

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

JUNE 2007

FISCAL OVERVIEW

— Allan Lundell

With one month remaining in FY 2007, General Revenue Fund (GRF) receipts are \$146.5 million below estimate and disbursements are \$665.3 million below estimate, with the result that the cash balance is \$518.8 million above its expected level.¹

Receipts

For the month of May, total GRF receipts of \$3,304.0 million were above estimate by \$16.6 million (0.5%). State-source receipts were above estimate by \$31.7 million (1.2%) and federal grants were below estimate by \$15.1 million (2.5%). Tax revenues were above estimate by \$104.5 million (4.1%). Revenue from the personal income tax was \$101.6 million (8.0%) above estimate and corporate franchise tax revenue was above estimate by \$28.1 million (15.6%). Revenue from the sales and use tax was below estimate by \$18.5 million (2.9%); nonauto tax revenue was below estimate by \$19.4 million (3.5%) and auto tax revenue was above estimate by \$0.9 million (1.2%). Revenue from the cigarette tax was below estimate by \$11.2 million (7.1%).

Fiscal year-to-date GRF receipts of \$23,711.3 million are \$146.5 million (0.6%) below estimate and are up 0.3% compared to FY 2006. State-source receipts are \$232.6 million (1.3%) above estimate and federal grants are \$379.2 million (6.9%) below estimate. Federal grants are below estimate primarily because state Medicaid spending is below estimate.² Tax revenues are above estimate by \$257.8 million (1.5%). Personal income tax revenue is above estimate by \$269.0 million (3.4%) and corporate franchise tax revenue is above estimate by \$186.5 million (22.2%). Revenue from the sales and use tax is below estimate by \$179.9 million (2.6%); nonauto tax revenue is below estimate by \$176.0 million (2.9%) and auto tax revenue is below estimate by \$3.9 million (0.5%). Revenue from the cigarette tax is below estimate by \$28.5 million (3.1%) and revenue from the estate tax is above estimate by \$19.0 million (45.1%).

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- Tracking the Economy 223
- First quarter real U.S. GDP growth revised downward to 0.6%
 - Ohio's May unemployment rate remains 5.7%
 - Ohio's regular gasoline prices fell by over 40 cents per gallon in a recent three-week stretch

STATUS OF THE GRF

- Revenue 226
- Personal income tax and corporate franchise tax receipts above estimate
 - Sales tax and cigarette tax receipts below estimate
 - Commercial activity tax receipts above estimate
- Disbursements..... 234
- GRF program spending in FY 2007 through May totaled \$23,468.5 million, \$686.6 million under OBM's estimate
 - Disbursements for Medicaid accounted for most of this variance

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 May | Fiscal Year 2007 to Date | Last Year | Difference |
|--------------------------------------|-------------------------|-------------------------------------|------------------|-------------------|
| Beginning Cash Balance | -\$36.1 | \$1,528.8 | | |
| Plus Revenue and Transfers In | \$3,304.0 | \$23,711.3 | | |
| Available Resources | \$3,268.0 | \$25,240.1 | | |
| Less Disbursements and Transfers Out | \$2,236.8 | \$24,208.9 | | |
| Ending Cash Balances | \$1,031.2 | \$1,031.2 | \$1,075.6 | -\$44.4 |
| Less Encumbrances and Accts. Payable | | \$858.7 | \$402.5 | \$456.2 |
| Unobligated Balance | | \$172.5 | \$673.1 | -\$500.6 |
| Plus BSF Balance | | \$1,012.3 | \$576.6 | \$435.7 |
| Combined GRF and BSF Balance | | \$1,184.8 | \$1,249.7 | -\$64.9 |

Disbursements

May GRF program disbursements of \$2,221.4 million were above estimate by \$112.3 million (5.3%). Disbursements for health care/Medicaid were above estimate by \$183.6 million (23.2%). Disbursements for primary and secondary education were \$48.1 million (9.2%) above estimate and disbursements for higher education were \$2.8 million (1.2%) above estimate. Disbursements for property tax relief were below estimate by \$115.9 million (54.4%).

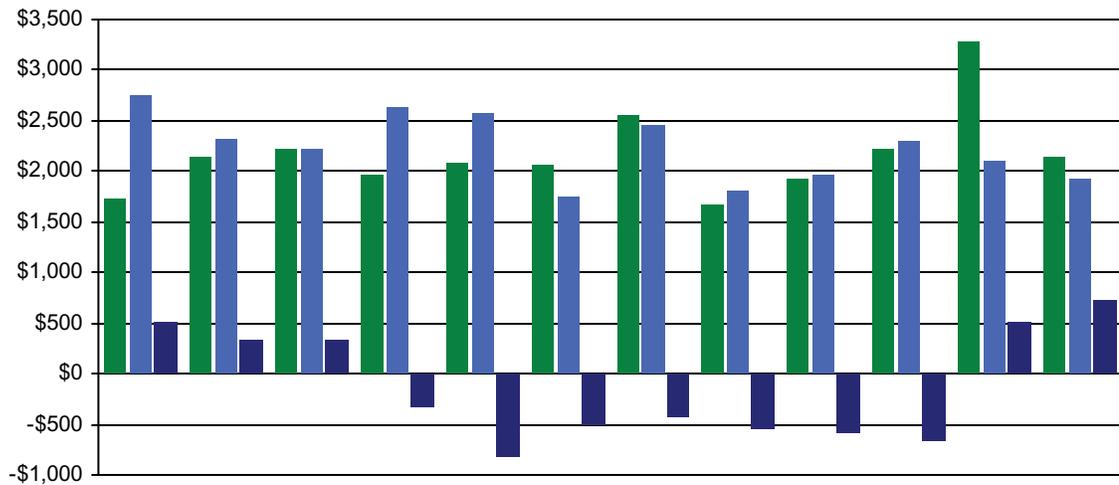
Fiscal year-to-date GRF program disbursements of \$23,468.5 million are \$686.6 million (2.8%) below estimate and are up 1.2% compared to FY 2006. Disbursements for health care/Medicaid are below estimate by \$505.6 million (5.5%) and disbursements for "other welfare" are below estimate by \$63.6 million (11.0%). Disbursements for primary and secondary education are below estimate by \$78.8 million (1.2%) and disbursements for higher education are \$10.9 million (0.5%) above estimate.

Disbursements for property tax relief are above estimate by \$8.8 million (0.8%) and debt service payments are \$29.2 million (5.4%) below estimate. Development disbursements are below estimate by \$12.1 million (8.2%).

Cash Balance

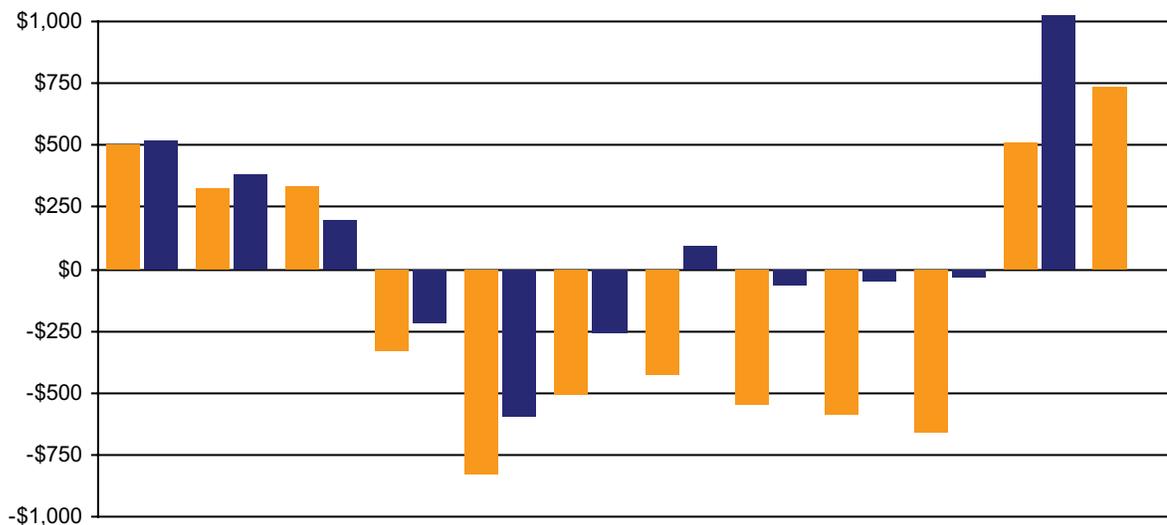
As shown in Table 1, the GRF began FY 2007 with a \$1,528.8 million cash balance. Through May, FY 2007 revenues plus transfers in totaled \$23,711.3 million and disbursements plus transfers out totaled \$24,208.9 million. The year-to-date deficit of \$497.6 million reduced the cash balance to \$1,031.2 million. If receipts and disbursements had equaled their estimates, the cash balance would have been \$512.4 million, \$518.8 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

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 | -\$50 | -\$36 | \$1,031 | |

turns positive later in the year. Chart 2 presents a comparison of actual and estimated month-end cash balances.

Encumbrances and accounts payable of \$858.7 million reduce the unobligated cash

balance to \$172.5 million, \$500.6 million lower 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 \$1,184.8 million is \$64.9 million lower than it was a year ago.

¹ “Estimate” refers to the August 2006 estimate of the Office of Budget and Management, “receipts” include tax revenues, nontax revenues, and transfers in, and “disbursements” include program disbursements and transfers out.

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

There was little good news to point to this month regarding Ohio's economy. The unemployment rate in May remained at the 5.7% level reached in April, while Ohio's wage and salary employment decreased for the second month in a row and the fifth month in the last six. State-level data on 2006 gross domestic product (GDP), released this month, indicated that Ohio's real¹ GDP grew by 1.1% in 2006. While the growth was positive, Ohio ranked 47th among the 50 states, beating out just Alaska, West Virginia, and Michigan (the last of these being the only state to experience a negative growth rate last year). And the national economy showed some weakness too, with real GDP growth in the first quarter of this year revised downward from 1.3% to just 0.6%.

Nevertheless, the economic news was generally somewhat better on the national level. The revision to GDP growth in the first quarter was based in large part on weaker investment in inventories than originally estimated, which may clear the decks for stronger economic growth in the current quarter (and future quarters). The economy added 157,000 jobs in May after having added just 88,000 in April. And the Federal Reserve released data on household debt in the first quarter, indicating that debt payments as a percentage of disposable personal income fell from (a revised) 14.49% in the fourth quarter of 2006 to 14.33% in the first quarter of this year. While still uncomfortably close to the historical peak (14.51%) reached in the third quarter of 2006, the ratio is moving in a favorable direction, indicating somewhat less stress on household budgets. Recent decreases in gasoline prices should help lower such stress too.

Production and Income

The U.S. Bureau of Economic Analysis (BEA) released the preliminary estimate of growth in U.S. real GDP, indicating that the national economy grew by just 0.6% in the first quarter of 2007. This was revised downward from the 1.3% growth rate reported last month in the advance

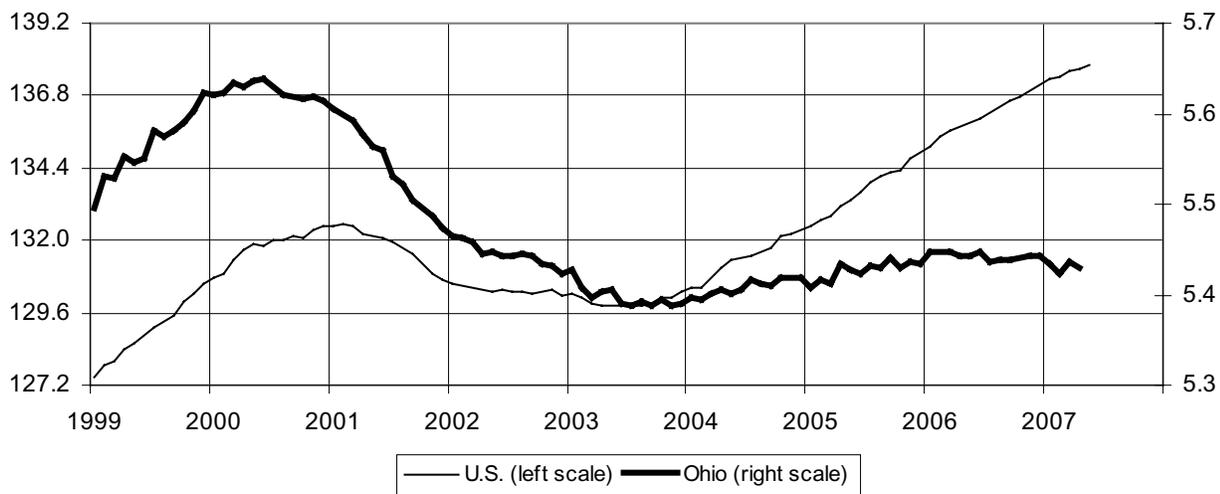
estimate. The final estimate will be released next month, meaning that the 0.6% growth rate may itself be revised. Motor vehicle production contributed positively to national growth in the first quarter, adding 0.1 percentage point to the GDP growth rate after having subtracted 1.18 percentage points in the fourth quarter of 2006.

BEA reported that the downward revision was due primarily to reassessments of the contributions of private inventory investment (which was less than originally estimated) and of imports (which were greater than originally estimated). The negative contributions of these two factors were partially offset by a revision upward in personal consumption expenditures.

Despite the revisions, the explanation offered by BEA for slow growth in the first quarter changed little. The major drags on growth were attributable to net exports (which accounted for a 1.0 percentage point reduction in the overall GDP growth rate), the change in private inventories (which accounted for a 0.98 percentage point reduction), and fixed residential investment (a 0.87 percentage point reduction). Many commentators argue, with justification, that the negative contribution from private inventories is not a significant concern for future economic growth since businesses will eventually reach a point when they want to rebuild their inventories, which would boost production. As noted in last month's issue, the net export data are more of a concern looking forward, since exports do support economic growth. And Ohio's exports to foreign countries increased by \$6.6 billion (over 21%) in the two years from 2004 to 2006.

BEA also released figures for 2006 state-level GDP this month, and Ohio's GDP was estimated to be \$461.3 billion in nominal terms (i.e., before adjusting for inflation). Measured in terms of 2000 dollars, Ohio's GDP was \$397.2 billion, retaining seventh place in state rankings. In terms of growth, however, Ohio's economy ranked 47th, growing by 1.1% in 2006.

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



Employment and Unemployment

U.S. nonfarm payroll employment increased by 157,000 (0.1%), in May after seasonal adjustment. The increase was attributable to service-providing industries, in which employment rose by 176,000. Employment in goods-producing industries fell by 19,000, due entirely to a fall in manufacturing employment. The employment picture contributed to continuing low unemployment nationally. The U.S. unemployment rate was (a seasonally adjusted) 4.5% in May; the unemployment rate was the same as in April and has remained within the range of 4.4% to 4.6% for nine months in a row.

Labor market conditions in Ohio remain less favorable than those in the nation as a whole. Wage and salary employment in Ohio fell by 800 (less than 0.1%) in May (after seasonal adjustment) to a new level of just under 5.43 million. Employment losses in goods-producing industries of 2,000 for the month were partially offset by gains in service-providing industries of 1,200.

For the year ending in May, Ohio wage and salary employment fell by 14,800 (0.3%). Manufacturing employment fell by 18,400 and employment in construction fell by 4,600, contributing to a total decline in employment in goods-producing industries of 23,500. This

decline was partially offset by an increase in employment in service-providing industries of 8,700 for the year, led again this month by employment in educational and health services, which increased by 10,800, and in professional and business services, which increased by 3,900.

Manufacturing

The Department of Commerce reported increases in both new orders and shipments of manufactured goods in April. New orders increased by 0.3%, the fifth increase in six months. Shipments increased by 0.8%, after having increased by 2.1% in March. The durable goods sector experienced stronger growth for the month, with new orders increasing by 0.8% (also the fifth increase in the last six months) and shipments increasing 1.9%. Among specific industries, shipments of machinery increased 3.8% for the month and shipments of primary metals increased by 2.2%, but shipments of transportation equipment fell by 1.8%.

Inflation and Prices

The consumer price index for all urban consumers (CPI-U) increased by 0.7% in May after seasonal adjustment, and by 2.7% for the year ending in May. The May increase was heavily influenced by prices for energy, which rose 5.4%, and in particular by prices

for petroleum-based energy, which rose 9.8%. Excluding food and energy, the CPI-U rose by 0.1% in May, and by 2.2% for the year ending in May.

CPI-U has increased by 5.5% at a seasonally adjusted annual rate (SAAR) for 2007 so far, significantly higher than the 2.5% increase for all of 2006. The high rate of growth this year is due primarily to higher energy prices, which have increased 36.0% (SAAR) thus far, and especially to petroleum-based energy prices, up 63.9%. Food prices have also risen significantly this year, with the food component of the index increasing by 6.2%; beef prices are up 5.1%. Excluding food and energy, CPI-U has increased by 2.1% (SAAR) thus far in 2007, suggesting that core inflation is still under control.

Similarly, the producer price index for finished goods increased by 0.9% in May, after having increased by 0.7% in April and by 1.0% in March. Excluding food and energy, though, the index increased by 0.2% in May after remaining unchanged in each of the two preceding months.

Given recent experience with energy prices, it is helpful that more recent data suggest that prices are moderating. Ohio drew a special mention in the June 13 issue of *This Week in Petroleum*, a publication of the U.S. Energy Information Administration (EIA), for experiencing a decrease in average regular gasoline prices of nearly 34 cents in just two weeks. And EIA reported another fall in the average price after that issue was published.

¹ The word “real” here, as in most economic writing, means the data so described have been adjusted for inflation.

Status of the General Revenue Fund

REVENUE

— Jean Botomogno and Allan Lundell

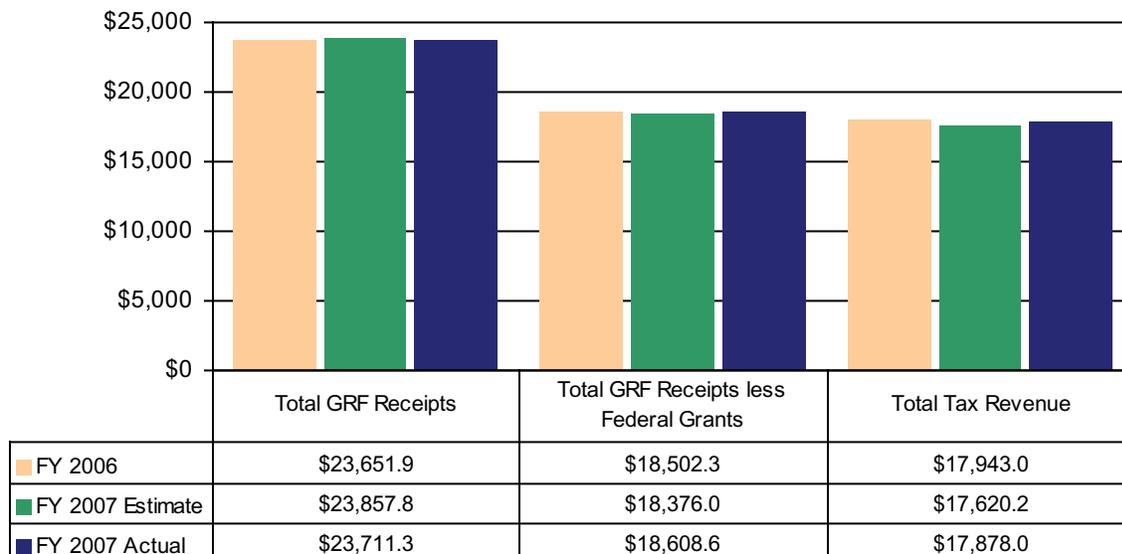
For the month of May, total GRF receipts of \$3,304.0 million were above estimate by \$16.6 million (0.5%).¹ State-source receipts were above estimate by \$31.7 million (1.2%) and federal grants were below estimate by \$15.1 million (2.5%). Tax revenues were above estimate by \$104.5 million (4.1%). Revenue from the personal income tax was \$101.6 million (8.0%) above estimate and corporate franchise tax revenue was above estimate by \$28.1 million (15.6%). Revenue from the sales and use tax was below estimate by \$18.5 million (2.9%); nonauto tax revenue was below estimate by \$19.4 million (3.5%) and auto tax revenue was above estimate by \$0.9 million (1.2%). Revenue from the cigarette tax was below estimate by \$11.2 million (7.1%).

Fiscal year-to-date GRF receipts of \$23,711.3 million are \$146.5 million (0.6%) below estimate and are up 0.3% compared to FY 2006. State-source receipts are \$232.6 million (1.3%) above estimate and federal grants are

\$379.2 million (6.9%) below estimate. Federal grants are below estimate primarily because state Medicaid spending is below estimate.² Tax revenues are above estimate by \$257.8 million (1.5%). Personal income tax revenue is above estimate by \$269.0 million (3.4%) and corporate franchise tax revenue is above estimate by \$186.5 million (22.2%). Revenue from the sales and use tax is below estimate by \$179.9 million (2.6%); nonauto tax revenue is below estimate by \$176.0 million (2.9%) and auto tax revenue is below estimate by \$3.9 million (0.5%). Revenue from the cigarette tax is below estimate by \$28.5 million (3.1%) and revenue from the estate tax is above estimate by \$19.0 million (45.1%).

For the fiscal year to date, total GRF receipts are up 0.3% compared to FY 2006. State-source receipts are up 0.6% and federal grants are down 0.9%. Tax revenue is down 0.4%, the result of a comparison with an FY 2006 total that included revenue from the commercial

Year-to-Date GRF Receipts
(in millions)



activity tax (CAT). If revenues from the CAT are not included in the FY 2006 total, then FY 2007 tax revenues are up 0.7%. Revenue from the personal income tax is up 1.4% and revenue from the corporate franchise tax is up 0.7%. Revenue from the sales and use tax is up 0.7%; nonauto tax revenue is up 1.2% and auto tax revenue is down 2.6%. Revenue from the cigarette tax is down 8.9%, largely due to a comparison with FY 2006 revenues that included receipts from the floor tax associated with the July 2005 increase in the cigarette tax.³

Personal Income Tax

The GRF received \$1,367.9 million from the personal income tax in May. This amount was \$101.6 million (8.0%) greater than estimated. The \$1,458.8 million in gross collections for all funds (not just the GRF) was above estimate by \$53.2 million (3.8%) and the \$54.6 million in refunds was \$48.2 million (46.9%) less than estimated. The \$656.4 million collected through withholding was below estimate by \$14.3 million (2.1%). Quarterly estimated payments of \$28.8 million were \$6.0 million (17.3%) below estimate.⁴ Payments associated with annual returns totaled \$740.8 million, which were above estimate by \$77.0 million (11.6%). The \$25.4 million in trust payments were below estimate by \$3.1 million (11.0%).

The GRF has received \$8,107.7 million from the personal income tax thus far this fiscal year. This amount is \$269.0 million (3.4%) above estimate. Gross collections are above estimate by \$209.4 million (2.1%) and refunds are \$61.0 million (5.4%) below estimate. The \$7,177.0 million collected through withholding is \$57.2 million (0.8%) above estimate. Withholding is expected to account for 72% of gross income tax collections for FY 2007. Year-to-date quarterly estimated payments of \$1,271.6 million are \$19.7 million (1.6%) above estimate. Trust payments are \$50.2 million (77.5%) above estimate and payments associated with annual returns are above estimate by \$71.6 million (5.7%).

Compared to a year ago, GRF revenue from the personal income tax is up 1.4% even with

reductions in the tax and withholding rates. Gross collections are up 0.4% and refunds are down 6.3%. Withholding, which depends on the condition of Ohio's labor market, is down 2.5%.⁵ Quarterly estimated payments are up 5.7%. Trust payments are up 43.7% and payments associated with annual returns are up 9.1%.

Sales and Use Tax

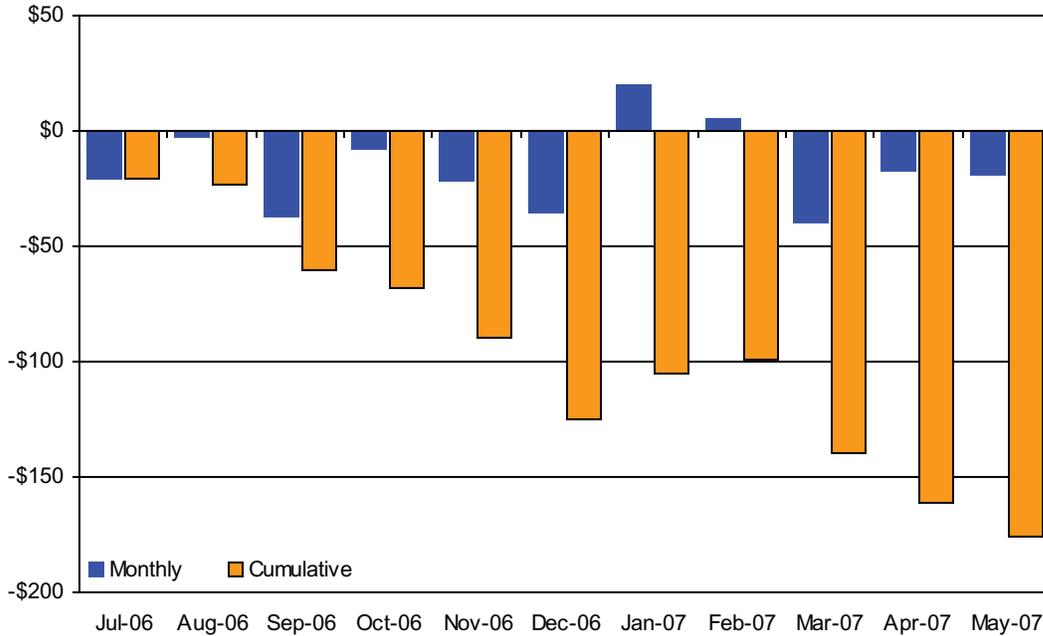
Sales and use tax collections in May 2007 were below estimate but above May 2006 receipts. Total sales and use tax revenues were \$626.1 million, \$18.5 million (2.9%) below projected revenues. Nonauto sales and use tax receipts were 3.5% below estimate. Auto sales and use tax receipts were 1.2% above estimate. Total sales and use tax receipts in May 2007 were also \$26.5 million (4.4%) above May 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 May, FY 2007 sales and use tax revenues were \$6,779.4 million, \$179.9 million (2.6%) below estimates. Growth in sales and use tax receipts has been generally weak throughout the fiscal year. FY 2007 sales and use tax receipts were \$45.9 million (0.7%) above year-to-date tax receipts in FY 2006.

Nonauto Sales and Use Tax

Nonauto sales and use tax receipts were again below estimate this month. Revenues in May 2007 were \$543.3 million, \$19.4 million (3.5%) below estimate. Nonauto sales and use tax receipts were also \$27.9 million (5.4%) above revenues in the same month a year ago. Through May, FY 2007 nonauto sales and use tax receipts were \$5,949.6 million, \$176.0 million (2.9%) below estimate, and \$67.9 million (1.2%) above receipts through May in FY 2006.

Nationwide core retail sales (total sales excluding sales of motor vehicle dealers and gas stations) grew 7.8% in May and were up 5.2% compared to sales in May 2006. The year-over-year growth in core retail sales was modest and has declined markedly compared to growth rates at the end of CY 2006. Strength in May sales was widespread, except for negative growth in the

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



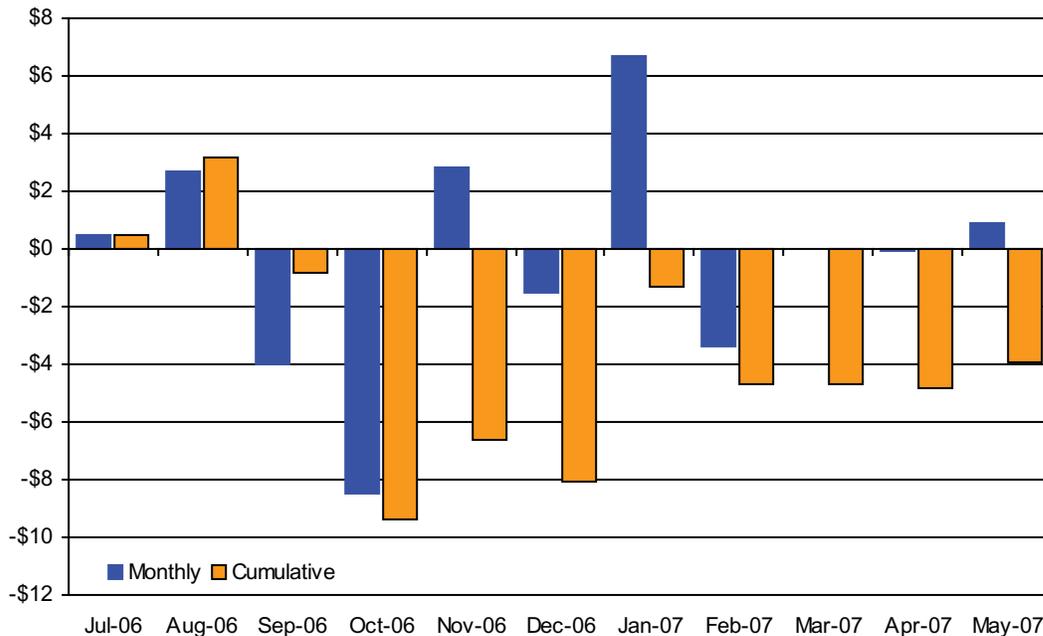
building materials industry. The hobbled housing industry has kept building supply store sales on a downward trajectory since the beginning of CY 2007, although the slide eased in May.

Auto Sales and Use Tax

Auto sales and use tax receipts were \$82.7 million, \$0.9 million (1.2%) above

estimate in May 2007. These receipts were also \$1.5 million (1.7%) below receipts in May 2006. The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

Auto Sales Tax Variances from August 2006 Estimates
(in millions)



Through May, FY 2007 year-to-date auto sales tax receipts were below both estimate and FY 2006 receipts. Receipts from the auto sales and use tax were \$829.8 million, \$3.9 million (0.5%) below estimate. FY 2007 year-to-date auto sales and use tax receipts were also \$22.0 million (2.6%) below receipts through May in FY 2006. Nationwide light vehicle unit sales were up 0.7 % compared to May 2006. Car unit sales were up 2.2% and truck unit sales were down 0.7%. Sales at motor vehicle dealers were surprisingly strong, up 6.8% in May, suggesting overall price increases in auto sales.

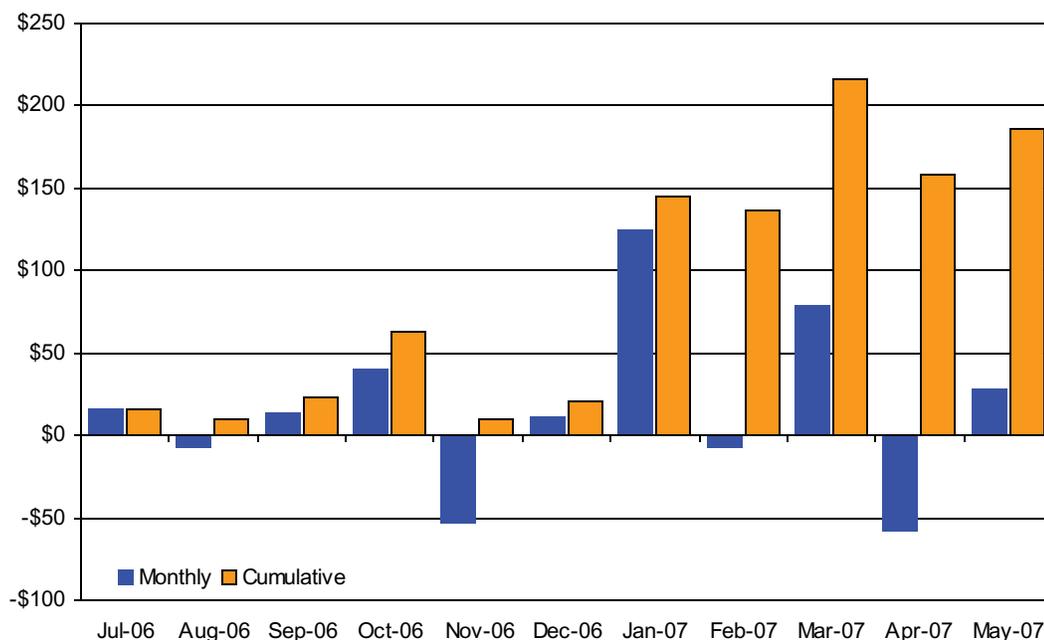
Corporate Franchise Tax

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 pays the difference between its first two estimated payments and its entire tax liability. Am. Sub. H.B. 66 (126th General Assembly) eliminated, over five years, the CFT for nonfinancial corporations, while maintaining the tax for financial corporations. In FY 2007, nonfinancial corporations are paying only 60% of their full tax liability. May CFT

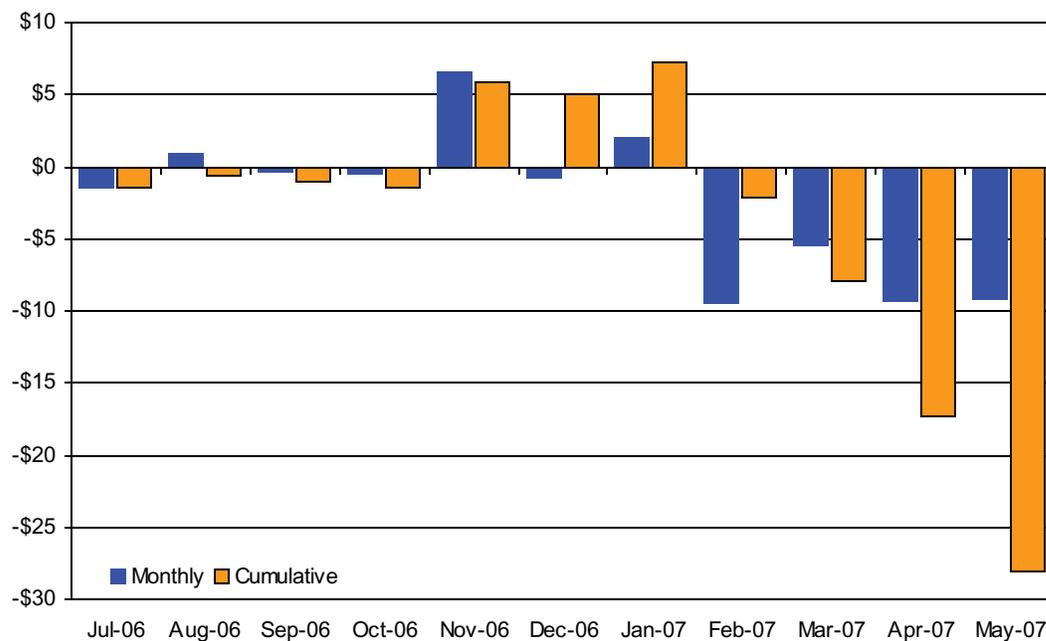
receipts were \$208.3 million, \$28.1 million (15.6%) above estimate. These receipts were \$22.7 million (9.8%) below May 2006 receipts. With the third CFT payment made in May, the performance of the CFT has confounded analysts. Through May, FY 2007 CFT receipts were \$1,028.3 million, \$186.5 million (22.2%) above estimate. FY 2007 year-to-date receipts were also \$7.2 million (0.7%) above year-to-date receipts through May 2006. Thus, there is a strong likelihood that FY 2007 receipts may surpass FY 2006 receipts of \$1,054.9 million. The performance of the tax is remarkable because nonfinancial corporations are paying 60% of their full tax liability this year, instead of 80% in FY 2006.

Although corporate profits have been strong in the last few years,⁷ CFT receipts suggest that changes in the behavior of certain taxpayers may be occurring. Large multistate corporations pay most of the nonfinancial corporate franchise tax. These corporations must apportion their income to the various states in which they do business. As the result of the phaseout of the franchise tax, some of the multistate corporations may have increased their apportionment of taxable income to Ohio, resulting in increased CFT revenues.

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



Cigarette Tax Variances from August 2006 Estimates
(in millions)



Cigarette and Other Tobacco Products Tax

For the fourth straight month, revenues from the tax on cigarette and other tobacco products (COTP) were below the estimates made in August. COTP receipts in May were \$147.0 million, \$11.2 million (7.1%) below estimate. Revenues were also \$13.9 million (8.6%) lower than receipts in May 2006. Through May, FY 2007 receipts were \$903.3 million, \$28.5 million (3.1%) below estimate. Those receipts were also \$88.0 million (8.9%) below FY 2006 receipts through May. However, excluding receipts from the one-time inventory tax of about \$66.1 million last year, FY 2007 year-to-date receipts were \$21.8 million (2.4%) below FY 2006 year-to-date receipts through May. Receipts from the COTP have been on a steep downward trajectory in CY 2007. Increases in cigarette prices by manufacturers, a tax increase in Cuyahoga County, and a smoking ban in public places approved in November 2006 appear to have negatively affected consumption of taxed cigarettes in the last few months. Since February, receipts from the COTP have been about 9% below estimates and 14% below prior-year receipts.

Commercial Activity Tax

Commercial activity tax (CAT) revenues for taxable gross receipts in the first quarter of CY 2007 were due May 10, 2007. CAT receipts for May were \$118.0 million, \$19.2 million (19.4%) above estimate. Through May, FY 2007 CAT receipts were \$587.9 million, \$88.9 million (17.8%) above estimate. CAT receipts are distributed to two non-GRF funds, the School District Tangible Property Tax Replacement Fund (SDRF) and the Local Government Tangible Property Tax Replacement Fund (LGRF). Through May, FY 2007 distributions to the SDRF and the LGRF were \$411.5 million and \$176.4 million, respectively. Distributions were \$62.2 million and \$26.7 million above estimates, respectively. Current projections peg FY 2007 CAT receipts at about \$593.0 million, \$86.1 million (17.0%) above estimates. The table below provides quarterly CAT receipts in the first three quarters of FY 2007.

| FY 2007 CAT Receipts (in thousands of dollars) | | | |
|---|------------------|------------------|------------------|
| | Quarter 1 | Quarter 2 | Quarter 3 |
| Actual | \$139,434 | \$139,816 | \$177,235 |
| Estimate | \$114,000 | \$114,000 | \$164,600 |
| Dollar Variance | \$25,434 | \$25,816 | \$12,635 |
| Percent Variance | 22.30% | 22.60% | 7.70% |

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

| | Actual | Estimate* | Variance | Percent |
|--|--------------------|--------------------|------------------|----------------|
| TAX REVENUE | | | | |
| Auto Sales | \$82,730 | \$81,787 | \$943 | 1.2% |
| Nonauto Sales and Use | \$543,329 | \$562,747 | -\$19,418 | -3.5% |
| Total Sales and Use Taxes | \$626,059 | \$644,534 | -\$18,475 | -2.9% |
| Personal Income | \$1,367,897 | \$1,266,300 | \$101,597 | 8.0% |
| Corporate Franchise | \$208,329 | \$180,200 | \$28,129 | 15.6% |
| Public Utility | \$59,465 | \$78,700 | -\$19,235 | -24.4% |
| Kilowatt Hour Excise | \$24,727 | \$24,700 | \$27 | 0.1% |
| Commercial Activity Tax** | \$0 | \$0 | \$0 | --- |
| Foreign Insurance | -\$14,429 | -\$12,196 | -\$2,233 | 18.3% |
| Domestic Insurance | \$169,357 | \$157,000 | \$12,357 | 7.9% |
| Business and Property | \$19,584 | \$16,200 | \$3,384 | 20.9% |
| Cigarette | \$146,995 | \$158,200 | -\$11,205 | -7.1% |
| Alcoholic Beverage | \$4,327 | \$4,846 | -\$519 | -10.7% |
| Liquor Gallonage | \$2,638 | \$2,752 | -\$114 | -4.1% |
| Estate | \$20,790 | \$10,000 | \$10,790 | 107.9% |
| Total Tax Revenue | \$2,635,739 | \$2,531,236 | \$104,502 | 4.1% |
| NONTAX STATE-SOURCE REVENUE | | | | |
| Earnings on Investments | \$0 | \$0 | \$0 | --- |
| Licenses and Fees | \$3,101 | \$4,800 | -\$1,699 | -35.4% |
| Other Revenue | \$4,116 | \$7,300 | -\$3,184 | -43.6% |
| Nontax State-Source Revenue | \$7,217 | \$12,100 | -\$4,883 | -40.4% |
| TRANSFERS | | | | |
| Liquor Transfers | \$10,000 | \$11,000 | -\$1,000 | -9.1% |
| Budget Stabilization | \$0 | \$0 | \$0 | --- |
| Other Transfers In | \$69,167 | \$136,100 | -\$66,933 | -49.2% |
| Total Transfers In | \$79,167 | \$147,100 | -\$67,933 | -46.2% |
| TOTAL GRF before Federal Grants | \$2,722,123 | \$2,690,436 | \$31,687 | 1.2% |
| Federal Grants | \$581,916 | \$596,992 | -\$15,076 | -2.5% |
| TOTAL GRF SOURCES | \$3,304,039 | \$3,287,428 | \$16,611 | 0.5% |

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

** Existing law requires all CAT revenue during FY 2007-FY 2011 to go to school districts and local governments.

Detail may not sum to total due to rounding.

Table 3
General Revenue Fund Sources
Actual vs. Estimate
FY 2007 as of May 2007
(\$ in thousands)

| | Actual | Estimate* | Variance | Percent | FY 2006 | Percent Change |
|--|---------------------|---------------------|-------------------|----------------|---------------------|-----------------------|
| TAX REVENUE | | | | | | |
| Auto Sales | \$829,767 | \$833,697 | -\$3,930 | -0.5% | \$851,759 | -2.6% |
| Nonauto Sales and Use | \$5,949,597 | \$6,125,601 | -\$176,004 | -2.9% | \$5,881,671 | 1.2% |
| Total Sales and Use Taxes | \$6,779,364 | \$6,959,298 | -\$179,934 | -2.6% | \$6,733,429 | 0.7% |
| Personal Income | \$8,107,734 | \$7,838,701 | \$269,033 | 3.4% | \$7,995,871 | 1.4% |
| Corporate Franchise | \$1,028,263 | \$841,800 | \$186,463 | 22.2% | \$1,021,023 | 0.7% |
| Public Utility | \$163,294 | \$179,100 | -\$15,806 | -8.8% | \$173,475 | -5.9% |
| Kilowatt Hour Excise | \$307,846 | \$311,900 | -\$4,054 | -1.3% | \$313,136 | -1.7% |
| Commercial Activity Tax** | \$0 | \$0 | \$0 | --- | \$181,952 | -100.0% |
| Foreign Insurance | \$254,927 | \$255,582 | -\$655 | -0.3% | \$248,352 | 2.6% |
| Domestic Insurance | \$169,464 | \$159,300 | \$10,164 | 6.4% | \$137,183 | 23.5% |
| Business and Property | \$20,186 | \$17,200 | \$2,986 | 17.4% | \$17,301 | 16.7% |
| Cigarette | \$903,331 | \$931,800 | -\$28,469 | -3.1% | \$991,332 | -8.9% |
| Alcoholic Beverage | \$51,170 | \$52,059 | -\$889 | -1.7% | \$51,998 | -1.6% |
| Liquor Gallonage | \$31,315 | \$31,349 | -\$34 | -0.1% | \$30,497 | 2.7% |
| Estate | \$61,083 | \$42,100 | \$18,983 | 45.1% | \$47,469 | 28.7% |
| Total Tax Revenue | \$17,877,976 | \$17,620,189 | \$257,788 | 1.5% | \$17,943,019 | -0.4% |
| NONTAX STATE-SOURCE REVENUE | | | | | | |
| Earnings on Investments | \$130,656 | \$99,400 | \$31,256 | 31.4% | \$71,826 | 81.9% |
| Licenses and Fees | \$77,026 | \$70,199 | \$6,827 | 9.7% | \$73,110 | 5.4% |
| Other Revenue | \$114,904 | \$125,300 | -\$10,396 | -8.3% | \$152,496 | -24.7% |
| Nontax State-Source Revenue | \$322,587 | \$294,899 | \$27,688 | 9.4% | \$297,432 | 8.5% |
| TRANSFERS | | | | | | |
| Liquor Transfers | \$125,000 | \$123,000 | \$2,000 | 1.6% | \$126,000 | -0.8% |
| Budget Stabilization | \$0 | \$0 | \$0 | --- | \$0 | --- |
| Other Transfers In | \$283,071 | \$337,900 | -\$54,829 | -16.2% | \$135,896 | 108.3% |
| Total Transfers In | \$408,071 | \$460,900 | -\$52,829 | -11.5% | \$261,896 | 55.8% |
| TOTAL GRF before Federal Grants | \$18,608,634 | \$18,375,988 | \$232,647 | 1.3% | \$18,502,347 | 0.6% |
| Federal Grants | \$5,102,648 | \$5,481,822 | -\$379,174 | -6.9% | \$5,149,593 | -0.9% |
| TOTAL GRF SOURCES | \$23,711,282 | \$23,857,810 | -\$146,528 | -0.6% | \$23,651,940 | 0.3% |

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

** Existing law requires all CAT revenue during FY 2007-FY 2011 to go to school districts and local governments.

Detail may not sum to total due to rounding.

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 of the 126th General Assembly 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 of the 126th General Assembly. 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.

⁷ Corporate taxable income grew 26%, 32%, and 19% in CY 2004, CY 2005, and CY 2006, respectively.

DISBURSEMENTS

— Phil Cummins*

Through the end of May, cumulative FY 2007 General Revenue Fund (GRF) disbursements for program spending totaled \$23,468.5 million, which was under estimate by \$686.6 million (2.8%).¹ Compared with program spending through the same 11-month period in the prior fiscal year, disbursements were \$272.9 million (1.2%) higher this year. In May, total GRF program disbursements were \$2,221.4 million, over estimate by \$112.3 million.

Disbursements for three of the state’s four major GRF program categories—Welfare and Human Services, Education, and Government Operations—were over estimate for the month but under estimate for the year to date. Disbursements for the other major GRF program category, the Property Tax Relief program, were under estimate in May but over estimate for the first 11 months of the fiscal year. These categories are summarized in Tables 4 and 5, and in the chart titled “GRF Cumulative Disbursement Variances by Program Category.” The Welfare and Human Services category continued to have by far the largest year-to-date variance. Within the GRF

program subcategories, the Health Care/Medicaid program again posted the biggest year-to-date spending shortfall, though as expected, outlays in the latest month were well above estimate as a result, in part, of the coding error in April that delayed a payment until May. The sections that follow discuss the most significant of these variances, 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.

Welfare and Human Services (-\$594.7 million)

Disbursements in the Welfare and Human Services category in May were \$1,143.7 million, \$164.1 million (16.7%) over estimate. For the fiscal year to date, outlays of \$10,781.8 million in this category were \$594.7 million (5.2%) under estimate. Within the category, Health Care/Medicaid spending continued to account for most of the variance, with year-to-date disbursements under estimate by \$505.6 million (5.5%). Other components of the category

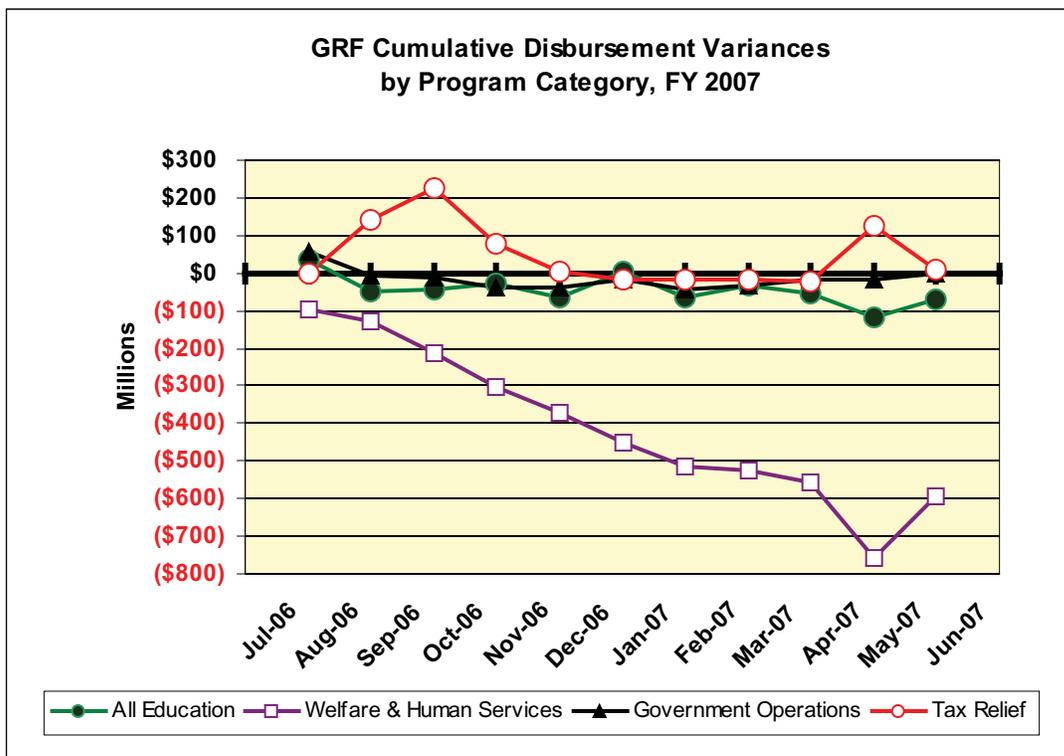


Table 4
General Revenue Fund Uses
Actual vs. Estimate
Month of May 2007
(\$ in thousands)

| <i>PROGRAM</i> | Actual | Estimate* | Variance | Percent |
|--|--------------------|--------------------|-------------------|----------------|
| Primary and Secondary Education (1) | \$573,501 | \$525,401 | \$48,099 | 9.2% |
| Higher Education | \$231,809 | \$228,988 | \$2,821 | 1.2% |
| Total Education | \$805,310 | \$754,389 | \$50,920 | 6.7% |
| Health Care/Medicaid | \$973,977 | \$790,355 | \$183,623 | 23.2% |
| Temporary Assistance for Needy Families (TANF) | \$39,912 | \$48,171 | -\$8,259 | -17.1% |
| Other Welfare (2) | \$34,683 | \$38,493 | -\$3,810 | -9.9% |
| Human Services (3) | \$95,091 | \$102,595 | -\$7,504 | -7.3% |
| Total Welfare and Human Services | \$1,143,663 | \$979,613 | \$164,050 | 16.7% |
| Justice and Corrections | \$139,786 | \$119,010 | \$20,775 | 17.5% |
| Environment and Natural Resources | \$9,931 | \$10,126 | -\$195 | -1.9% |
| Transportation | \$1,184 | \$704 | \$479 | 68.0% |
| Development | \$6,820 | \$7,636 | -\$816 | -10.7% |
| Other Government | \$17,407 | \$24,413 | -\$7,006 | -28.7% |
| Capital | \$0 | \$0 | \$0 | --- |
| Total Government Operations | \$175,128 | \$161,890 | \$13,238 | 8.2% |
| Property Tax Relief (4) | \$97,293 | \$213,194 | -\$115,901 | -54.4% |
| Debt Service | \$0 | \$0 | \$0 | --- |
| Total Other Disbursements | \$97,293 | \$213,194 | -\$115,901 | -54.4% |
| Total Program Disbursements | \$2,221,394 | \$2,109,087 | \$112,307 | 5.3% |
| TRANSFERS | | | | |
| Budget Stabilization | \$0 | \$0 | \$0 | --- |
| Other Transfers Out | \$15,387 | \$0 | \$15,387 | --- |
| Total Transfers Out | \$15,387 | \$0 | \$15,387 | --- |
| TOTAL GRF USES | \$2,236,781 | \$2,109,087 | \$127,694 | 6.1% |

(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.

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 May were \$6.5 million (2.0%) under

estimate. Disbursements for the Other Welfare subcategory, which includes various operating and subsidy programs within the Department of Job and Family Services other than Medicaid and TANF, were under estimate by \$63.6 million

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

| PROGRAM | Actual | Estimate* | Variance | Percent | FY 2006 | Percent Change |
|--|---------------------|---------------------|-------------------|----------------|---------------------|-----------------------|
| Primary and Secondary Education (1) | \$6,350,327 | \$6,429,101 | -\$78,774 | -1.2% | \$6,248,435 | 1.6% |
| Higher Education | \$2,248,575 | \$2,237,662 | \$10,913 | 0.5% | \$2,187,236 | 2.8% |
| Total Education | \$8,598,902 | \$8,666,763 | -\$67,861 | -0.8% | \$8,435,671 | 1.9% |
| Health Care/Medicaid | \$8,733,538 | \$9,239,122 | -\$505,584 | -5.5% | \$8,741,320 | -0.1% |
| Temporary Assistance for Needy Families (TANF) | \$324,317 | \$330,785 | -\$6,468 | -2.0% | \$329,588 | -1.6% |
| Other Welfare (2) | \$512,890 | \$576,461 | -\$63,571 | -11.0% | \$514,214 | -0.3% |
| Human Services (3) | \$1,211,069 | \$1,230,173 | -\$19,104 | -1.6% | \$1,184,965 | 2.2% |
| Total Welfare and Human Services | \$10,781,814 | \$11,376,540 | -\$594,726 | -5.2% | \$10,770,087 | 0.1% |
| Justice and Corrections | \$1,893,113 | \$1,871,843 | \$21,270 | 1.1% | \$1,807,451 | 4.7% |
| Environment and Natural Resources | \$97,164 | \$97,296 | -\$133 | -0.1% | \$96,794 | 0.4% |
| Transportation | \$21,211 | \$23,237 | -\$2,026 | -8.7% | \$25,918 | -18.2% |
| Development | \$134,202 | \$146,264 | -\$12,062 | -8.2% | \$137,629 | -2.5% |
| Other Government | \$366,571 | \$377,332 | -\$10,761 | -2.9% | \$362,784 | 1.0% |
| Capital | \$108 | \$0 | \$108 | --- | \$299 | -63.9% |
| Total Government Operations | \$2,512,368 | \$2,515,972 | -\$3,604 | -0.1% | \$2,430,874 | 3.4% |
| Property Tax Relief (4) | \$1,062,657 | \$1,053,890 | \$8,767 | 0.8% | \$1,129,584 | -5.9% |
| Debt Service | \$512,711 | \$541,936 | -\$29,226 | -5.4% | \$429,322 | 19.4% |
| Total Other Disbursements | \$1,575,368 | \$1,595,826 | -\$20,458 | -1.3% | \$1,558,907 | 1.1% |
| Total Program Disbursements | \$23,468,452 | \$24,155,101 | -\$686,649 | -2.8% | \$23,195,539 | 1.2% |
| TRANSFERS | | | | | | |
| Budget Stabilization | \$394,034 | \$394,034 | \$0 | 0.0% | \$394,205 | 0.0% |
| Other Transfers Out | \$346,429 | \$325,113 | \$21,317 | 6.6% | \$195,802 | 76.9% |
| Total Transfers Out | \$740,463 | \$719,147 | \$21,317 | 3.0% | \$590,007 | 25.5% |
| TOTAL GRF USES | \$24,208,915 | \$24,874,247 | -\$665,332 | -2.7% | \$23,785,546 | 1.8% |

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

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

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

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

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

Detail may not sum to total due to rounding.

(11.0%). Disbursements in the Human Services subcategory, which includes services provided by more than 20 other agencies, were under estimate by \$19.1 million (1.6%).

Health Care/Medicaid. The largest contributor to the year-to-date variance in Medicaid spending was in the HMO categories, which were \$227.7 million (8.5%) under estimate

with spending of \$2,460.3 million through May. Medicaid managed care is being expanded statewide to 1.2 million Covered Families and Children (CFC) and 125,000 Aged, Blind, and Disabled (ABD) Medicaid consumers. This program focuses on care coordination and preventive services. Disbursements rose sharply in May in part because the state's April 30 payment to Medicaid providers, including large managed care payments, failed to post until May because of coding errors, according to the Office of Budget and Management.

The Nursing Facilities Payments category was under estimate by \$110.1 million (4.4%) through May with spending of \$2,377.4 million. Utilization continues to be lower than projected. The All Other category, with spending of \$491.4 million through May, was \$76.6 million (13.5%) below estimate, in part due to many changes in the home care programs. Elimination of the Core Plus program caused a shift from the home health service categories to the Waiver category. As a result, the Waiver category was over estimate by \$62.5 million (24.7%) with spending of \$315.6 million through May. Disbursements in the Home Health category were \$43.2 million (23.2%) below estimate with spending of \$143.0 million through May.

The Inpatient Hospital category was \$137.1 million (10.6%) below estimate with spending of \$1,150.6 million through May. Prescription Drug category spending of \$860.6 million through May was \$92.3 million (9.7%) below estimate. Lower than projected managed care enrollment shifted spending to fee-for-service categories. The Physicians category was \$28.6 million (6.4%) over estimate with spending of \$472.6 million through May. Slower than expected rollout of CFC managed care increased fee-for-service spending.

The Disability Assistance (DA) Medical category was \$6.5 million (21.3%) under estimate with actual outlays of \$23.8 million through May. This program is closed to new enrollment and attrition has been higher than projected. Spending in the Hospice category was \$130.3 million through May, \$13.1 million (11.2%) over estimate. The Medicare Part D

category was under estimate by \$31.6 million (12.8%) with spending of \$216.0 million through May.

Education (-\$67.9 million)

Outlays of \$805.3 million in May in the Education category were \$50.9 million (6.7%) over estimate. Year-to-date outlays totaling \$8,598.9 million in this category were \$67.9 million (0.8%) under estimate, more than accounted for by the Department of Education.

Department of Education. Disbursements in May were \$47.2 million (9.2%) over estimate, narrowing the amount by which year-to-date disbursements were under estimate to \$73.8 million (1.2%), with Foundation Funding accounting for most of the variance. This line-item appropriation is the main source of state foundation payments to all school districts and joint vocational school districts in the state two times each month. Both the estimates and subsequent payments are based on projections that frequently change as data become available. FY 2007 is the first year in which payments are based on two average daily membership (ADM) counts, one in October and one in February. The February count showed a drop in the number of students in the state, largely accounting for the year-to-date shortfall. OBM reportedly expects to encumber \$44.0 million of the FY 2007 appropriation for this item to pay FY 2008 state aid obligations.

Board of Regents. Disbursements for Higher Education exceeded estimate by \$2.8 million (1.2%) in May and by \$10.9 million (0.5%) for the year to date. The largest component of the year-to-date variance in Board of Regents programs is \$19.9 million of spending in excess of estimate for the Ohio Instructional Grants program, largely resulting from \$14.3 million of FY 2007 funds appropriated for this program being used in December to complete payments to campuses for FY 2006. Total payouts for this program in FY 2007 will exceed the appropriation, and the Board of Regents expects about \$19 million to be reallocated from unencumbered and unobligated appropriation balances of other GRF appropriation items, under

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

| Service Category | May | | | | Year-to-Date Spending | | | |
|---|--------------------|------------------|------------------|------------------|-----------------------|---------------------|--------------------|------------------|
| | Actual | Estimate | Variance | Percent Variance | Actual thru May | Estimate thru May | Variance | Percent Variance |
| Nursing Facilities Payments | \$212,096 | \$230,196 | (\$18,100) | -7.9% | \$2,377,366 | \$2,487,514 | (\$110,148) | -4.4% |
| ICF/MR Payments | \$43,139 | \$43,651 | (\$512) | -1.2% | \$475,205 | \$474,173 | \$1,032 | 0.2% |
| Inpatient Hospitals | \$91,884 | \$93,871 | (\$1,987) | -2.1% | \$1,150,562 | \$1,287,622 | (\$137,060) | -10.6% |
| Outpatient Hospitals | \$37,012 | \$34,873 | \$2,139 | 6.1% | \$509,924 | \$510,444 | (\$520) | -0.1% |
| Physicians | \$36,127 | \$30,706 | \$5,421 | 17.7% | \$472,594 | \$444,016 | \$28,578 | 6.4% |
| Prescription Drugs | \$60,554 | \$71,790 | (\$11,236) | -15.7% | \$860,584 | \$952,845 | (\$92,261) | -9.7% |
| ODJFS Waiver | \$30,778 | \$22,526 | \$8,252 | 36.6% | \$315,610 | \$253,131 | \$62,479 | 24.7% |
| HMO - CFC* | \$425,875 | \$270,495 | \$155,380 | 57.4% | \$2,127,062 | \$2,604,300 | (\$477,238) | -18.3% |
| HMO - ABD* | \$195,506 | \$62,126 | \$133,380 | 214.7% | \$333,249 | \$83,747 | \$249,502 | 297.9% |
| Medicare Buy-In | \$23,583 | \$23,142 | \$441 | 1.9% | \$247,930 | \$247,265 | \$665 | 0.3% |
| Home Health | \$16,288 | \$16,182 | \$106 | 0.7% | \$143,036 | \$186,276 | (\$43,240) | -23.2% |
| Dental | \$4,879 | \$2,955 | \$1,924 | 65.1% | \$65,294 | \$56,488 | \$8,806 | 15.6% |
| Hospice | \$14,125 | \$10,087 | \$4,038 | 40.0% | \$130,271 | \$117,169 | \$13,102 | 11.2% |
| All Other | \$50,385 | \$44,358 | \$6,027 | 13.6% | \$491,408 | \$567,963 | (\$76,555) | -13.5% |
| Total Medicaid Payments | \$1,242,231 | \$956,958 | \$285,273 | 29.8% | \$9,700,095 | \$10,272,953 | (\$572,858) | -5.6% |
| Medicare Part D | \$20,075 | \$23,759 | (\$3,684) | -15.5% | \$216,033 | \$247,629 | (\$31,596) | -12.8% |
| Capital Compensation Program | (\$35) | | (\$35) | N/A | \$4,470 | \$7,500 | (\$3,030) | N/A |
| DA Medical | \$2,158 | \$2,013 | \$145 | 7.2% | \$23,796 | \$30,246 | (\$6,450) | -21.3% |
| Drug Rebates Offsets | (\$52,692) | (\$34,509) | (\$18,183) | 52.7% | (\$384,567) | (\$404,800) | \$20,233 | -5.0% |
| Revenue and Collections | (\$19,427) | (\$14,474) | (\$4,953) | 34.2% | (\$115,203) | (\$126,645) | \$11,442 | -9.0% |
| ICF/MR Franchise Fee Offsets | | (\$1,515) | \$1,515 | -100.0% | (\$13,684) | (\$16,687) | \$3,003 | -18.0% |
| NF Franchise Fee Offsets | | (\$37,184) | \$37,184 | N/A | (\$261,174) | (\$334,859) | \$73,685 | -22.0% |
| DSH Rebate Offsets | (\$51,118) | (\$28,674) | (\$22,444) | 78.3% | (\$150,026) | (\$165,186) | \$15,160 | -9.2% |
| MCP Assessments | (\$90,369) | (\$24,789) | (\$65,580) | 264.6% | (\$209,358) | (\$168,567) | (\$40,791) | 24.2% |
| ABD Managed Care | (\$76,847) | (\$51,231) | (\$25,616) | 50.0% | (\$76,847) | (\$102,462) | \$25,615 | -25.0% |
| Total Health Care (Net of Offsets) | \$973,976 | \$790,354 | \$183,622 | 23.2% | \$8,733,535 | \$9,239,122 | (\$505,587) | -5.5% |
| Est. Federal Share | \$583,734 | \$473,684 | \$110,050 | | \$5,234,277 | \$5,537,291 | (\$303,014) | |
| Est. State Share | \$390,242 | \$316,670 | \$73,572 | | \$3,499,258 | \$3,701,831 | (\$202,573) | |

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

- 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 has been \$6.25 per bed per day for both FY 2006 and FY 2007.
- Waivers provide home-care alternatives to consumers whose medical conditions/functional abilities would otherwise require long-term care facility residence.
- "All Other" includes all other health services funded by line item 600-525 and payments from funds encumbered in the previous year.
- 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.
- DA Medical is a state-only funded program.
- 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.

the provisions of Section 512.06 of Am. Sub. H.B. 530 of the 126th General Assembly (the Capital Reappropriations Act).

Government Operations (-\$3.6 million)

In May, outlays in the Government Operations category totaled \$175.1 million,

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 May '07 | Yr.-to-Date as of May '06 | | |
| Nursing Facilities Payments | \$2,377,366 | \$2,428,732 | (\$51,366) | -2.1% |
| ICF/MR Payments | \$475,205 | \$471,897 | \$3,308 | 0.7% |
| Inpatient Hospitals | \$1,150,562 | \$1,382,504 | (\$231,942) | -16.8% |
| Outpatient Hospitals | \$509,924 | \$627,486 | (\$117,562) | -18.7% |
| Physicians | \$472,594 | \$597,589 | (\$124,995) | -20.9% |
| Prescription Drugs | \$860,584 | \$1,554,389 | (\$693,805) | -44.6% |
| ODJFS Waiver | \$315,610 | \$206,352 | \$109,258 | 52.9% |
| HMO | \$2,460,311 | \$1,295,637 | \$1,164,674 | 89.9% |
| Medicare Buy-In | \$247,930 | \$214,333 | \$33,597 | 15.7% |
| Home Health | \$143,036 | \$167,642 | (\$24,606) | -14.7% |
| Dental | \$65,294 | \$112,590 | (\$47,296) | -42.0% |
| Hospice | \$130,271 | \$116,065 | \$14,206 | 12.2% |
| All Other | \$491,408 | \$538,924 | (\$47,516) | -8.8% |
| Total Medicaid Payments | \$9,700,095 | \$9,714,140 | (\$14,045) | -0.1% |
| Medicare Part D | \$216,033 | \$247,629 | (\$31,596) | -12.8% |
| Capital Compensation Program | \$4,470 | \$7,500 | (\$3,030) | -40.4% |
| DA Medical | \$23,796 | \$30,246 | (\$6,450) | -21.3% |
| Drug Rebates Offsets | (\$384,567) | (\$404,800) | \$20,233 | -5.0% |
| Revenue and Collections | (\$115,203) | (\$126,645) | \$11,442 | -9.0% |
| ICF/MR Franchise Fee Offsets | (\$13,684) | (\$16,687) | \$3,003 | -18.0% |
| NF Franchise Fee Offsets | (\$261,174) | (\$334,859) | \$73,685 | -22.0% |
| DSH Rebate Offsets | (\$150,026) | (\$165,186) | \$15,160 | -9.2% |
| MCP Assessments | (\$209,358) | (\$168,567) | (\$40,791) | 24.2% |
| Total Health Care (Net of Offsets) | \$8,810,382 | \$8,782,771 | \$27,611 | 0.3% |
| Est. Federal Share | \$5,280,334 | \$5,263,786 | \$16,548 | |
| Est. State Share | \$3,530,048 | \$3,518,985 | \$11,063 | |

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 has been \$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. 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.
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%.

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

\$13.2 million (8.2%) over OBM's estimate, and year-to-date disbursements in the category were \$2,512.4 million, \$3.6 million (0.1%) under estimate. The largest variance was at the

Department of Rehabilitation and Correction, with year-to-date disbursements \$21.8 million over estimate.

Tax Relief (+\$8.8 million)

The Tax Relief program reimburses local governments for revenues forgone because of state programs that lower taxes of property owners receiving the homestead exemption, the 10% and 2.5% real property tax rollbacks, and the \$10,000 business tangible property tax exemption. In May, property tax relief payments totaled \$97.3 million, \$115.9 million (54.4%) under estimate, and year-to-date reimbursements through that month totaled \$1,062.7 million, \$8.8 million (0.8%) over estimate. As was the case in the first half of the

fiscal year, reimbursements appear to be taking place relatively quickly. 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 \$1,024.4 million, \$16.4 million (1.6%) over estimate. Reimbursements for the \$10,000 tangible property tax exemption, which appear to have been completed in January for this fiscal year, total \$38.3 million, \$7.6 million (16.6%) under estimate but equal to the amount implied for FY 2007 by this program's phaseout schedule. These payments to local governments will be eliminated after FY 2009.

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

¹ Disbursements plus transfers out totaled \$24,208.9 million for the fiscal year through May, 2.7% 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 because of 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 1.8% more than in the same period in FY 2006.