

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

NOVEMBER 2007

FISCAL OVERVIEW

— Allan Lundell

Four months into FY 2008, General Revenue Fund (GRF) receipts are \$240.7 million below estimate and expenditures are \$214.9 million above estimate.^{1,2}

Receipts

Through October, fiscal year-to-date GRF receipts of \$8,007.3 million were \$240.7 million (2.9%) below estimate but were up 2.0% compared to FY 2007. State-source receipts were \$55.5 million (0.9%) below estimate and federal grants were \$185.1 million (8.7%) below estimate. Federal grants were below estimate due to the timing of the receipt of the revenue associated with the last Medicaid payment for October. Tax revenues were below estimate by \$2.7 million (0.05%). Personal income tax receipts were above estimate by \$42.0 million (1.6%), revenue from the cigarette tax was above estimate by \$11.6 million (4.4%), and revenue from the nonauto sales tax was above estimate by \$9.7 million (0.4%). Corporate franchise tax receipts were below estimate by \$33.2 million (85.2%) and revenue from the auto sales tax was below estimate by \$20.1 million (5.8%). Earnings on investments were below estimate by \$46.1 million (99.8%) as a result of delay in posting first-quarter interest to the general ledger. If adjustments are made to account for the timing issues affecting federal grants and earnings on investments, GRF receipts through the end of October were above estimate by \$7.6 million (0.1%).

Expenditures

General Revenue Fund (GRF) program expenditures in the first four months of FY 2008 totaled \$9,544.0 million, \$70.9 million (0.7%) more than OBM estimates for the period and 7.2% higher than year-earlier outlays. Including transfers out, total GRF uses of funds exceeded estimate by \$214.9 million (2.2%) and were 5.8% higher than a year earlier. Expenditures for Primary and Secondary Education were above estimate by \$119.1 million (4.9%) and expenditures for Higher Education were below estimate by \$19.3 million (2.4%). Expenditures for Public Assistance and Medicaid were below estimate by \$36.5 million (0.9%) and

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- Real U.S. GDP grew by 3.9% in the third quarter
- Ohio's unemployment rate remains 5.9%
- Federal Reserve lowers federal funds rate target to 4.5%

STATUS OF THE GRF

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- Timing issues affect comparisons with estimates
- Fiscal year-to-date total GRF receipts are below estimate by \$240.7 million (2.9%)
- After adjusting for timing issues, total GRF receipts are above estimate by \$7.6 million (0.1%)

Expenditures 13

- Year-to-date GRF program expenditures in FY 2008 totaled \$9,544.0 million, \$70.9 million higher than estimate
- The accounting records are closed for the first three months of the fiscal year but remain open for October

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

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expenditures for Health and Human Services were below estimate by \$52.8 million (10.8%). Records remain open for October. Payroll

expenses totaling \$139.6 million have not yet been booked to specific agencies and other changes may also be made.

¹ “Estimate” refers to the August 2007 estimate of the Office of Budget and Management.

² This information is based on reports created in the Ohio Administrative Knowledge System (OAKS) on November 14. The state’s accounting records are now closed for July through September, and so will not change further for those months. However, the records remain open for October and changes may be made.

TRACKING THE ECONOMY

—Ross Miller

Economists at Global Insight summarized things nicely in the November issue of its *U.S. Executive Summary*: “The backward-looking evidence may suggest that the economy is doing just fine, but the storm clouds are gathering.” Third quarter data on real U.S. GDP and October data on job growth in the U.S. both struck many analysts as surprisingly positive—real GDP growth accelerated (very slightly) in the third quarter (even though many thought it would slow), while job growth also accelerated in the most recent period.

So to what “storm clouds” does Global Insight refer? They mention two. First, there is the ongoing slump in housing and associated financial markets. And second, the price of oil is nearing \$100 per barrel. Both factors have the potential to cause consumers to reduce spending, which would tend to slow economic growth. Due primarily to these factors Global Insight is projecting slower growth during the current and next two quarters. They project that GDP growth will average an annualized 1.2% over the three quarters, and suggest that strength in exports is the main reason they do not foresee a recession.

The Federal Reserve seems concerned about the same issues. The Federal Open Market Committee lowered its target rate for the federal funds rate from 4.75% to 4.5% at its October 31 meeting. The press release that announced the decision indicated that the decision, together with an earlier decision to reduce the rate from 5.25% to 4.75%, “should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.” With the reduction to 4.5%, Fed officials indicated that their view of the risks from inflation and from an economic downturn were roughly in balance.

Production and Income

Real U.S. GDP grew by an annualized 3.9% in the third quarter of 2007,¹ a slight acceleration

from the second quarter’s 3.8% rate. Real consumer spending grew at an annual rate of 3.0%, contributing 2.11 percentage points to growth in output. The next largest contribution to growth came from exports, which grew by 16.2%, contributing 1.79 percentage points to growth. Growth in exports has been very strong recently, with the growth rate exceeding 10% in four of the last eight quarters; this growth is due at least in part to the weakness of the U.S. dollar. Contributions to real GDP growth came from all the major spending categories: gross private domestic investment (which contributed 0.13 percentage points of growth); net exports of goods and services (0.93 points); and government consumption expenditures and gross investment (0.73 points).

There was no let up in recent declines in real residential fixed investment, which decreased by 20.1% in the third quarter. This subtracted over one percentage point from growth in output—excluding this subsector the economy grew by 5% in the third quarter. The positive contribution from gross private domestic investment came despite this slump, with decreases here made up by gains in nonresidential fixed investment (+7.9%) and an increase in business inventories.

U.S. personal income increased by an annualized 5.8% in the third quarter, after having increased by 5.3% in the second quarter (before inflation adjustment). Disposable personal income (personal income minus personal current taxes) increased by 6.1% in the third quarter, up from 4.8% in the second.

Employment and Unemployment

U.S. nonfarm payroll employment grew by 166,000 in October, to a seasonally adjusted level of about 138.4 million. This represented an acceleration in growth from the preceding two months, which saw employment growing by 93,000 (in August) and 96,000 (in September). Employment declined in the goods producing sector by 24,000 in October, due primarily to a

decrease of 21,000 in manufacturing employment. The decline on the goods producing side of the economy was more than offset by an increase of 190,000 in service providing employment. Major contributions to service providing employment growth came from professional and business services (+65,000), leisure and hospitality (+56,000), and health care and social assistance (+35,100).

The U.S. unemployment rate remained at 4.7% in October, unchanged from its September level. The unemployment rate was higher than it was the previous October (at 4.4%), though, and the civilian labor force decreased by 211,000 from September to October.

Ohio's unemployment rate also remained unchanged in October, but was at a higher rate of 5.9%. The number of unemployed Ohioans fell slightly, from 355,000 in September to 352,000 in October. Ohio's nonfarm payroll employment decreased by 6,800, or 0.1%, during the month. Job losses were split between goods producing industries (1,900) and service providing industries (4,900).

Over the last year Ohio's nonfarm payroll employment decreased by 11,500. Goods producing industries experienced an employment decline of 16,400, including job losses of 12,700 in durable goods manufacturing. Employment in service providing industries grew by 4,900 over the year, led by educational and health

services (+10,500) and professional and business services (+4,300). Those gains were partially offset by employment losses in other service providing industries, primarily financial activities (-3,600).

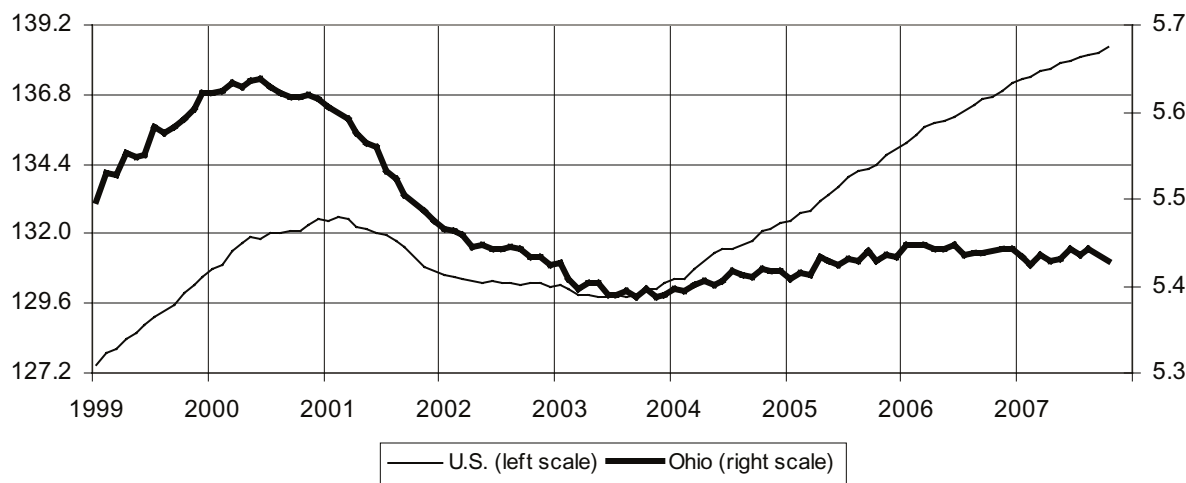
Housing Markets and Construction

Housing starts increased by 3.0% nationally in October, but at a seasonally adjusted annual rate of 1.23 million were still 16.4% lower than they had been the year before. Building permits suggest a continuation of the housing slump in the coming months, with the number falling by 6.6% nationally for the month, and by 24.5% compared to the preceding October.

Housing market data for the Midwest were better than the national data in some respects, but worse in others. Midwest housing starts increased by 21.1% from September to October, but still fell by 10.8% compared with the preceding October. Midwest building permits fell by 8.8% for the month, and by 20.1% for the year.

RealtyTrac, a private company that collects and publishes data on home foreclosures, reports that Cleveland, Akron, and several other Ohio cities were among the U.S. cities that were hardest hit by home foreclosures in the third quarter. The Cleveland/Lorain/Elyria/Mentor metropolitan statistical area ranked seventh highest in the U.S., with one foreclosure filing for every 57 households

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



during the quarter.² Akron ranked eleventh highest, with one filing for every 91 households, Dayton ranked seventeenth, and Toledo ranked twentieth; Columbus and Cincinnati were also represented in the top 30. A high rank by this measure does not necessarily mean an area is experiencing economic stagnation; the top five cities include Fort Lauderdale, Florida and Las Vegas, Nevada.

Retail Sales

U.S. retail and food services sales increased 0.2% in October,³ to a level 5.2% higher than the preceding October. For the three months of August through October, retail sales were 4.5% higher than they were during the equivalent period in 2006. Sales in October declined in several retail sectors, including furniture and home furnishing stores (down 0.9%), nonstore retailers (down 1.0%), and department stores (down 0.5%). The strongest growth was seen at gasoline stations, where sales grew 0.8% for the month, and in food services and drinking places (+0.7%).

For the first ten months of 2007 retail sales were 4.1% higher than the equivalent 2006 period. Nonstore retailers experienced the

fastest growth among retail sectors over this period (8.7%), followed by health and personal care stores (6.2%) and clothing and clothing accessories stores (5.8%). Sales by motor vehicle and parts dealers were 3.1% higher than a year ago for this period. Sales decreased for the period compared with 2006 at building material and garden equipment and supplies dealers (by 1.2%) and department stores (by 1.1%).

Inflation and Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.3% in October (after seasonal adjustment) to a level 3.5% higher than its level of the preceding year. The October increase was influenced by a 1.4% increase in the index for energy. Core inflation, *i.e.*, the percentage change in the index excluding food and energy, was 0.2% in October and 2.2% for the year ending in October.

The Producer Price Index for Finished Goods increased by (a seasonally adjusted) 0.1% in October, to a level 6.1% higher than its level of the preceding October. Excluding food and energy, the index was unchanged for the month, and increased by 2.5% for the year.

¹ This is the “advance estimate” of growth; the “preliminary estimate” that is based on more comprehensive data is scheduled to be released on November 29.

² Since RealtyTrac measures foreclosure filing rates in terms of one filing per X households, one filing per a smaller number of households represents a higher foreclosure rate than one filing per a larger number of households.

³ These statistics are adjusted for seasonal differences and holiday and trading day differences, but are not inflation adjusted.

Status of the General Revenue Fund

REVENUE

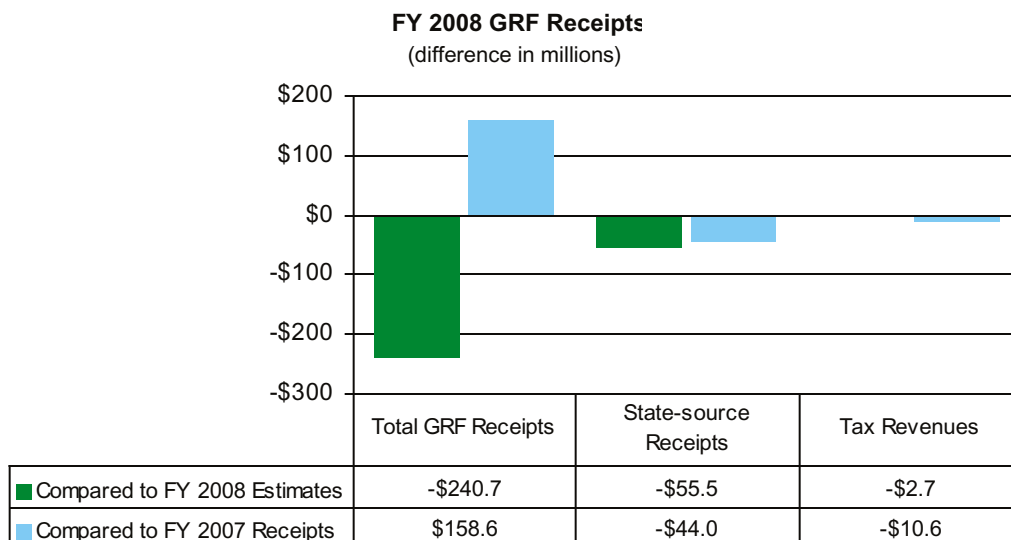
— Jean Botomogno and Allan Lundell

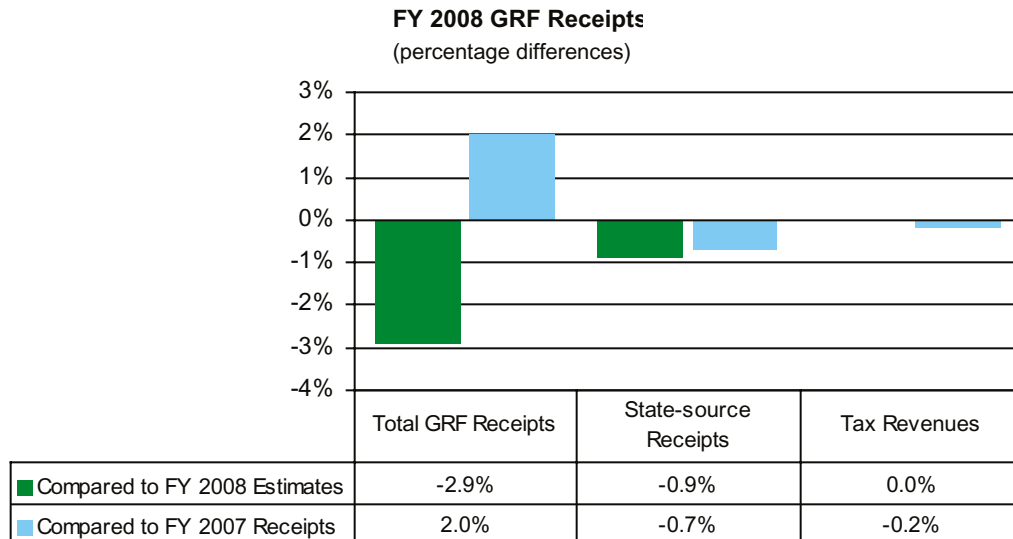
Total GRF receipts for October were \$2,073.7 million. This amount was \$178.6 million (7.9%) below estimate.¹ State-source receipts were above estimate by \$2.3 million (0.1%) and federal grants were below estimate by \$181.0 million (31.5%) due to the timing of the receipt of the revenue associated with the last Medicaid payment for October.² Tax revenues were above estimate by \$8.0 million (0.5%). Revenue from the personal income tax was above estimate by \$33.5 million (4.9%). Corporate franchise tax receipts were below estimate by \$11.9 million (44.0%), revenue from the nonauto sales tax was below estimate by \$9.7 million (1.7%), and revenue from the foreign insurance tax was below estimate by \$4.3 million (3.2%).

Through October, fiscal year-to-date total GRF receipts were \$8,007.3 million, \$240.7 million (2.9%) below estimate. State-source receipts were below estimate by \$55.5 million (0.9%) and federal grants were below estimate by \$185.1 million (8.7%). Tax revenues were below estimate by \$2.7 million (0.05%). Personal income tax receipts were above estimate by \$42.0 million (1.6%), revenue from the cigarette tax was above estimate by \$11.6 million (4.4%),

and revenue from the nonauto sales tax was above estimate by \$9.7 million (0.4%). Corporate franchise tax receipts were below estimate by \$33.2 million (85.2%), revenue from the auto sales tax was below estimate by \$20.1 million (5.8%), revenue from the foreign insurance tax was below estimate by \$5.6 million (4.0%), and estate tax revenue was below estimate by \$5.3 million (24.2%). Earnings on investments were below estimate by \$46.1 million (99.8%), as a result of delay in posting first-quarter interest to the general ledger.

Compared to FY 2007, fiscal year-to-date total GRF receipts are up 2.0%. State-source receipts are down 0.7% and federal grants are up 11.6%. Tax revenues are down 0.2%. Nonauto sales tax revenue is up 3.2%, auto sales tax revenue is up 1.6%, and personal income tax revenue is up 1.1%. The corporate franchise tax receipts are down 94.7%, the estate tax revenue is down 29.4%, revenue from the public utility excise tax is down 13.7%, and cigarette tax revenue is down 1.2%. The following charts present comparisons of FY 2008 GRF receipts with estimated receipts for FY 2008 and with FY 2007 receipts.





Personal Income Tax

The GRF received \$717.8 million from the personal income tax in October. This amount was \$33.5 million (4.9%) greater than estimate. Gross receipts were above estimate by \$12.8 million (1.6%) and refunds were \$20.9 million (46.5%) less than estimate. Withholding was above estimate by \$9.9 million (1.5%) and quarterly estimated payments were above estimate by \$7.1 million (22.8%).³ Trust payments were below estimate by \$2.1 million (23.1%) and payments associated with annual returns were below estimate by \$2.0 million (2.8%).

Through October, the GRF had received \$2,747.4 million from the personal income tax, \$41.9 million (1.5%) greater than estimated at the start of FY 2008. Gross receipts were above estimate by \$63.8 million (2.1%) and refunds were above estimate by \$21.2 million (19.7%). Withholding was \$78.4 million (3.1%) above estimate and quarterly estimated payments were below estimate by \$10.4 million (2.5%). Trust payments were above estimate by \$1.4 million (8.7%) and payments associated with annual returns were below estimate by \$0.9 million (0.9%).

Compared to the same point in the previous fiscal year, GRF receipts through October were up 1.1%. Gross receipts were up by 1.1% and refunds were up by 3.7%. Withholding was up 1.1%, quarterly estimated payments were up

2.5%, trust payments were down 15.2%, and payments associated with annual returns were up 4.1%.

Sales and Use Tax

Total sales and use tax revenues in October were \$627.8 million, \$9.2 million (1.4%) below projected revenues. Nonauto sales and use tax receipts were \$545.0 million, \$9.7 million (1.7%) below estimate, and auto sales and use tax receipts were \$82.8 million, \$0.5 million (0.6%) above estimate. Total sales and use tax receipts were \$10.0 million (1.6%) above October 2006 sales and use tax revenues. Tax receipts partly reflect taxable retail sales activity in the prior month and also taxable retail sales during that month.⁴ Through October, FY 2008 year-to-date total sales and use tax revenues were \$2,533.5 million, \$10.5 million (0.4%) below estimates. FY 2008 total sales and use tax receipts were also \$73.6 million (3.0%) above FY 2007 receipts through October 2006.

Nonauto Sales and Use Tax

Nonauto sales and use tax revenues in October were \$545.0 million, \$9.7 million (1.7%) below estimate. Receipts were also \$1.5 million (0.3%) below revenues in the same month a year ago. Through October, FY 2008 year-to-date receipts were \$2,203.8 million, \$9.7 million (0.4%) above estimate, and \$68.3 million (3.2%) above FY 2007 receipts through October 2006.

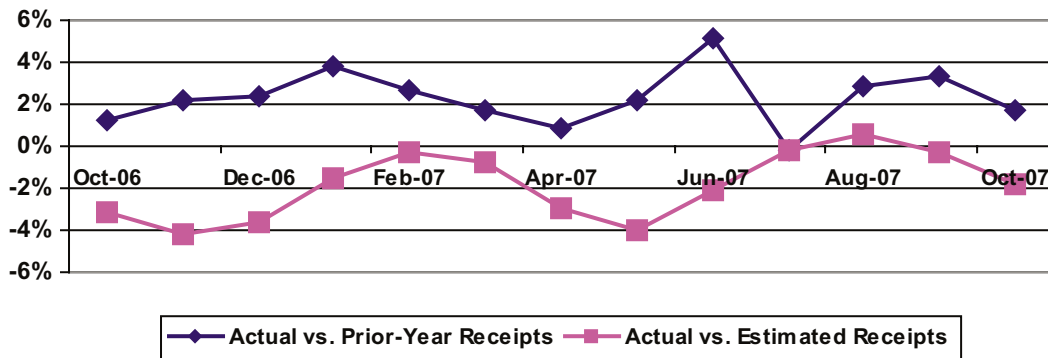
Auto Sales and Use Tax

For the first time this fiscal year, auto sales and use tax receipts were above estimate. October tax receipts were \$82.8 million, \$0.5 million (0.6%) above 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. Compared to monthly revenues a year ago, auto sales and use tax receipts this month were \$11.6 million (16.3%) higher than receipts in October 2006. Through October 2007, FY 2008 year-to-date auto sales and use tax receipts were \$329.7 million, \$20.1 million (5.8%) below estimate. These receipts were also \$5.3 million (1.6%) above receipts through October in FY 2007.

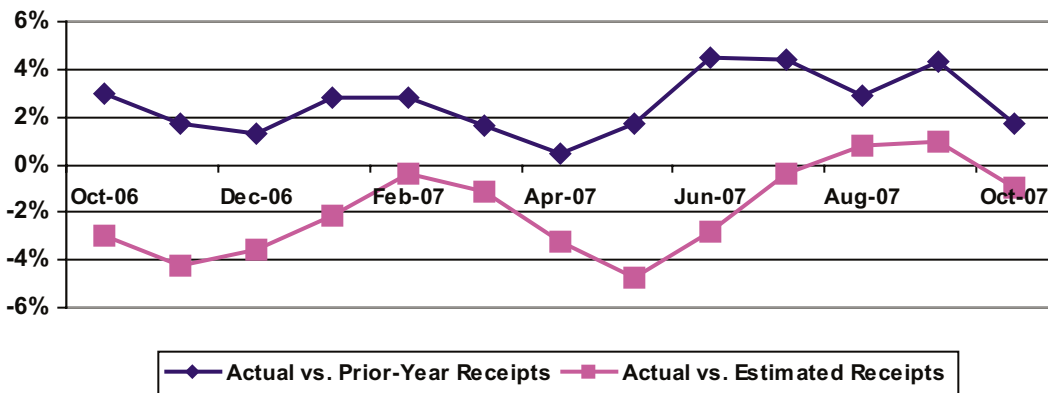
The following charts present comparisons of actual monthly receipts to estimated receipts and also to prior-year receipts in the same month. The graphs show three-month moving averages of receipts, which provide a better indication of trends. For example, the growth rate presented for October is the average growth rate for August, September, and October. The use of a moving average also reduces the impact of the lag between sales activity and tax collections that occurs with the sales and use tax, and smoothes the effects of monthly changes in sales tax patterns. When compared to both estimated and prior-year receipts, the performance of the tax has generally been modest. However, receipts have fallen below estimate and growth has turned weak in the last few months.

The trends in receipts from the nonauto sales and use tax in the last 12 months are generally

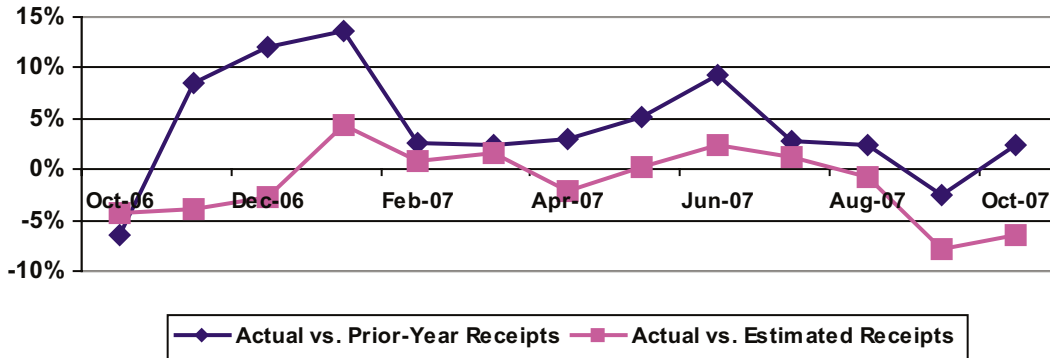
Monthly Total Sales and Use Tax Receipts
(Three-month moving averages)



Growth in Monthly Nonauto Sales and Use Tax Receipts
(Three-month moving averages)



**Growth in Monthly Auto Sales and Use Tax Receipts
(Three-month moving averages)**



similar to that of total sales and use tax. Except for a few months, nonauto sales and use tax monthly receipts were generally below estimates in FY 2007. First-quarter receipts in FY 2008 were above both estimates and receipts in the same period in FY 2007. However, a downward trend in the last two months, ahead of the important retail holiday sales season, might be a cause for concern. So far, nonauto sales and use tax receipts appear to have not been hurt by several headwinds facing the consumer. However, the outlook for the tax source is uncertain because of a worsening crisis in the housing market, rising energy prices, and a recent decrease in consumer confidence.

Growth in monthly receipts from the auto sales and use tax in the last 12 months has been volatile. Receipts generally failed to meet estimate in this fiscal year, and the monthly year-over-year growth has been meek. Auto sales are strongly linked to the success of incentives offered by manufacturers and dealers, and incentives appear to have had limited success so far in FY 2008.

Corporate Franchise Tax

Major tax receipts under the corporate franchise tax (CFT) are due in the second half of the fiscal year. Activities in the first half of the fiscal year are generally refunds, tax payments due to audit findings, late payments, and other tax reconciliations. In FY 2008, nonfinancial corporations will pay only 40% of their full tax liability because the CFT is being gradually phased out (as part of the five-year tax

reform plan enacted in Am. Sub. H.B. 66). In FY 2007, the same firms paid 60% of their full tax liability.

CFT receipts in October were \$15.1 million, \$11.9 million (44.0%) below estimate. October 2007 receipts were also \$36.8 million (70.9%) below receipts in October 2006. Through October, FY 2008 year-to-date CFT receipts were \$5.8 million, \$33.0 million (85.2%) below estimate. These receipts were also \$102.6 million (94.7%) below FY 2007 receipts through October 2006. This year-over-year comparison is affected both by the reduction in tax liability paid from the phase-out of the tax and a large CFT settlement received in the first quarter of FY 2007.

Cigarette and Other Tobacco Products Tax

Receipts from the cigarette and other tobacco products tax in October were \$83.2 million, \$0.5 million (0.6%) above estimate. Compared to year-ago receipts in the same month, revenues in October 2007 were \$2.7 million (3.1%) lower. Through October, FY 2008 year-to-date receipts from the cigarette and other tobacco products tax were \$278.0 million, \$11.6 million (4.4%) above estimate. FY 2008 revenues from this tax source were also \$3.5 million (1.2%) below revenues through October in FY 2007.

Commercial Activity Tax

Receipts from the commercial activity tax (CAT) in October were \$28.5 million, \$8.4 million (41.9%) above estimate. Through

October, FY 2008 year-to-date CAT receipts were \$245.5 million, \$8.1 million (3.4%) above estimate. Revenues from the CAT in FY 2008 are distributed to the School District Tangible Property Tax Replacement Fund (SDRF) and to the Local Government Tangible Property

Tax Replacement Fund (LGRF). Distributions of revenues were \$171.9 million to the SDRF and \$73.7 million to the LGRF. The second major CAT payment in FY 2008 was due on November 9, 2007.

¹ “Estimate” refers to the August 2007 estimate of the Office of Budget and Management.

² Federal grants are federal reimbursements for programs administered by the Department of Job and Family Services, such as Medicaid and Temporary Assistance for Needy Families (TANF). The amount received depends on expenditures for human services programs that require federal participation. Any changes in state spending in these areas will change receipts from federal grants.

³ Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than \$500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. These payments are usually made by taxpayers with significant nonwage income. This income often comes from investments, especially capital gains realized in the stock market. Most estimated payments are made by high-income taxpayers.

⁴ 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 month.

General Revenue Fund Sources
Preliminary Actual vs. Estimate
Month of October 2007
(\$ in thousands)
(based on OAKS data run on November 14, 2007)

	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$82,833	\$82,300	\$533	0.6%
Nonauto Sales & Use	\$544,994	\$554,700	-\$9,706	-1.7%
Total Sales & Use Taxes	\$627,827	\$637,000	-\$9,173	-1.4%
Personal Income	\$717,810	\$684,300	\$33,510	4.9%
Corporate Franchise	\$15,132	\$27,000	-\$11,868	-44.0%
Public Utility	-\$922	-\$1,700	\$778	-45.7%
Kilowatt Hour Excise	\$26,015	\$25,000	\$1,015	4.1%
Commercial Activity Tax	\$0	\$0	\$0	---
Foreign Insurance	\$127,826	\$132,100	-\$4,274	-3.2%
Domestic Insurance	\$59	\$0	\$59	---
Business & Property	\$139	\$60	\$79	131.2%
Cigarette	\$83,213	\$82,700	\$513	0.6%
Alcoholic Beverage	\$4,366	\$4,500	-\$134	-3.0%
Liquor Gallonage	\$2,678	\$2,800	-\$122	-4.3%
Estate	\$13,073	\$15,500	-\$2,427	-15.7%
Total Tax Revenue	\$1,617,215	\$1,609,260	\$7,955	0.5%
NONTAX STATE-SOURCE REVENUE				
Earnings on Investments	\$37	\$0	\$37	---
Licenses and Fees	\$5,181	\$5,160	\$21	0.4%
Other Revenue	\$5,680	\$5,300	\$380	7.2%
Nontax State-Source Revenue	\$10,898	\$10,460	\$438	4.2%
TRANSFERS				
Liquor Transfers	\$12,000	\$12,000	\$0	0.0%
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$40,007	\$46,060	-\$6,053	-13.1%
Total Transfers In	\$52,007	\$58,060	-\$6,053	-10.4%
TOTAL GRF before Federal Grants	\$1,680,120	\$1,677,780	\$2,340	0.1%
Federal Grants	\$393,545	\$574,523	-\$180,977	-31.5%
TOTAL GRF SOURCES	\$2,073,665	\$2,252,303	-\$178,638	-7.9%

* August 2007 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.

General Revenue Fund Sources
Preliminary Actual vs. Estimate
FY 2008 as of October 31, 2007
(\$ in thousands)

(based on OAKS data run on November 14, 2007)

	Actual	Estimate*	Variance	Percent	FY 2007	Percent Change
TAX REVENUE						
Auto Sales	\$329,757	\$349,900	-\$20,143	-5.8%	\$324,419	1.6%
Nonauto Sales & Use	\$2,203,760	\$2,194,100	\$9,660	0.4%	\$2,135,475	3.2%
Total Sales & Use Taxes	\$2,533,517	\$2,544,000	-\$10,483	-0.4%	\$2,459,895	3.0%
Personal Income	\$2,747,486	\$2,705,500	\$41,986	1.6%	\$2,717,532	1.1%
Corporate Franchise	\$5,753	\$39,000	-\$33,247	-85.2%	\$108,313	-94.7%
Public Utility	\$40,723	\$43,200	-\$2,477	-5.7%	\$47,176	-13.7%
Kilowatt Hour Excise	\$120,400	\$118,900	\$1,500	1.3%	\$117,366	2.6%
Commercial Activity Tax**	\$0	\$0	\$0	---	\$0	---
Foreign Insurance	\$133,187	\$138,800	-\$5,613	-4.0%	\$131,045	1.6%
Domestic Insurance	\$253	\$600	-\$347	-57.9%	\$235	7.4%
Business & Property	\$354	\$740	-\$386	-52.1%	\$507	-30.1%
Cigarette	\$278,036	\$266,400	\$11,636	4.4%	\$281,544	-1.2%
Alcoholic Beverage	\$19,997	\$19,900	\$97	0.5%	\$19,972	0.1%
Liquor Gallonage	\$11,635	\$11,700	-\$65	-0.6%	\$11,453	1.6%
Estate	\$16,523	\$21,800	-\$5,277	-24.2%	\$23,408	-29.4%
Total Tax Revenue	\$5,907,864	\$5,910,540	-\$2,676	0.0%	\$5,918,446	-0.2%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	\$82	\$46,200	-\$46,118	-99.8%	\$50,157	-99.8%
Licenses and Fees	\$19,334	\$18,411	\$923	5.0%	\$18,679	3.5%
Other Revenue	\$17,695	\$21,704	-\$4,009	-18.5%	\$25,672	-31.1%
Nontax State-Source Revenue	\$37,112	\$86,315	-\$49,204	-57.0%	\$94,507	-60.7%
TRANSFERS						
Liquor Transfers	\$64,000	\$61,000	\$3,000	4.9%	\$47,000	36.2%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$55,677	\$62,320	-\$6,643	-10.7%	\$48,716	14.3%
Total Transfers In	\$119,677	\$123,320	-\$3,643	-3.0%	\$95,716	25.0%
TOTAL GRF before Federal Grants	\$6,064,653	\$6,120,175	-\$55,523	-0.9%	\$6,108,669	-0.7%
Federal Grants	\$1,942,689	\$2,127,824	-\$185,134	-8.7%	\$1,740,030	11.6%
TOTAL GRF SOURCES	\$8,007,342	\$8,247,999	-\$240,657	-2.9%	\$7,848,699	2.0%

* August 2007 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.

EXPENDITURES

— *Phil Cummins*

General Revenue Fund (GRF) program expenditures in the first four months of FY 2008 totaled \$9,544.0 million, \$70.9 million (0.7%) more than Office of Budget and Management (OBM) estimates for the period and 7.2% higher than year-earlier outlays. Including transfers out, total GRF uses of funds exceeded estimate by \$214.9 million (2.2%) and were 5.8% higher than a year earlier. These figures are shown in the first table accompanying this report.

This information is based on reports created in the Ohio Administrative Knowledge System (OAKS) on November 14. The state's accounting records are now closed for July through September and so will not change further for those months. However, the records remain open for October. Payroll expenses totaling \$139.6 million have not yet been booked to specific agencies for last month, and other changes may also be made. For this reason, GRF outlays are shown separately for the first three months of FY 2008 and for October in the second table that accompanies this report.

In the first three months of FY 2008, total program expenditures of \$6,902.3 million were below estimate by \$169.1 million (2.4%). The largest source of this variance was in Primary and Secondary Education, with expenditures of \$1,704.7 million, under estimate by \$138.0 million (7.5%). Expenditures of \$2,824.1 million for Public Assistance and Medicaid were \$22.0 million (0.8%) less than estimate. The Tax Relief and Other category, with expenditures of \$347.1 million during

July through September, exceeded estimate by \$22.3 million. Including transfers out, which exceeded estimate by \$163.7 million, total GRF uses of funds were \$5.4 million (0.1%) under estimate.

In October, some of these patterns appear to have been reversed, with \$2,641.7 million of program spending in excess of estimate by \$240.0 million (10.0%). Spending in most program categories was under estimate, reflecting at least in part \$139.6 million of pending payroll not yet booked to agencies. However, expenditures for Primary and Secondary Education of \$858.4 million were \$257.1 million (42.7%) higher than estimate. Including transfers out, total GRF uses last month of \$2,955.0 million were \$220.4 million (8.1%) higher than estimate.

Comparisons of state expenditures with OBM's estimates and with year-ago levels are more uncertain than in past fiscal years because of the change in the state's accounting system. Specifically, spending is recognized in the new OAKS accounting system when a liability is incurred. Under the old accounting system, through the end of FY 2007, spending was recorded at the time when cash was spent. Since revenues continue to be recognized when received, the current method of accounting is known as the modified accrual basis. This difference in accounting method for outlays affects both comparisons with year-earlier figures and comparisons with estimates, since the estimates are necessarily based on patterns in past years.

General Revenue Fund Uses
Preliminary Actual vs. Estimate
FY 2008 as of October 31, 2007
(\$ in thousands)
(based on OAKS data run on November 14, 2007)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2007	Percent Change
Primary and Secondary Education (1)	\$2,563,029	\$2,443,959	\$119,071	4.9%	\$2,386,991	7.4%
Higher Education	\$796,118	\$815,456	-\$19,337	-2.4%	\$735,160	8.3%
Total Education	\$3,359,148	\$3,259,415	\$99,732	3.1%	\$3,122,152	7.6%
Public Assistance and Medicaid	\$3,882,880	\$3,919,331	-\$36,451	-0.9%	\$3,575,658	8.6%
Health and Human Services	\$436,875	\$489,657	-\$52,782	-10.8%	\$479,643	-8.9%
Total Welfare and Human Services	\$4,319,755	\$4,408,988	-\$89,233	-2.0%	\$4,055,301	6.5%
Justice and Public Protection	\$721,491	\$797,380	-\$75,890	-9.5%	\$777,199	-7.2%
Environment and Natural Resources	\$31,910	\$37,409	-\$5,499	-14.7%	\$33,014	-3.3%
Transportation	\$5,564	\$10,552	-\$4,988	-47.3%	\$8,507	-34.6%
General Government	\$151,944	\$174,446	-\$22,502	-12.9%	\$167,915	-9.5%
Community and Economic Development	\$56,115	\$65,148	-\$9,033	-13.9%	\$66,794	-16.0%
Capital	\$6	\$481	-\$475	-98.8%	\$34	-83.6%
Total Government Operations	\$967,030	\$1,085,416	-\$118,386	-10.9%	\$1,053,462	-8.2%
Tax Relief and Other	\$475,478	\$433,718	\$41,760	9.6%	\$421,057	12.9%
Debt Service	\$283,008	\$285,573	-\$2,565	-0.9%	\$252,328	12.2%
Total Other Expenditures	\$758,487	\$719,292	\$39,195	5.4%	\$673,384	12.6%
Pending Payroll	\$139,575	\$0	\$139,575	---	\$0	---
Total Program Expenditures	\$9,543,993	\$9,473,110	\$70,883	0.7%	\$8,904,298	7.2%
TRANSFERS						
Budget Stabilization	\$0	\$0	\$0	---	\$394,034	-100.0%
Other Transfers Out	\$610,839	\$466,800	\$144,039	30.9%	\$296,828	105.8%
Total Transfers Out	\$610,839	\$466,800	\$144,039	30.9%	\$690,862	-11.6%
TOTAL GRF USES	\$10,154,832	\$9,939,910	\$214,922	2.2%	\$9,595,160	5.8%

(1) Includes Other Education.

* August 2007 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

General Revenue Fund Uses
Preliminary Actual vs. Estimate
FY 2008 as of October 31, 2007
(\$ in thousands)

(based on OAKS data run on November 14, 2007)

PROGRAM	July-September			October		
	Actual	Estimate*	Variance	Actual	Estimate*	Variance
Primary and Secondary Education (1)	\$1,704,658	\$1,842,642	-\$137,984	\$858,371	\$601,317	\$257,053
Higher Education	\$596,650	\$605,182	-\$8,532	\$199,468	\$210,274	-\$10,806
Total Education	\$2,301,309	\$2,447,824	-\$146,515	\$1,057,839	\$811,591	\$246,248
Public Assistance and Medicaid	\$2,824,105	\$2,846,098	-\$21,993	\$1,058,774	\$1,073,233	-\$14,458
Health and Human Services	\$337,269	\$345,887	-\$8,619	\$99,607	\$143,770	-\$44,163
Total Welfare and Human Services	\$3,161,374	\$3,191,985	-\$30,611	\$1,158,381	\$1,217,002	-\$58,621
Justice and Public Protection	\$628,495	\$620,495	\$8,000	\$92,995	\$176,885	-\$83,890
Environment and Natural Resources	\$29,017	\$30,134	-\$1,116	\$2,892	\$7,275	-\$4,383
Transportation	\$4,280	\$5,018	-\$738	\$1,284	\$5,534	-\$4,250
General Government	\$145,685	\$155,135	-\$9,450	\$6,259	\$19,310	-\$13,052
Community and Economic Development	\$48,630	\$54,750	-\$6,120	\$7,486	\$10,398	-\$2,912
Capital	\$6	\$331	-\$325	\$0	\$150	-\$150
Total Government Operations	\$856,113	\$865,863	-\$9,750	\$110,916	\$219,552	-\$108,636
Tax Relief and Other	\$347,104	\$324,788	\$22,316	\$128,375	\$108,931	\$19,444
Debt Service	\$236,437	\$240,977	-\$4,540	\$46,572	\$44,597	\$1,975
Total Other Expenditures	\$583,540	\$565,765	\$17,776	\$174,946	\$153,527	\$21,419
Pending Payroll	\$0	\$0	\$0	\$139,575	\$0	\$139,575
Total Program Expenditures	\$6,902,337	\$7,071,437	-\$169,101	\$2,641,657	\$2,401,673	\$239,984
TRANSFERS						
Budget Stabilization	\$0	\$0	\$0	\$0	\$0	\$0
Other Transfers Out	\$297,461	\$133,800	\$163,661	\$313,379	\$333,000	-\$19,621
Total Transfers Out	\$297,461	\$133,800	\$163,661	\$313,379	\$333,000	-\$19,621
TOTAL GRF USES	\$7,199,797	\$7,205,237	-\$5,440	\$2,955,035	\$2,734,673	\$220,363

(1) Includes Other Education.

* August 2007 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.