

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MARCH 2007

FISCAL OVERVIEW

— Allan Lundell

Two-thirds of the way through FY 2007, General Revenue Fund (GRF) receipts are \$229.9 million below estimate and disbursements are \$716.0 million below estimate, with the result that the cash balance is \$486.1 million above its expected level.¹

Receipts

For the month of February, total GRF receipts of \$1,611.8 million were below estimate by \$64.2 million (3.8%). State-source receipts were below estimate by \$62.5 million (5.1%) and federal grants were below estimate by \$1.6 million (0.4%). Tax revenues were below estimate by \$12.9 million (1.1%). Revenue from the corporate franchise tax was below estimate by \$7.6 million (7.5%) and personal income tax revenue was \$13.9 million (4.7%) above estimate. Revenue from the sales and use tax was above estimate by \$2.1 million (0.4%); nonauto tax revenue was above estimate by \$5.5 million (1.2%) and auto tax revenue was below estimate by \$3.4 million (6.1%). Revenue from the cigarette tax was below estimate by \$9.4 million (12.7%) and revenue from the foreign insurance tax was \$9.4 million (14.6%) below estimate.

Fiscal year-to-date GRF receipts of \$16,184.5 million are \$229.9 million (1.4%) below estimate and are down 1.1% compared to FY 2006. State-source receipts are \$130.6 million (1.1%) above estimate and federal grants are \$360.5 million (8.9%) below estimate. Federal grants are down primarily because state Medicaid spending is down.² Tax revenues are above estimate by \$80.5 million (0.7%). Corporate franchise tax revenue is above estimate by \$137.0 million (40.9%) and personal income tax revenue is above estimate by \$56.9 million (1.1%). Revenue from the sales and use tax is below estimate by \$104.3 million (2.1%); nonauto tax revenue is below estimate by \$99.5 million (2.2%) and auto tax revenue is below estimate by \$4.7 million (0.8%).

Disbursements

February GRF program disbursements of \$1,764.4 million were below estimate by \$36.2 million (2.0%). Disbursements for

Volume 30, Number 7

- Tracking the Economy 152
- Real GDP growth revised down to 2.2% in the fourth quarter
 - Ohio employment fell by 0.2% in January

STATUS OF THE GRF

- Revenue 155
- State-source receipts above estimate; federal grants below
 - Monthly sales tax revenue above estimate for the second straight month but remains below estimate for the year
 - Corporate franchise and personal income tax revenue remain above estimate for the fiscal year
- Disbursements..... 162
- GRF program spending in FY 2007 through February totaled \$17,074.0 million, \$700.7 million under OBM's estimate
 - Medicaid spending accounted for two-thirds of this variance but exceeded the estimate in February

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

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

	Month of February	Fiscal Year 2007 to Date	Last Year	Difference
Beginning Cash Balance	\$90.5	\$1,528.8		
Plus Revenue and Transfers In	\$1,611.8	\$16,184.5		
Available Resources	\$1,702.2	\$17,713.3		
Less Disbursements and Transfers Out	\$1,766.8	\$17,777.9		
Ending Cash Balances	-\$64.6	-\$64.6	-\$334.5	\$269.9
Less Encumbrances and Accts. Payable		\$672.5	\$683.5	-\$10.9
Unobligated Balance		-\$737.2	-\$1,018.0	\$280.8
Plus BSF Balance		\$1,012.3	\$576.6	\$435.7
Combined GRF and BSF Balance		\$275.1	-\$441.4	\$716.5

health care/Medicaid were above estimate by \$22.8 million (3.0%). Disbursements for primary and secondary education were \$9.2 million (2.3%) above estimate, disbursements for justice and corrections were above estimate by \$11.1 million (9.1%), and disbursements for higher education were \$21.7 million (10.3%) above estimate. Debt service payments were \$66.2 million (66.4%) below estimate.

Fiscal year-to-date GRF program disbursements of \$17,074.0 million are \$700.7 million (3.9%) below estimate and are down 1.5% compared to FY 2006. Disbursements for health care/Medicaid are below estimate by \$459.9 million (6.7%) and disbursements for primary and secondary education are below estimate by \$57.9 million (1.2%). Disbursements for higher education are \$26.1 million (1.6%) above estimate. Disbursements for property tax relief are below estimate by \$19.0 million (3.0%) and debt service payments are \$93.5 million (20.5%) below estimate.

Cash Balance

As shown in Table 1, the GRF began FY 2007 with a \$1,528.8 million cash balance. Through

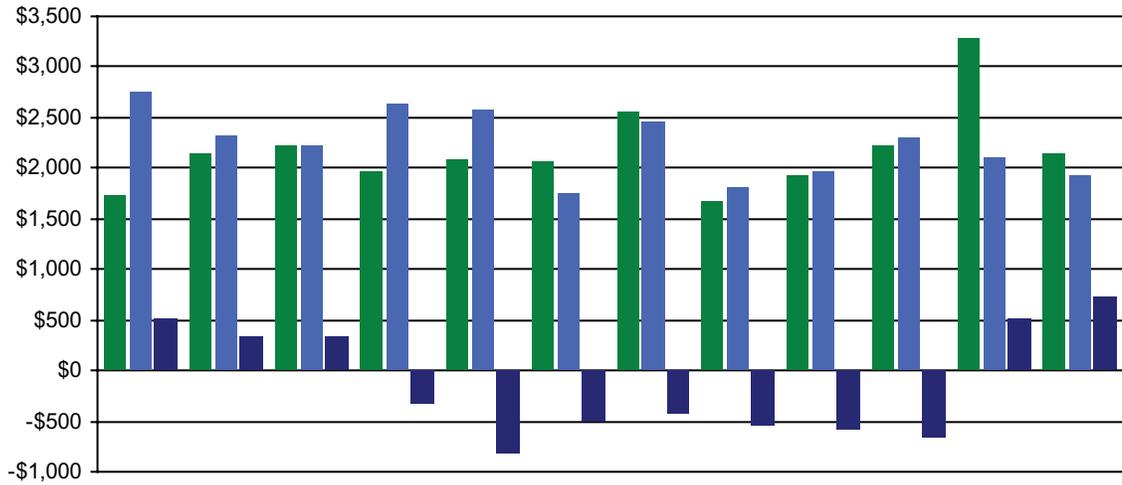
February, FY 2007 revenues plus transfers in totaled \$16,184.5 million and disbursements plus transfers out totaled \$17,777.9 million. The year-to-date deficit of \$1,593.4 million reduced the cash balance to -\$64.6 million. If receipts and disbursements had equaled their estimates, the cash balance would have been -\$550.7 million, \$486.1 million lower than the actual level. Chart 1 presents the monthly estimates of FY 2007 receipts and disbursements and the month-end cash balances that would have resulted if receipts and disbursements had equaled the monthly estimates. The cash balance, because of the timing of revenues and disbursements, is generally negative early in the fiscal year and turns positive later in the year. Chart 2 presents a comparison of actual and estimated month-end cash balances.

Encumbrances and accounts payable of \$672.5 million combine with the cash balance to yield an unobligated balance of -\$737.2 million, \$280.8 million higher (less negative) than a year ago. The \$1,012.3 million in the Budget Stabilization Fund (BSF) is \$435.7 million higher than a year ago. This amount is 3.9% of FY 2006 GRF receipts and is 1.1 percentage points less than the 5% target amount that the

General Assembly has stated in section 131.44 of the Revised Code that it intends to maintain in the BSF. The combined GRF and BSF balance

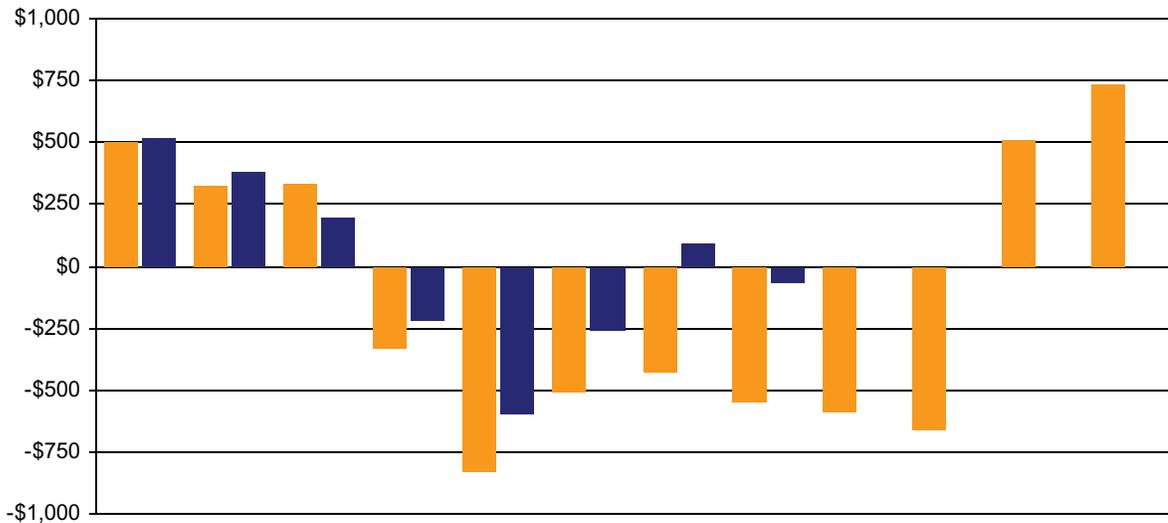
of \$275.1 million is \$716.5 million higher (less negative) than it was a year ago.

Chart 1: Estimated Receipts, Disbursements, and Ending Cash Balances
(FY 2007, in millions)



	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Receipts	\$1,726	\$2,138	\$2,222	\$1,965	\$2,076	\$2,063	\$2,548	\$1,676	\$1,927	\$2,229	\$3,287	\$2,139
Disbursements	\$2,750	\$2,314	\$2,219	\$2,630	\$2,576	\$1,745	\$2,460	\$1,801	\$1,970	\$2,301	\$2,109	\$1,920
Cash Balance	\$505	\$329	\$332	-\$333	-\$832	-\$514	-\$426	-\$551	-\$594	-\$666	\$512	\$732

Chart 2: Actual and Estimated Ending Cash Balances
(FY 2007, in millions)



	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Estimated	\$505	\$329	\$332	-\$333	-\$832	-\$514	-\$426	-\$551	-\$594	-\$666	\$512	\$732
Actual	\$515	\$379	\$200	-\$218	-\$601	-\$258	\$91	-\$65				

¹ “Estimate” refers to the August 2006 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.

TRACKING THE ECONOMY

—Ross Miller

Late February saw the release of several reports of bad news about the economy. On February 27, the U.S. Department of Commerce announced that new orders for manufactured durable goods fell by 7.8% in January. The stock market responded to this news, and to an 8.8% drop on the Chinese stock market the day before, by falling significantly: the Dow Jones Industrial Average dropped by 416 points (3.3%) that day. The next day the Bureau of Economic Analysis (BEA) announced that real¹ gross domestic product (GDP) grew by just 2.2% in the fourth quarter of 2006, closer to the 2.0% growth in the third quarter than to the 3.5% growth reported in the “advance estimate,” released in January, of growth in fourth quarter real GDP. Finally, no less an authority than Alan Greenspan was quoted on February 26 as saying that a recession in the U.S. is possible in 2007.

Despite the potential for this summary of events to alarm, it looks worse in summary form than it appears on closer examination. First, Greenspan’s remarks included the observation, which did not tend to show up in business headlines, that most forecasters were not forecasting that a recession would begin as early as 2007, although *The Economist* reported that he later indicated he personally thought there is a one in three probability that it would happen. Indeed, the same day he issued his initial remarks, the National Association of Business Economists announced that its consensus view was for growth in real GDP of 2.7% in 2007. Second, the drop in the Dow Jones average, while large in absolute terms, was relatively minor in percentage terms—the 3.3% drop was half the size of the drop recorded on the first trading day after September 11, 2001 (and between one-sixth and one-seventh of the drop recorded on October 19, 1987). Even the revision downward in real GDP growth has a silver lining, since much of the adjustment was due to inventories having grown more slowly than BEA originally assumed. Slower growth in inventories makes it less likely that companies are currently holding

more inventory than they want; if they were, that could lead to reductions in production in the future.

The budget prepared by Governor Strickland’s administration that was unveiled on March 15 is based on forecasts of economic growth in Ohio through FY 2008 and FY 2009. This still fits the general tone conveyed by forward-looking statements in the Federal Reserve’s Beige Book for the Cleveland Federal Reserve District released on March 7. Despite the news we have received during the last month, there is little reason at this time to believe that those forecasts are overly optimistic.

Production and Income

Real U.S. GDP increased by an estimated 2.2% in the fourth quarter of 2006, according to the BEA. The advance estimate of growth had been 3.5%. The revision from 3.5% down to 2.2% was one of the largest revisions on record—government officials reported that a revision of 1.3 percentage points or larger has occurred only seven times in 30 years. The downward revision was due primarily to private inventory investment and personal consumption expenditures having been smaller than assumed for the advance estimate, and imports of goods having been larger than originally estimated. The impact of the revision was to reduce the increase in real GDP for all of 2006 from 3.4% to 3.3%. Still, economic growth accelerated from 2.0% growth in real GDP in the third quarter. This acceleration came despite a slowdown in motor vehicle production, which subtracted 1.24 percentage points from growth in the fourth quarter. The 2.2% growth rate is the “preliminary estimate,” that is, the second of three estimates issued by BEA, so this figure is still subject to change.

U.S. personal income increased by \$108.1 billion (1.0%) in January; disposable personal income increased by \$73.0 billion, or

0.8%. While this represented a higher growth rate than seen in recent months (the growth rate had been 0.5% or less for each of the four preceding months), January income was boosted by several special factors. Among those factors was the implementation of pay increases for federal employees and cost-of-living adjustments for several federal transfer payment programs (e.g., a 3.3% increase in Social Security benefits). Also, bonuses and gains on the exercise of stock options were unusually large in January, increasing private wage and salary income. Excluding special factors like these, personal income grew by 0.4% in January.

Employment and Unemployment

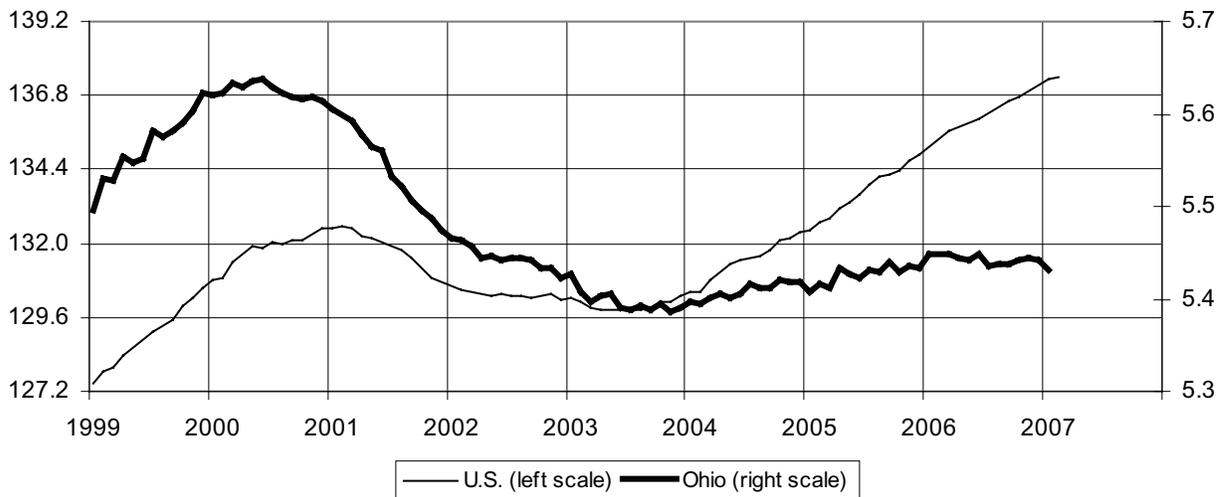
Nationally, employment statistics continue to indicate an improving labor market, although the improvement is still uneven. The U.S. Bureau of Labor Statistics (BLS) reports that total nonfarm payroll employment in the U.S. increased by 97,000 in February, after seasonal adjustment. This represented somewhat slower growth as compared with January (when employment increased by 146,000, revised upward from 111,000 last month) and December (226,000). After seasonal adjustment, employment nationally stood at 137.4 million in February, compared to 135.4 million in February 2006. The overall February increase of 97,000 was due to an increase in employment in the service sector,

where employment increased by approximately 168,000. This increase was partially offset by a decline in employment in goods-producing industries, which fell by 71,000. The latter number was due primarily to a sharp drop in employment in construction (by 62,000), which the BLS indicated was likely due to severe winter weather conditions in much of the country.

The unemployment rate in the U.S. was 4.5% in February, after seasonal adjustment. This was slightly lower than the 4.6% rate for January, and below the rate of 4.8% in February 2006. Other unemployment-related measures also indicate improvement in the labor market over the last year. The average length of time a worker has been unemployed fell from 17.8 weeks to 16.4 weeks.²

Conditions in Ohio's labor market have been less favorable than those for the U.S. as a whole, according to the usual measures, since before the most recent recession, and that situation continued in January. Ohio's unemployment rate was 5.3% in January after seasonal adjustment, down from 5.6% in December. Total nonfarm payroll employment in Ohio declined by 12,000 from December to January, to approximately 5,438,000 jobs, a decline of slightly more than 0.2%. Ohio's employment levels fell in January in both goods-producing industries (by 3,500) and service-providing industries (8,500).

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



The Bureau of Labor Statistics recently made its annual benchmarking revision to payroll employment data for Ohio going back five years.³ These revisions have changed our view of recent trends in Ohio employment. Last month, this article reported that Ohio employment had fallen in six of the last seven months, after seasonal adjustment, and that the recent peak in employment had been in May. After the revisions, it appears that Ohio employment peaked in March at 5.45 million, with a secondary peak in June at a level that also rounds to 5.45 million. Ohio employment has fallen in four of the seven months since June, during which time Ohio has lost about 16,600 jobs (about 0.3%).

Ohio employment has fallen by an identical 16,600 since January 2006. For the year, the number of jobs in service industries rose 10,500, led by educational and health services (which gained 9,400 jobs). These gains for the year were more than offset by employment losses in Ohio goods-producing industries, which lost 27,100 jobs over the year, primarily in manufacturing (which lost 22,400 jobs).

Inflation and Prices

The consumer price index for all urban consumers (CPI-U) increased by 0.4% in February, after seasonal adjustment, and by 2.4% for the year ending in February 2007. Energy costs were a significant factor behind the overall February increase, with the CPI-U energy component increasing 0.9% for the month. The CPI-U food and beverage component increased by 0.8% for the month. Excluding food and

energy, which are more variable month to month than most other components of the index, the CPI-U increased by 2.7% for the year. Prices for medical care rose by 4.3% for the year, the largest percentage increase of any CPI-U component.

The BLS reported that the producer price index (PPI) for finished goods increased by 1.3% in February, after falling by 0.6% in January. The PPI increased by 2.5% since February 2006. The overall increase in February was heavily influenced by a 3.5% increase in energy prices; the PPI excluding food and energy increased by 0.4% for the month. Excluding food and energy the index increased by 1.8% over the year.

Federal Reserve Beige Book

The Federal Reserve released its most recent Beige Book on March 7. The report for the Cleveland District, which includes all of Ohio and parts of three other states, might be described as cautiously optimistic overall. It reported that production by manufacturers was stable to increasing from January to early March, with the “most notable” increases having occurred at capital goods manufacturers. It reported that steel producers are expecting a pickup in demand in the second quarter. And it reported that “staffing firms remain upbeat” about the number of job openings they are seeing in the district. The report did note continuing weakness in the housing and automobile manufacturing sectors, though. Overall it indicated that economic activity in the Cleveland District had “showed modest growth” since January.

¹ Economists use the term “real” to indicate economic variables that have been adjusted for inflation.

² The median length of time a worker has been unemployed has also fallen during the year, from 8.9 weeks to 8.1 weeks.

³ Made annually in March, these benchmarking revisions incorporate data from Unemployment Insurance tax records. The monthly data are based on a survey of approximately 160,000 businesses and government agencies nationwide. Thus the data used for revising in March each year are more comprehensive than the monthly data.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

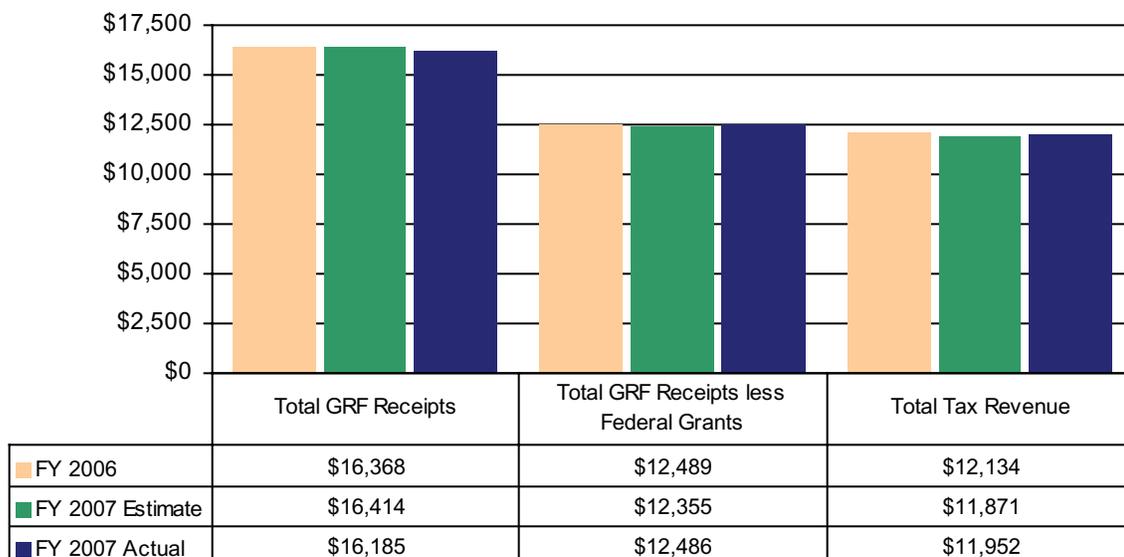
For the month of February, total GRF receipts of \$1,611.8 million were below estimate by \$64.2 million (3.8%).¹ State-source receipts were below estimate by \$62.5 million (5.1%) and federal grants were below estimate by \$1.6 million (0.4%). Tax revenues were below estimate by \$12.9 million (1.1%). Revenue from the corporate franchise tax was below estimate by \$7.6 million (7.5%) and personal income tax revenue was \$13.9 million (4.7%) above estimate. Revenue from the sales and use tax was above estimate by \$2.1 million (0.4%); nonauto tax revenue was above estimate by \$5.5 million (1.2%) and auto tax revenue was below estimate by \$3.4 million (6.1%). Revenue from the cigarette tax was below estimate by \$9.4 million (12.7%) and revenue from the foreign insurance tax was \$9.4 million (14.6%) below estimate.

Fiscal year-to-date GRF receipts of \$16,184.5 million are \$229.9 million (1.4%) below estimate and are down 1.1% compared to FY 2006. State-source receipts are \$130.6 million (1.1%) above estimate and federal grants are \$360.5 million (8.9%) below estimate. Federal

grants are down primarily because state Medicaid spending is down.² Tax revenues are above estimate by \$80.5 million (0.7%). Corporate franchise tax revenue is above estimate by \$137.0 million (40.9%) and personal income tax revenue is above estimate by \$56.9 million (1.1%). Revenue from the sales and use tax is below estimate by \$104.3 million (2.1%); nonauto tax revenue is below estimate by \$99.5 million (2.2%) and auto tax revenue is below estimate by \$4.7 million (0.8%).

For the fiscal year to date, total GRF receipts are down 1.1% compared to FY 2006. State-source receipts are about even with last year, down 0.02%, and federal grants are down 4.6%. Tax revenue is down 1.5%. Revenue from the corporate franchise tax is up 18.9%. Revenue from the personal income tax is down 1.5%, reflecting reduced tax and withholding rates. Revenue from the sales and use tax is up 0.2%; nonauto tax revenue is up 1.0% and auto tax revenue is down 5.4%. Revenue from the cigarette tax is down 8.7%, due to a comparison with FY 2006 revenues that included receipts

Year-to-Date GRF Receipts
(in millions)



from the floor tax associated with the July 2005 increase in the cigarette tax.³

Personal Income Tax

The GRF received \$308.7 million from the personal income tax in February. This amount was \$13.9 million (4.7%) greater than estimated. The \$665.0 million in gross collections were above estimate by \$22.4 million (3.5%) and the \$317.0 million in refunds were \$8.5 million (2.7%) more than estimated. The \$620.8 million collected through withholding was above estimate by \$17.6 million (2.9%). Quarterly estimated payments of \$15.3 million were \$68,000 (0.4%) above estimate.⁴ Payments associated with annual returns totaled \$16.2 million, which was above estimate by \$2.3 million (16.9%).

The GRF has received \$5,503.8 million from the personal income tax thus far this fiscal year. This amount is \$56.9 million (1.1%) above estimate. Gross collections are above estimate by \$93.8 million (1.5%) and refunds are \$35.6 million (6.5%) above estimate. The \$5,241.4 million collected through withholding is \$45.9 million (0.9%) above estimate. Withholding is expected to account for 72% of gross income tax collections for FY 2007. Year-to-date quarterly estimated payments of \$1,016.5 million are \$19.2 million (1.9%) above estimate. Trust payments are \$6.1 million (19.4%) above estimate and payments associated with annual returns are above estimate by \$15.2 million (10.9%).

Compared to a year ago, GRF revenue from the personal income tax is down 1.5% because of reductions in the tax and withholding rates. Gross collections are down 0.8% and refunds are up 4.9%. Withholding, which depends on the condition of Ohio's labor market, is down 2.4%.⁵ Quarterly estimated payments are up 6.2%. Trust payments are down 3.0% and payments associated with annual returns are up 5.3%.

Sales and Use Tax

For the second time in FY 2007, monthly sales and use tax collections were above estimate.

Total sales and use tax revenues in February 2007 were \$527.1 million, \$2.1 million (0.4%) above projected revenues. Auto sales and use tax receipts were \$3.4 million (6.1%) below estimate. Nonauto sales and use tax receipts were \$5.5 million (1.2%) above estimate. Total sales and use tax receipts in February 2007 were \$3.7 million (0.7%) above February 2006 revenues. Tax receipts for a given month partly reflect taxable retail sales activity during that month and partly taxable retail sales during the prior month.⁶ Through February, FY 2007 sales and use tax revenues were \$4,952.7 million, \$104.3 million (2.1%) below estimates. FY 2007 sales and use tax receipts were also \$9.1 million (0.2%) above year-to-date tax receipts in FY 2006.

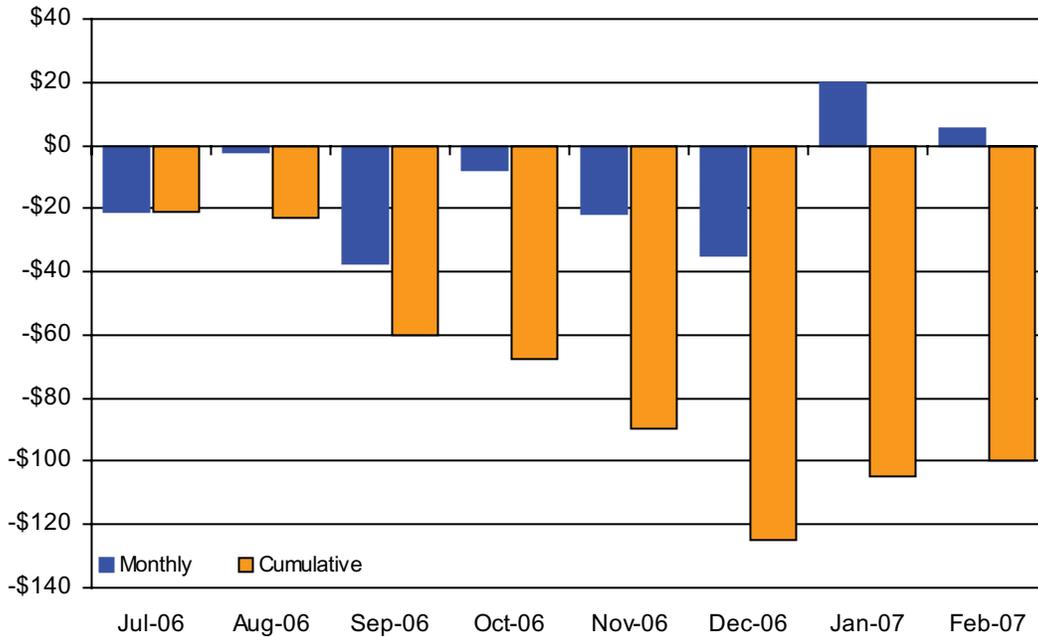
Nonauto Sales and Use Tax

Nonauto sales and use tax receipts were above estimate for the second time in FY 2007. Revenues in February were \$474.6 million, \$5.5 million (1.2%) above estimate. Nonauto sales and use tax receipts were also \$8.3 million (1.8%) above revenues in the same month a year ago. Through February, FY 2007 nonauto sales and use tax receipts were \$4,378.0 million, \$99.5 million (2.2%) below estimate, and \$42.0 million (1.0%) above receipts through February in FY 2006.

Auto Sales and Use Tax

Auto sales and use tax receipts were \$52.6 million in February 2007, \$3.4 million (6.1%) below estimate. The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month. Receipts in February 2007 were \$4.7 million (8.2%) less than receipts in February 2006. Through February, FY 2007 year-to-date auto sales tax receipts were \$574.7 million, \$4.7 million (0.8%) below estimate. FY 2007 year-to-date auto sales and use tax receipts were \$32.9 million (5.4%) below receipts in FY 2006 through February.

Nonauto Sales and Use Tax Variance from August 2006 Estimates
(in millions)

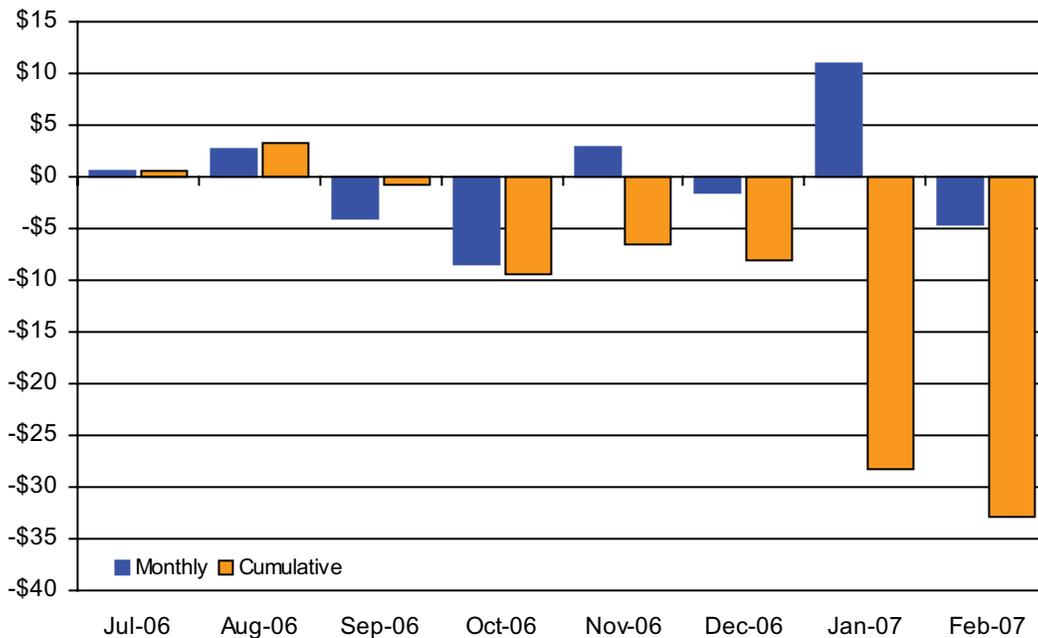


Corporate Franchise Tax

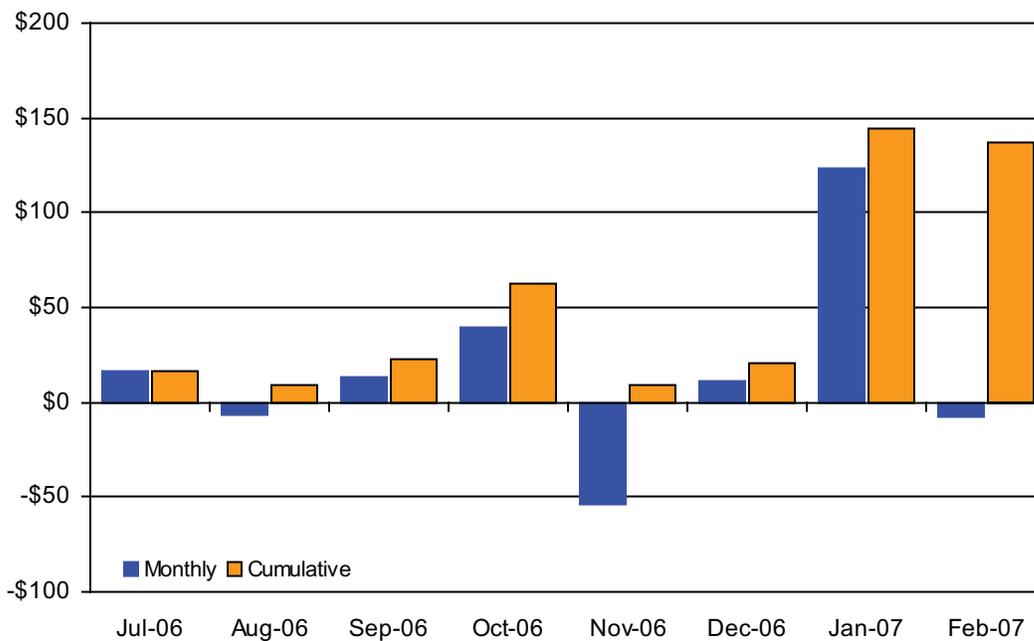
Major tax receipts under the corporate franchise tax (CFT) are due in the second half of the fiscal year. CFT estimated payments are due January 31, March 31, and May 31. By the end of May each year, a corporation must pay the difference between its first two estimated payments and its entire tax liability. Am. Sub. H.B. 66 of the 126th

General Assembly eliminated over five years the CFT for nonfinancial corporations, while maintaining the tax for financial corporations. In FY 2007, nonfinancial corporations will pay only 60% of their full tax liability. February CFT receipts were \$93.1 million, \$7.6 million (7.5%) below estimate. These receipts were also \$96.1 million (50.8%) below February 2006 receipts. Through February, FY 2007

Auto Sales and Use Tax Variance from August 2006 Estimates
(in millions)



Corporate Franchise Tax Variance from August 2006 Estimates
(in millions)



year-to-date CFT receipts were \$472.0 million, \$137.0 million (40.9%) above estimate. FY 2007 year-to-date receipts were also \$75.1 million (18.9%) above year-to-date receipts in February 2006.

Cigarette and Other Tobacco Products Tax

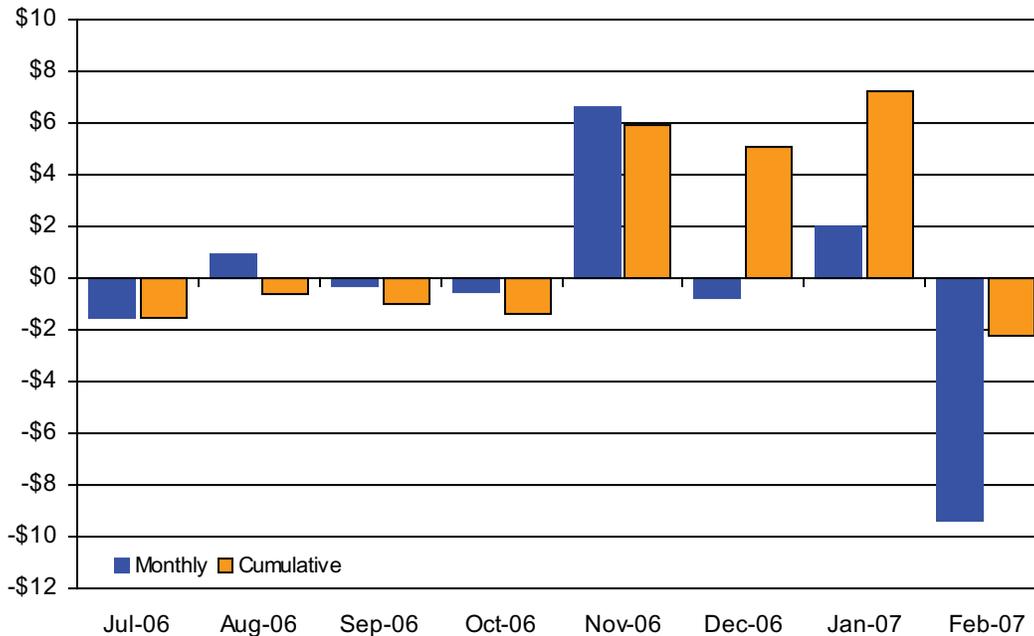
February receipts from the tax on cigarette and other tobacco products (COTP) were \$64.0 million, \$9.4 million (12.7%) below estimate. COTP revenues in February were \$24.7 million (27.8%) lower than receipts in February 2006. Through February, FY 2007 year-to-date receipts were \$606.6 million, \$2.2 million (0.4%) below estimate. Those receipts were also \$57.7 million (8.7%) below FY 2006 receipts through February. However, excluding receipts from the one-time inventory tax of about \$66.1 million last year, FY 2007 year-to-date receipts were \$8.4 million (1.4%)

above FY 2006 year-to-date receipts through February.

Commercial Activity Tax

Commercial activity tax revenue for taxable receipts in the last quarter of CY 2006 were due in February 2007. CAT receipts for the month were \$154.0 million, \$9.6 million (6.6%) above estimate. Through February, FY 2007 CAT receipts were \$447.4 million, \$67.3 million (17.7%) above estimate. FY 2006 CAT receipts were credited to the GRF, the School District Tangible Property Tax Replacement Fund (SDRF), and the Local Government Tangible Property Tax Replacement Fund (LGRF). FY 2007 CAT receipts are distributed to the two non-GRF funds. Through February, FY 2007, distributions to the SDRF and the LGRF were \$313.2 million and \$134.2 million, respectively.

Cigarette Tax Variance from August 2006 Estimates
(in millions)



¹ “Estimate” refers to the August 2006 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 Am. Sub. H.B. 66 imposed a floor tax of \$0.70 on cigarettes in inventory on July 1, 2005, when the rate increased to \$1.25 per pack. These cigarettes had the old stamp of \$0.55 per pack. The floor tax was paid in the first half of FY 2006.

⁴ 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.

⁵ Year-over-year withholding growth understates the health of the labor market due to a change in employer withholding tables to account for the reduction in marginal income tax rates enacted in Am. Sub. H.B. 66. FY 2007 withholding amounts are based on lower withholding tax rates than FY 2006 amounts. H.B. 66 reduced the marginal personal income tax rates by 21% over five years (4.2% per year), starting with tax year 2005. Withholding tax rates were not reduced during tax year 2005 but were reduced by 4.2% starting January 1, 2006 and by an additional 8.4% starting October 1, 2006.

⁶ Under current law, certain large taxpayers must remit sales and use tax payments in the same month the transactions occur. For smaller taxpayers, monthly sales and use tax receipts reflect taxable transactions in the prior month. Thus, monthly sales and use tax receipts reflect taxable transactions in both the current and the prior months.

Table 2
General Revenue Fund Sources
Actual vs. Estimate
Month of February 2007
(\$ in thousands)

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales and Use	\$52,561	\$55,954	-\$3,393	-6.1%
Nonauto Sales and Use	\$474,564	\$469,068	\$5,496	1.2%
Total Sales and Use Taxes	\$527,125	\$525,022	\$2,103	0.4%
Personal Income	\$308,728	\$294,800	\$13,928	4.7%
Corporate Franchise	\$93,128	\$100,700	-\$7,572	-7.5%
Public Utility	\$36,370	\$37,200	-\$830	-2.2%
Kilowatt Hour Excise	\$29,463	\$31,500	-\$2,037	-6.5%
Commercial Activity Tax	\$0	\$0	\$0	---
Foreign Insurance	\$55,081	\$64,523	-\$9,442	-14.6%
Domestic Insurance	\$1	\$600	-\$599	-99.9%
Business and Property	\$9	\$20	-\$11	-53.1%
Cigarette	\$64,042	\$73,400	-\$9,358	-12.7%
Alcoholic Beverage	\$3,961	\$4,241	-\$280	-6.6%
Liquor Gallonage	\$2,541	\$2,589	-\$48	-1.9%
Estate	\$1,270	\$0	\$1,270	---
Total Tax Revenue	\$1,121,719	\$1,134,595	-\$12,876	-1.1%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$0	\$0	\$0	---
Licenses and Fees	\$12,642	\$10,963	\$1,679	15.3%
Other Revenue	\$5,323	\$54,550	-\$49,227	-90.2%
Nontax State-Source Revenue	\$17,966	\$65,513	-\$47,547	-72.6%
TRANSFERS				
Liquor Transfers	\$10,000	\$12,000	-\$2,000	-16.7%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$10,900	\$11,000	-\$100	-0.9%
Total Transfers In	\$20,900	\$23,000	-\$2,100	-9.1%
TOTAL GRF before Federal Grants	\$1,160,584	\$1,223,108	-\$62,524	-5.1%
Federal Grants	\$451,187	\$452,834	-\$1,647	-0.4%
TOTAL GRF SOURCES	\$1,611,771	\$1,675,942	-\$64,171	-3.8%

* August 2006 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 2007 as of February 2007
(\$ in thousands)

	Actual	Estimate*	Variance	Percent	FY 2006	Percent Change
TAX REVENUE						
Auto Sales and Use	\$574,650	\$579,388	-\$4,738	-0.8%	\$607,562	-5.4%
Nonauto Sales and Use	\$4,378,026	\$4,477,562	-\$99,536	-2.2%	\$4,336,038	1.0%
Total Sales and Use Taxes	\$4,952,677	\$5,056,950	-\$104,273	-2.1%	\$4,943,600	0.2%
Personal Income	\$5,303,766	\$5,246,900	\$56,866	1.1%	\$5,385,480	-1.5%
Corporate Franchise	\$471,984	\$335,000	\$136,984	40.9%	\$396,897	18.9%
Public Utility	\$105,241	\$102,900	\$2,341	2.3%	\$107,312	-1.9%
Kilowatt Hour Excise	\$226,922	\$232,600	-\$5,678	-2.4%	\$233,229	-2.7%
Commercial Activity Tax	\$0	\$0	\$0	---	\$113,639	-100.0%
Foreign Insurance	\$189,308	\$196,052	-\$6,744	-3.4%	\$197,206	-4.0%
Domestic Insurance	\$236	\$1,800	-\$1,564	-86.9%	\$1,084	-78.2%
Business and Property	\$669	\$760	-\$91	-11.9%	\$1,049	-36.2%
Cigarette	\$606,604	\$608,800	-\$2,196	-0.4%	\$664,352	-8.7%
Alcoholic Beverage	\$37,399	\$37,602	-\$203	-0.5%	\$37,663	-0.7%
Liquor Gallonage	\$23,283	\$23,302	-\$19	-0.1%	\$22,650	2.8%
Estate	\$33,650	\$28,600	\$5,050	17.7%	\$30,037	12.0%
Total Tax Revenue	\$11,951,738	\$11,871,266	\$80,472	0.7%	\$12,134,199	-1.5%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$92,314	\$69,900	\$22,414	32.1%	\$47,345	95.0%
Licenses and Fees	\$52,098	\$45,144	\$6,954	15.4%	\$43,374	20.1%
Other Revenue	\$100,931	\$100,300	\$631	0.6%	\$127,520	-20.9%
Nontax State-Source Revenue	\$245,343	\$215,344	\$29,999	13.9%	\$218,238	12.4%
TRANSFERS						
Liquor Transfers	\$95,000	\$87,000	\$8,000	9.2%	\$89,000	6.7%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$193,604	\$181,500	\$12,104	6.7%	\$47,110	311.0%
Total Transfers In	\$288,604	\$268,500	\$20,104	7.5%	\$136,110	112.0%
TOTAL GRF before Federal Grants	\$12,485,685	\$12,355,110	\$130,575	1.1%	\$12,488,548	0.0%
Federal Grants	\$3,698,797	\$4,059,251	-\$360,455	-8.9%	\$3,879,146	-4.6%
TOTAL GRF SOURCES	\$16,184,482	\$16,414,362	-\$229,880	-1.4%	\$16,367,694	-1.1%

* August 2006 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

DISBURSEMENTS

— Phil Cummins*

Through the end of February, cumulative FY 2007 General Revenue Fund (GRF) disbursements for program spending totaled \$17,074.0 million, which was under estimate by \$700.7 million (3.9%).¹ Compared with program spending through the same eight-month period in the prior fiscal year, disbursements were \$259.2 million (1.5%) lower this year. In February, total GRF program disbursements were \$1,764.4 million, under estimate by \$36.2 million.

Disbursements for the state's four major GRF program categories (Welfare and Human Services, Education, Government Operations, and Property Tax Relief) were each under estimate for the year to date (see the chart titled "GRF Cumulative Disbursement Variances by Program Category" and Table 5). The Welfare and Human Services category continued to have by far the largest year-to-date variance, at \$522.7 million (6.2%) under estimate. Debt service payments in February were \$66.2 million under estimate. Most of this variance is attributable to a School Facilities Commission

payment of \$0.3 million versus an estimate that the payment would be \$70.3 million. Within the GRF program *subcategories*, the Health Care/Medicaid program posted the largest year-to-date variance (\$459.9 million under estimate), but spending in this program in February exceeded the estimate (by \$22.8 million) for the first time this fiscal year. The sections that follow discuss the most significant variances within each of the four major categories, based on the differences between what was actually disbursed from the GRF and what the Office of Budget and Management (OBM) estimated in August 2006 would be disbursed during the fiscal year.

Welfare and Human Services (-\$522.7 million)

Disbursements in the Welfare and Human Services category were \$6.9 million (0.7%) under estimate in February. For the fiscal year to date, outlays in this category were \$522.7 million (6.2%) under estimate. Within the category, Health Care/Medicaid spending accounted for most of the variance, with year-to-date

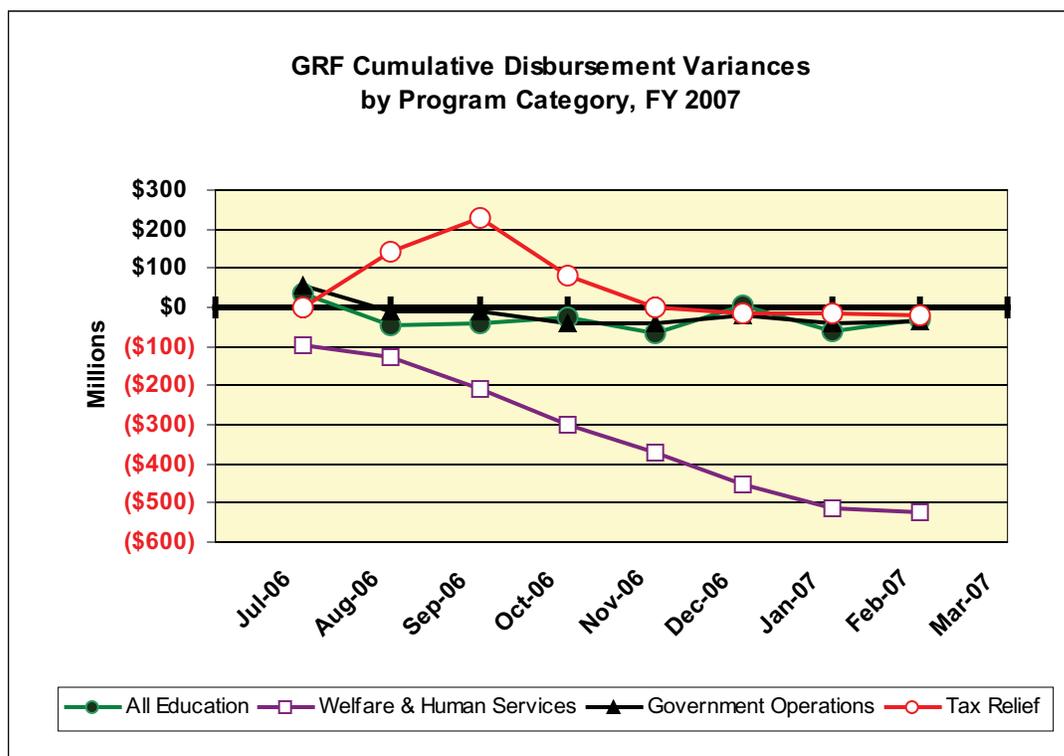


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of February 2007
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education (1)	\$412,206	\$403,007	\$9,199	2.3%
Higher Education	\$232,801	\$211,111	\$21,690	10.3%
Total Education	\$645,007	\$614,118	\$30,889	5.0%
Health Care/Medicaid	\$785,519	\$762,720	\$22,799	3.0%
Temporary Assistance for Needy Families (TANF)	\$23,572	\$16,000	\$7,572	47.3%
Other Welfare (2)	\$32,704	\$72,100	-\$39,396	-54.6%
Human Services (3)	\$81,179	\$79,070	\$2,110	2.7%
Total Welfare & Human Services	\$922,973	\$929,889	-\$6,916	-0.7%
Justice and Corrections	\$132,208	\$121,147	\$11,062	9.1%
Environment and Natural Resources	\$5,714	\$6,821	-\$1,107	-16.2%
Transportation	\$1,228	\$1,094	\$135	12.3%
Development	\$7,888	\$7,091	\$797	11.2%
Other Government	\$15,929	\$18,040	-\$2,111	-11.7%
Capital	\$23	\$0	\$23	---
Total Government Operations	\$162,991	\$154,193	\$8,798	5.7%
Property Tax Relief (4)	\$50	\$2,831	-\$2,781	-98.2%
Debt Service	\$33,419	\$99,582	-\$66,162	-66.4%
Total Other Disbursements	\$33,470	\$102,412	-\$68,943	-67.3%
Total Program Disbursements	\$1,764,441	\$1,800,612	-\$36,172	-2.0%
TRANSFERS				
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$2,407	\$0	\$2,407	---
Total Transfers Out	\$2,407	\$0	\$2,407	---
TOTAL GRF USES	\$1,766,848	\$1,800,612	-\$33,764	-1.9%

(1) Includes Primary, Secondary, and Other Education.

(2) Includes Department of Job and Family Services, exclusive of Medicaid, TANF, and General/Disability Assistance.

(3) Includes Mental Health, Mental Retardation and Developmental Disabilities, and Other Human Services.

(4) Includes property tax rollbacks, homestead exemption, and tangible property tax exemption.

* August 2006 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

disbursements under estimate by \$459.9 million (6.7%). Other components of the category include the Temporary Assistance for Needy Families (TANF) program, the Other Welfare subcategory, and the Human Services subcategory. Fiscal year-to-date disbursements for TANF, through

February, were \$5.1 million (2.4%) over estimate. Disbursements for the Other Welfare subcategory, which includes various operating and subsidy programs within the Department of Job and Family Services (JFS) other than Medicaid and TANF, were under estimate by \$58.9 million

Table 5
General Revenue Fund Uses
Actual vs. Estimate
FY 2007 as of February 2007
(\$ in thousands)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2006	Percent Change
Primary and Secondary Education (1)	\$4,688,514	\$4,746,427	-\$57,913	-1.2%	\$4,599,697	1.9%
Higher Education	\$1,676,983	\$1,650,892	\$26,091	1.6%	\$1,635,605	2.5%
Total Education	\$6,365,497	\$6,397,318	-\$31,822	-0.5%	\$6,235,302	2.1%
Health Care/Medicaid	\$6,384,240	\$6,844,112	-\$459,872	-6.7%	\$6,659,265	-4.1%
Temporary Assistance for Needy Families (TANF)	\$218,332	\$213,204	\$5,128	2.4%	\$225,836	-3.3%
Other Welfare (2)	\$388,115	\$447,008	-\$58,893	-13.2%	\$394,596	-1.6%
Human Services (3)	\$896,045	\$905,076	-\$9,031	-1.0%	\$889,991	0.7%
Total Welfare & Human Services	\$7,886,732	\$8,409,399	-\$522,668	-6.2%	\$8,169,688	-3.5%
Justice and Corrections	\$1,397,087	\$1,402,324	-\$5,238	-0.4%	\$1,335,394	4.6%
Environment and Natural Resources	\$74,814	\$75,721	-\$907	-1.2%	\$76,144	-1.7%
Transportation	\$16,892	\$20,607	-\$3,715	-18.0%	\$22,292	-24.2%
Development	\$103,148	\$112,458	-\$9,311	-8.3%	\$106,699	-3.3%
Other Government	\$261,200	\$275,913	-\$14,713	-5.3%	\$267,049	-2.2%
Capital	\$65	\$0	\$65	---	\$259	-75.1%
Total Government Operations	\$1,853,205	\$1,887,023	-\$33,818	-1.8%	\$1,807,836	2.5%
Property Tax Relief (4)	\$606,815	\$625,768	-\$18,954	-3.0%	\$745,959	-18.7%
Debt Service	\$361,761	\$455,249	-\$93,488	-20.5%	\$374,407	-3.4%
Total Other Disbursements	\$968,576	\$1,081,017	-\$112,441	-10.4%	\$1,120,365	-13.5%
Total Program Disbursements	\$17,074,009	\$17,774,759	-\$700,749	-3.9%	\$17,333,192	-1.5%
TRANSFERS						
Budget Stabilization	\$394,034	\$394,034	\$0	0.0%	\$394,205	0.0%
Other Transfers Out	\$309,862	\$325,113	-\$15,250	-4.7%	\$184,017	68.4%
Total Transfers Out	\$703,896	\$719,147	-\$15,250	-2.1%	\$578,222	21.7%
TOTAL GRF USES	\$17,777,905	\$18,493,905	-\$716,000	-3.9%	\$17,911,413	-0.7%

(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 2006 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

(13.2%). Disbursements in the Human Services subcategory, which includes services provided by more than 20 agencies, were under estimate by \$9.0 million (1.0%).

Health Care/Medicaid. Disbursements in February and for the fiscal year to date in the

Health Care/Medicaid subcategory, primarily line item 600-525, are shown in more detail in Table 6 and Table 7. Spending in February exceeded the estimate by \$22.8 million (3.0%), the first month of spending in excess of the estimate in this program during the current fiscal year. For the year to date, the largest contributors to

the variance were the HMO categories, which combined were \$257.5 million (14.4%) below estimate with spending of \$1,553.8 million through February. JFS is in the process of expanding Medicaid managed care statewide. When expansion is complete, approximately 1.2 million Covered Families and Children (CFC) and 125,000 Aged, Blind, and Disabled (ABD) Medicaid consumers will be placed in a managed care program that bases the delivery of health care services on a 'medical home' model that focuses on care coordination and preventive services. The HMO-CFC variance through February is attributed to a slower than projected enrollment rate. Enrollment is now back on target, which will narrow the amount of underspending as the year goes on, but it will not be eliminated.

The Nursing Facilities Payments category was below estimate by \$61.9 million (3.4%) through February with spending of \$1,740.4 million. This variance is attributed to lower than projected utilization and to savings from the implementation of direct billing by nursing facilities for Medicaid bed days provided, which has reduced overpayments by JFS. The opportunity for savings from direct billing has been virtually exhausted.

The All Other category was \$78.4 million (18.4%) below estimate with spending of \$347.0 million through February. The All Other category is below estimate in part due to the many changes in the home care programs. The Other Practitioners subcategory comprises most of the variance. The elimination of the Core Plus program has caused a shift from the home health service categories to the ODJFS Waiver category, which is over estimate by \$61.9 million (33.7%) with spending of \$245.6 million through February. Underspending in some categories is offset by overspending in others. The rest of the variances are attributed to contracts for which money was appropriated in ALI 600-525 but on which there was no spending in the first quarter.

The Inpatient Hospitals category was \$86.5 million (8.9%) below estimate with spending of \$884.8 million through February. This variance is attributed to overestimated spending per member per month. The Prescription Drugs category was \$37.1 million (5.2%) below

estimate with spending of \$678.6 million through February. JFS has stated that the variance in this category has resulted from lowering the cost per claim and from utilization trends over the last year or so. The percentage of underspending has narrowed more recently, as managed care enrollment is lower than projected, thus driving higher spending in the fee for service categories. The Home Health category was \$33.1 million (24.7%) below estimate with spending of \$101.2 million through February. The Disability Assistance (DA) Medical category was \$5.3 million (22.7%) below estimate with spending of \$18.1 million through February. The variance in this category is due to the fact that the program is closed to new enrollment and attrition has occurred at a higher than projected rate. The Medicare Part D category was under estimate by \$20.3 million (11.5%) with spending of \$156.2 million through February.

Other Job and Family Services programs. Disbursements for programs of JFS other than Health Care/Medicaid and TANF were \$39.4 million (54.6%) under estimate in February, and as noted above, were \$58.9 million (13.2%) under estimate for the year to date.

Human Services programs. The largest year-to-date variance in the Human Services subcategory was for the Department of Mental Retardation and Developmental Disabilities, with year-to-date outlays of \$246.7 million, \$10.0 million (3.9%) under the estimate. On a fiscal year-to-date basis, spending by this Department has been under estimate by \$5.4 million to \$13.8 million since last September.

Education (-\$31.8 million)

February outlays totaling \$645.0 million in the Education category were \$30.9 million (5.0%) over estimate. Year-to-date outlays totaling \$6,365.5 million in this category were \$31.8 million (0.5%) under estimate, including the Department of Education with disbursements \$51.7 million under estimate, the Board of Regents with disbursements \$26.1 million over estimate, and other agencies with smaller variances.

Table 6
Health Care/Medicaid Spending in FY 2007
(ALI 600-525 Only)
(\$ in thousands)

Service Category	February				Year-to-Date Spending			
	Actual	Estimate	Variance	Percent Variance	Actual thru Feb.	Estimate thru Feb.	Variance	Percent Variance
Nursing Facilities Payments	\$217,409	\$209,764	\$7,645	3.6%	\$1,740,427	\$1,802,309	(\$61,882)	-3.4%
ICF/MR Payments	\$44,122	\$39,891	\$4,231	10.6%	\$348,374	\$344,113	\$4,261	1.2%
Inpatient Hospitals	\$88,751	\$99,155	(\$10,404)	-10.5%	\$884,815	\$971,319	(\$86,504)	-8.9%
Outpatient Hospitals	\$38,798	\$35,000	\$3,798	10.9%	\$401,787	\$395,666	\$6,121	1.5%
Physicians	\$38,846	\$30,175	\$8,671	28.7%	\$370,680	\$344,004	\$26,676	7.8%
Prescription Drugs	\$70,173	\$72,265	(\$2,092)	-2.9%	\$678,593	\$715,674	(\$37,081)	-5.2%
ODJFS Waiver	\$27,936	\$20,545	\$7,391	36.0%	\$245,591	\$183,729	\$61,862	33.7%
HMO - CFC*	\$214,966	\$269,977	(\$55,011)	-20.4%	\$1,463,667	\$1,791,211	(\$327,544)	-18.3%
HMO - ABD*	\$41,431	\$0	\$41,431	N/A	\$70,086	\$0	\$70,086	N/A
Medicare Buy-In	\$23,238	\$22,853	\$385	1.7%	\$177,426	\$178,128	(\$702)	-0.4%
Home Health	\$11,853	\$15,652	(\$3,799)	-24.3%	\$101,226	\$134,375	(\$33,149)	-24.7%
Dental	\$4,346	\$2,814	\$1,532	54.4%	\$52,370	\$47,044	\$5,326	11.3%
Hospice	\$10,358	\$9,790	\$568	5.8%	\$92,729	\$85,061	\$7,668	9.0%
All Other	\$47,854	\$45,214	\$2,640	5.8%	\$347,000	\$425,376	(\$78,376)	-18.4%
Total Medicaid Payments	\$880,081	\$873,095	\$6,986	0.8%	\$6,974,771	\$7,418,009	(\$443,238)	-6.0%
Medicare Part D	\$38,755	\$23,590	\$15,165	64.3%	\$156,208	\$176,548	(\$20,340)	-11.5%
Capital Compensation Program	\$0	\$0	\$0	N/A	\$3,223	\$5,000	(\$1,777)	-35.5%
DA Medical	\$1,807	\$2,294	(\$487)	-21.2%	\$18,091	\$23,408	(\$5,317)	-22.7%
Drug Rebates Offsets	(\$33,459)	(\$34,582)	\$1,123	-3.2%	(\$290,045)	(\$292,646)	\$2,601	-0.9%
Revenue and Collections	(\$14,487)	(\$14,474)	(\$13)	0.1%	(\$79,682)	(\$79,606)	(\$76)	0.1%
ICF/MR Franchise Fee Offsets	(\$1,514)	(\$1,514)	\$0	0.0%	(\$12,143)	(\$12,143)	\$0	0.0%
NF Franchise Fee Offsets	(\$37,184)	(\$37,184)	\$0	N/A	(\$223,990)	(\$223,308)	(\$682)	0.3%
DSH Rebate Offsets	(\$28,674)	(\$28,674)	\$0	N/A	(\$63,065)	(\$71,995)	\$8,930	-12.4%
MCP Assessments	(\$19,831)	(\$19,831)	\$0	N/A	(\$99,157)	(\$99,157)	\$0	0.0%
Total Health Care (Net of Offsets)	\$785,494	\$762,720	\$22,774	3.0%	\$6,384,211	\$6,844,110	(\$459,899)	-6.7%
Est. Federal Share	\$470,771	\$457,122	\$13,649		\$3,826,255	\$4,101,887	(\$275,632)	
Est. State Share	\$314,723	\$305,598	\$9,125		\$2,557,956	\$2,742,223	(\$184,267)	

*In reports prior to January, HMO was one category.

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 \$6.25 per bed per day for both FY 2006 and FY 2007.

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 the federal poverty level (FPL). The state receives an enhanced federal medical assistance percentage (FMAP) for CHIP II.

5. DA Medical is a state-only funded program.

6. The FMAP used in this table is a blended rate of 59.93%.

Note: Because of 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.

Department of Education. Disbursements by the Department of Education totaled \$409.1 million in February, \$9.1 million (2.3%) over estimate, and \$4,609.6 million through the fiscal year's first eight months, \$51.7 million (1.1%) under estimate.

Board of Regents. Disbursements for higher education in February of \$232.8 million were \$21.7 million (10.3%) over estimate, resulting in year-to-date disbursements exceeding estimate by \$26.1 million (1.6%). The largest variance in February was in the Success Challenge program,

Table 7
FY 2007 to FY 2006 Comparison of Year-to-Date Health Care/Medicaid Spending
(ALI 600-525 Only)
(\$ in thousands)

Service Category	FY 2007	FY 2006	Dollar Change	Percent Increase
	Yr.-to-Date as of Feb. '07	Yr.-to-Date as of Feb. '06		
Nursing Facilities Payments	\$1,740,427	\$1,774,497	(\$34,070)	-1.9%
ICF/MR Payments	\$384,374	\$344,605	\$39,769	11.5%
Inpatient Hospitals	\$884,815	\$1,025,933	(\$141,118)	-13.8%
Outpatient Hospitals	\$401,787	\$455,135	(\$53,348)	-11.7%
Physicians	\$370,680	\$433,175	(\$62,495)	-14.4%
Prescription Drugs	\$678,593	\$1,277,229	(\$598,636)	-46.9%
ODJFS Waiver	\$245,591	\$151,429	\$94,162	62.2%
HMO	\$1,533,753	\$885,055	\$648,698	73.3%
Medicare Buy-In	\$177,426	\$150,043	\$27,383	18.3%
Home Health	\$101,226	\$134,375	(\$33,149)	-24.7%
Dental	\$52,370	\$47,044	\$5,326	11.3%
Hospice	\$92,729	\$85,061	\$7,668	9.0%
All Other	\$347,000	\$0	\$347,000	N/A
Total Medicaid Payments	\$7,010,771	\$6,763,581	\$247,190	3.7%
Medicare Part D	\$117,454	\$0	N/A	N/A
Capital Compensation Program	\$3,223	N/A	N/A	N/A
DA Medical	\$16,284	\$32,799	(\$16,515)	-50.4%
Drug Rebates Offsets	(\$290,045)	(\$412,183)	\$122,138	-29.6%
Revenue and Collections	(\$79,682)	N/A	N/A	N/A
ICF/MR Franchise Fee Offsets	(\$12,143)	(\$15,670)	\$3,527	-22.5%
NF Franchise Fee Offsets	(\$223,990)	(\$132,142)	(\$91,848)	69.5%
DSH Rebate Offsets	(\$63,065)	\$0	N/A	N/A
MCP Assessments	(\$99,157)	N/A	N/A	N/A
Total Health Care (Net of Offsets)	\$6,379,650	\$6,236,385	\$143,265	2.3%
Est. Federal Share	\$3,823,521	\$3,737,658	\$85,863	
Est. State Share	\$2,556,129	\$2,498,727	\$57,402	
<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 \$6.25 per bed per day for both FY 2006 and FY 2007.</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. The Capital Compensation Program, Medicare Part D, and Revenue and Collections were not included in Table 7 for December of FY 2006. HMO for FY 2006 was one category.</p> <p>4. CHIP II provides health care coverage for children under age 19 whose family incomes are between 150% and 200% of the federal poverty level (FPL). The state receives an enhanced federal medical assistance percentage (FMAP) for CHIP II.</p> <p>5. DA Medical is a state-only funded program.</p> <p>6. The FMAP used in this table is a blended rate of 59.93%.</p> <p>Source: BOMC8300-R001, BOMC8350-R001&R002 Reports, Ohio Department of Job & Family Services.</p>				

line item 235-420, \$26.2 million over estimate, as amounts estimated to be paid quarterly in October and January were instead disbursed last month. The timing of payments in FY 2006 followed a similar pattern. The late payments were

attributed to problems in processing requests from campuses, and the Board of Regents has taken action to correct these problems. Also, the third fiscal quarter's payments under the Access Challenge program, line item 235-418, were made

a month earlier than estimated, and disbursements exceeded estimate by \$15.7 million.

Government Operations (-\$33.8 million)

In February, outlays in the Government Operations category were \$8.8 million (5.7%) over estimate. For the year to date, disbursements in the category were \$33.8 million (1.8%) under estimate. Among subcategories, year-to-date disbursements were under estimate by \$14.7 million (5.3%) in Other Government, which includes numerous agencies, most with year-to-date disbursements below estimate; by \$9.3 million (8.3%) in Development, most of which is accounted for by the Department of Development; and by \$5.2 million (0.4%) in Justice and Corrections.

Tax Relief (-\$19.0 million)

The Tax Relief program reimburses school districts and other units of local government for revenues forgone because of state programs that lower taxes of property owners through the homestead exemption, the real property tax rollbacks, and the \$10,000 business tangible

property tax exemption. In February, less than \$0.1 million was disbursed under this program, \$2.8 million under estimate. Year-to-date reimbursements totaled \$606.8 million, \$19.0 million (3.0%) under estimate. Total payments were above estimate in August and September and below estimate in October-December, as a result of payments requested by local governments sooner than expected. Payments were relatively small in January and February but are estimated to turn higher in March through June. Reimbursements for the homestead exemption and the rollbacks account for most of the outlays under this program. Year-to-date outlays for the homestead exemption and rollbacks totaled \$568.6 million, \$11.3 million (2.0%) under estimate. Reimbursements for the \$10,000 tangible property tax exemption are much smaller and are being phased out. These reimbursements totaled \$38.3 million through the fiscal year's first eight months, \$7.6 million (16.6%) under estimate, and appear to be completed for this fiscal year based on the accelerated phaseout schedule set in the main operating appropriations act for FYs 2006-2007.

** LSC colleagues who contributed to this disbursements report were David Price and Stephanie Suer.*

¹ Disbursements plus transfers out totaled \$17,777.9 million for the fiscal year through February, 3.9% under estimate. The largest component included in transfers out was the July transfer of \$394.0 million made to the Budget Stabilization Fund (Fund 013). Also, under the FY 2006-2007 main operating appropriations act (H.B. 66), the Local Government Tangible Property Tax Replacement Fund and the School District Tangible Property Tax Replacement Fund receive revenues from the commercial activity tax as reimbursement for revenues lost due to the phaseout of the tangible personal property tax. Because of timing differences between the due dates for commercial activity tax payments and the dates when reimbursement payments must be made to local entities, temporary transfers from the GRF are made to offset the shortfall. Temporary transfers out under this requirement were made in August, \$77.3 million, and in October, \$210.1 million. When transfers out are included, the year-to-date amount disbursed was 1.9% less than in the same period in FY 2006.