related NF Franchise Fee Offsets category is \$64.2 million (22.4%) below the estimate for the year to date.

A close third, the HMO category is now \$110.6 million (8.7%) 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 694,397 for April versus an estimated caseload of 733,892, a difference of 5.4%. Inversely

related to the HMO category, spending in the Inpatient Hospitals category is \$33.7 million (2.8%) above estimate through April. 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.

Disbursements for the new Medicare Part D category were estimated at \$103.0 million for January through April. However, these payments were delayed in accordance with notification from the federal Center for Medicare and Medicaid Services. The first payment, \$16.5 million, was made in April; more of the delayed payments are expected to be made in May.

Service Category	FY 2006	FY 2005	Dollar Change	Percent Increase
	Yr.-to-Date as of Apr. '06	Yr.-to-Date as of Apr. '05		
Nursing Facilities Payments	\$2,207,182	\$2,281,217	(\$74,035)	-3.2%
ICF/MR Payments	\$428,740	\$372,803	\$55,937	15.0%
Inpatient Hospitals	\$1,238,959	\$1,167,635	\$71,324	6.1%
Outpatient Hospitals	\$560,995	\$534,319	\$26,676	5.0%
Physicians	\$534,940	\$514,812	\$20,128	3.9%
Prescription Drugs	\$1,450,865	\$1,638,644	(\$187,779)	-11.5%
ODJFS Waiver	\$185,072	\$181,354	\$3,718	2.1%
HMO	\$1,156,191	884229	\$382,116	49.4%
Medicare Buy-In	\$192,392	\$158,026	\$34,366	21.7%
All Other*	\$836,444	\$774,075	\$62,369	8.1%
Total Medicaid Payments	\$8,791,780	\$8,507,114	\$284,666	3.3%
Medicare Part D	\$16,510	\$0	\$16,510	N/A
DA Medical	\$38,588	\$62,345	(\$23,757)	-38.1%
Drug Rebates Offsets	(\$580,495)	(\$425,370)	(\$155,125)	36.5%
ICF/MR Franchise Fee Offsets	(\$18,876)	(\$15,143)	(\$3,733)	24.7%
NF Franchise Fee Offsets	(\$222,073)	(\$195,919)	(\$26,154)	13.3%
DSH Rebate Offsets	(\$59,002)	(\$5,244)	(\$53,758)	1025.1%
Total Health Care (Net of Offsets)	\$7,966,432	\$7,927,783	\$38,649	0.5%
Est. Federal Share	\$4,774,529	\$4,751,365	\$23,164	
Est. State Share	\$3,191,903	\$3,176,418	\$15,485	
<p>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.</p> <p>2. Waivers provide home-care alternatives to consumers whose medical conditions/functional abilities would otherwise require long-term care facility residence.</p> <p>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.</p> <p>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.</p> <p>5. DA Medical is a state-only funded program.</p> <p>6. The federal medical assistance percentage (FMAP) used in this table is a blended rate of 59.93%.</p>				
Source: BOMC8300-R001, BOMC8350-R001&R002 Reports, Ohio Department of Job & Family Services.				

The Disability Assistance (DA) Medical category is \$7.0 million (22.1%) above estimate for the year to date. In March, 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 Covered Families and Children portion of the program is now over the budgeted caseload for

this point in the fiscal year by 8,886 individuals. The number of eligibles in the Aged, Blind, and Disabled portion of the program, however, is under the budgeted level by 7,522 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 under the estimate for April by \$30.5 million (52.2%). This pushed disbursements for the year to date to \$82.3 million (14.7%) below the estimate. The largest contributor to the year-to-date variance is line item 600-521, Entitlement Administration-Local, which is

under estimate by \$30.1 million (22.3%). 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 counties requesting funding at a slower than expected rate and also 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 \$22.5 million (16.7%) under the estimate for the year to date. A little over half of the variance stems from lower than anticipated payments to vendors, while the rest is traceable to underspending from the encumbered FY 2005 appropriation for this line item.

TANF. GRF disbursements from line item 600-410, TANF State, were over the estimate by \$0.5 million (1.4%) in April and now stand at \$12.2 million (4.3%) 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 allocations to the counties from the state portion of the program and correspondingly reduced allocations to the counties from the federal portion of the program.

Disbursements from TANF federal funds (Fund 3V6) through April totaled \$547.0 million (57.0%) out of the FY 2006 adjusted appropriation of \$960.3 million. At the same point in FY 2005, disbursements from Fund 3V6 totaled \$438.7 million.

The TANF caseload shrank in April to a new historic low point. In April there were 172,479 TANF recipients, down by over 8,000 from March, and there were 80,090 assistance groups. The size of the average assistance group is now 2.15 members, also a new historical low point. Children now constitute 75.2% of all recipients, whereas in the early

1990s children constituted about 65% of all recipients.

Mental Health. With outlays exceeding the estimate for April by \$10.3 million (17.1%), the Department of Mental Health's disbursement variance for the year to date was reduced to \$3.0 million (0.6%) under the estimate. County subsidy payments that are used to support hospital payroll for the delivery of mental health services and also for the community mental health boards were higher than anticipated by the estimates and offset earlier underspending.

Mental Retardation and Developmental Disabilities. As a result of a disbursement variance of \$35.5 million (80.6%) under the estimate for April, outlays by the Department of Mental Retardation and Developmental Disabilities are now under the estimate for the year to date by \$22.3 million (7.0%). The variance stems from a shift in the way Medicaid waiver match obligations are met by the counties.

Government Operations (-\$80.7 million)

In April, outlays in the Government Operations category were \$11.4 million (5.7%) over the estimate for the month, decreasing the year-to-date variance to \$80.7 million (3.4%) 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 \$45.8 million under the estimate. Outlays by the Department were over the estimate by \$15.0 million (11.9%) in April. As reported last month, the year-to-date variance is due in part to attrition of personnel in the first quarter of FY 2006. These positions have not been fully replaced. In addition, 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, 501-321, Institutional Operations.

April's overspending is due in part to an increase in medical and mental health costs. A transfer of \$7.0 million was made with Controlling Board approval in April to line item 505-321, Institution Medical Services, to help cover these increased costs.

Court of Claims. For the year to date, disbursements by the Court of Claims exceed the estimate by \$1.6 million (77.8%). Virtually all of the variance stems from transfers by the Controlling Board from line item 911-401, Emergency Purposes, to line item 015-402, Wrongful Imprisonment, to make awards to three plaintiffs for wrongful imprisonment.

Development. Outlays by the Department of Development in April were under the estimate by \$1.1 million (18.1%) and pushed the year-to-date variance to \$14.1 million (15.6%) under the estimate. Like last month, the two largest contributors to the year-to-date variance are line item 195-412, Business Development Grants (\$3.9 million under the estimate), and line item 195-434, Ohio Investment in Training Program (\$4.7 million under the estimate). The underspending from these line items appears to be related to timing.

Education (-\$58.6 million)

April outlays in the Education category were \$21.6 million (3.0%) under the estimate. For the year to date, outlays in this category are \$58.6 million (0.8%) under the estimate, with the Board of Regents' overspending partially offsetting underspending by the Department of Education.

Department of Education. April disbursements by the Department of Education were \$5.6 million (1.0%) under the estimate. This increased the Department's year-to-date disbursement variance to \$77.3 million (1.4%) under the estimate, with total GRF disbursements of \$5,598.1 million so far in FY 2006.

The two largest contributors to the variance for the year to date are line item 200-550,

Foundation Funding (\$35.6 million under estimate), and line item 200-437, Student Assessment (\$9.8 million under estimate). The variance for line item 200-550 is relatively small (0.8%) in comparison to the total estimate for the year to date. While the latest data have trended up somewhat, the underspending reflects the fact that Average Daily Membership (ADM) counts have decreased from last year.

Line item 200-437, Student Assessment, posted a relatively small disbursement variance from the estimate for April and stands at \$9.8 million (16.4%) 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 related to a slower than expected pace of invoices.

Board of Regents. With a disbursement variance of \$15.4 million (9.1%) under the estimate for April, outlays from the Board of Regents' line items are over the estimate by \$23.5 million (1.2%) for the year to date. The year-to-date variance is mainly traceable to \$28.4 million (32.2%) 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.

The largest factor accounting for the disbursement variance in April was the timing-

related underspending of \$13.1 million (99.9%) in line item 235-420, Success Challenge, which partially offset an earlier variance.

Tax Relief (-\$67.5 million)

Through April, Tax Relief payments have totaled \$964.0 million, which is \$67.5 million

(6.5%) below the estimate. April's disbursements of \$91.8 million were below the estimate for the month by \$103.2 million (52.9%). 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, Jamie Doscocil, Deauna Hale, Jennifer Henry, David Price, Wendy Risner, Joe Rogers, Ronnie Romito, and Kerry Sullivan.*

¹ Disbursements plus transfers out total \$21,698.1 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).