Testimony and Forecast of GRF Revenues and Public Assistance Spending

For the FY 2004 - FY 2005 Biennial Budget Before the Conference Committee on H.B. 95

Testimony by LSC Fiscal Staff

June 11, 2003

LEGISLATIVE SERVICE COMMISSION TESTIMONY

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Ohio Legislative Service Commission

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Forecast of GRF Revenues and Public Assistance Spending For the FY 2004-FY 2005 Biennial Budget

Testimony before the Conference Committee on H.B. 95

June 11, 2003

Testimony of LSC Staff by
David Brunson, Division Chief for Education and Taxes
With assistance from LSC Tax Staff

Mr. Chairman and Members of the Conference Committee, I will be presenting the Legislative Service Commission's forecast for revenues. GRF revenues for FYs 2003, 2004, and 2005 are now anticipated to be lower than the original January 2003 baseline forecasts by the Office of Budget and Management (OBM) and by the Legislative Service Commission (LSC). The changes from the OBM forecast are estimated to be $+189 million in FY 2003, $-505 million in FY 2004, and $-551million in FY 2005. The LSC revised estimates for conference committee are lower than the OBM revised estimates by $53 million in FY 2003, $70 million in FY 2004, and $20 million in FY 2005. These estimates exclude federal funds. On a percentage basis the differences are 0.3%, 0.4%, and 0.1% lower, respectively.

The forecast for FY 2003 is higher than the original one because of the subsequent changes in H.B. 40 involving the speed up of sales tax payments by larger vendors and other non-tax changes. The speed up added an estimated $288 million to the sales tax over the months of April, May, and June. Adjusting for this change implies that the non-auto sales tax falls below estimate by $42 million for FY 2003.

For FY 2004, significant differences from the original OBM estimates are found in the non-auto sales tax ($-155 million), the personal income tax ($ -276 million), and earnings on investments ($ -35 million). Other changes were in both directions and smaller in size.

For FY 2005, differences from the original OBM estimates are concentrated in the same three sources: non-auto sales ($-148 million), personal income tax ($-324 million), and earnings on investments ($-40 million).

Economic Forecast

State revenues are dependent on the condition of the economy. Forecasts of state revenues have changed because forecasts of the condition of the economy have changed since January. Revenue forecasts have been revised to take into account actual revenue performance since January and changes in economic forecasts. The revisions are in general described by the phrase "slower growth off a lower base."

Global Insight's January forecast assumed that a war with Iraq started in late January and lasted four to six weeks. Gross domestic product (GDP) growth would be moderate in the first quarter, but pick up for the remainder of the year. For 2004, global economic recovery was assumed to push U.S. growth to 4.7%, its highest rate since 1985, before moderating to 3.3% in 2005. The June forecast incorporates the slower than expected growth during the first two quarters of 2003 and assumes that slower than originally forecast growth continues through the first part of 2004.

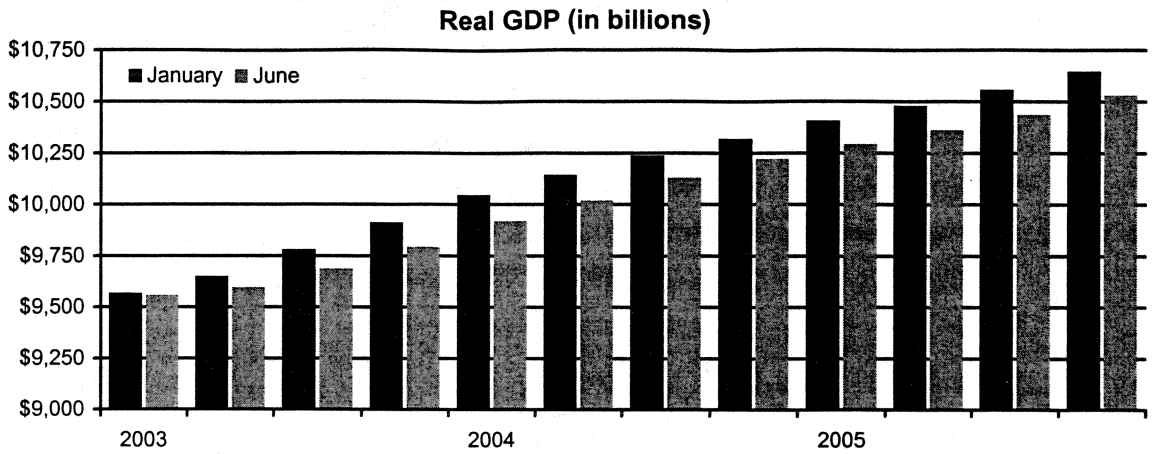
The table below and the accompanying charts present comparisons of the January and June forecasts of three economic indicators: real GDP, U.S. personal income, and U.S. private nonfarm employment. The first set of charts compares the forecasted levels of the three variables. The forecasted levels are lower in the June forecast than in the January forecast. The second set presents the percentage differences between the January and June forecasted levels of the variables. These percentage differences indicate the degree to which the economy is projected to be smaller than originally forecast. The third set of charts compares the forecasted growth rates for the variables. June growth forecasts are generally lower than in the January forecasts.

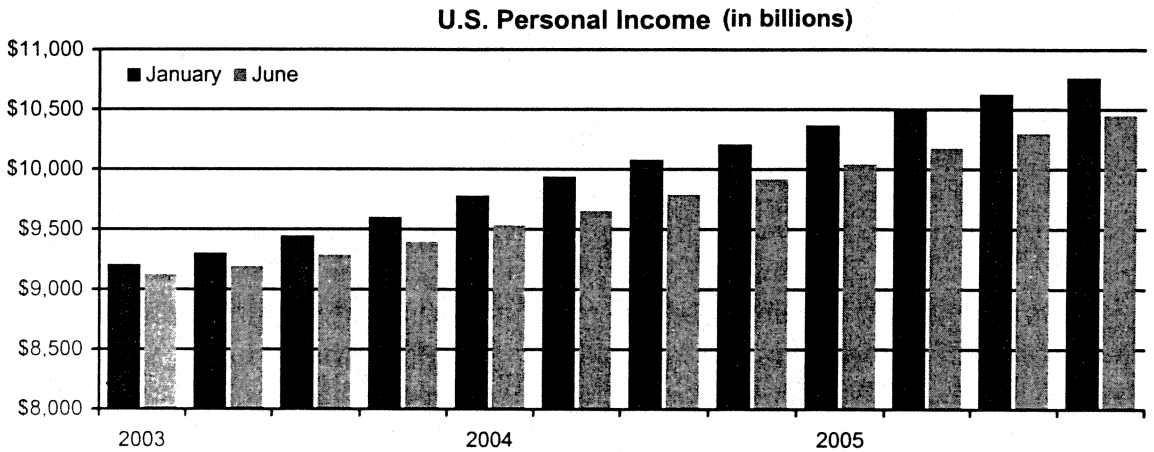
Looking at the second set of graphs shows that lower real GDP estimates build over calendar year 2003 and peak the first quarter of 2004 at a 1.2% reduction compared to the January forecast. Nominal GDP (not shown) has a similar pattern peaking at about 2% lower. Personal income peaks at a 3% reduction with most of that reduction occurring by the second quarter of 2004. The employment gap between the estimates also builds during 2003 and peaks at 2% in the first quarter of 2004. These reductions are reflected in the reduced tax estimates for the sales and personal income taxes.

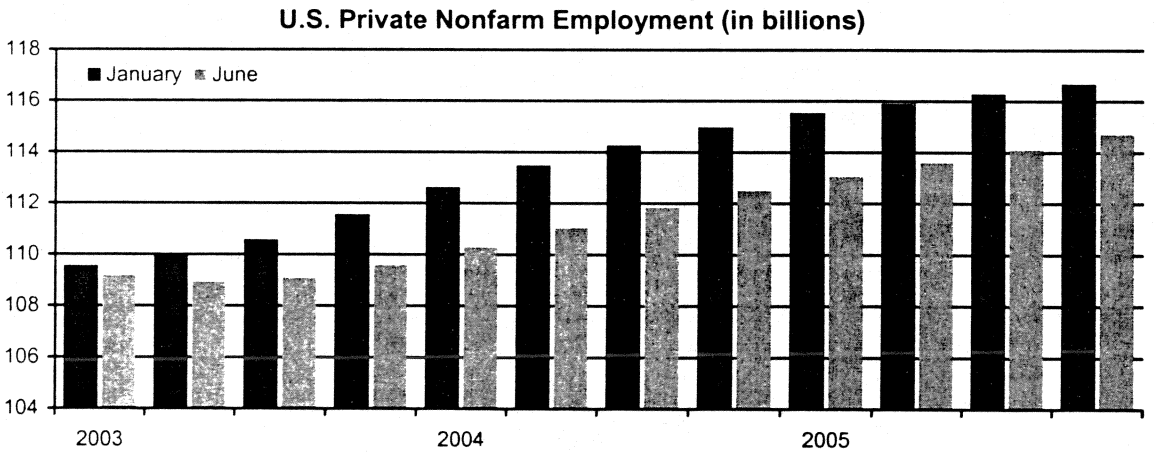
Global Insight January 2003 and June 2003 Forecasts

	2003				2004				2005			
	1	2	3	4	1	2	3	4	1	2	3	4
Real GDP Growth												
January Forecast	2.6%	3.5%	5.5%	5.5%	5.5%	4.0%	3.7%	3.2%	3.4%	2.9%	3.0%	3.4%
June Forecast	1.9%	1.5%	3.8%	4.5%	5.2%	4.1%	4.5%	3.6%	2.9%	2.7%	2.9%	3.7%
U.S. Personal Income Growth												
January Forecast	5.9%	4.3%	6.3%	6.7%	7.6%	6.7%	5.9%	5.3%	6.2%	5.4%	4.8%	5.3%
June Forecast	3.9%	3.2%	4.1%	4.9%	5.8%	5.2%	5.7%	5.4%	5.2%	5.3%	5.1%	5.7%
U.S. Private Nonfarm Employment (in millions)												
January Forecast	109.6	110.0	110.6	111.6	112.6	113.5	114.3	115.0	115.6	115.9	116.3	116.7
June Forecast	109.2	109.0	109.1	109.6	110.3	111.1	111.9	112.5	113.1	113.6	114.1	114.7

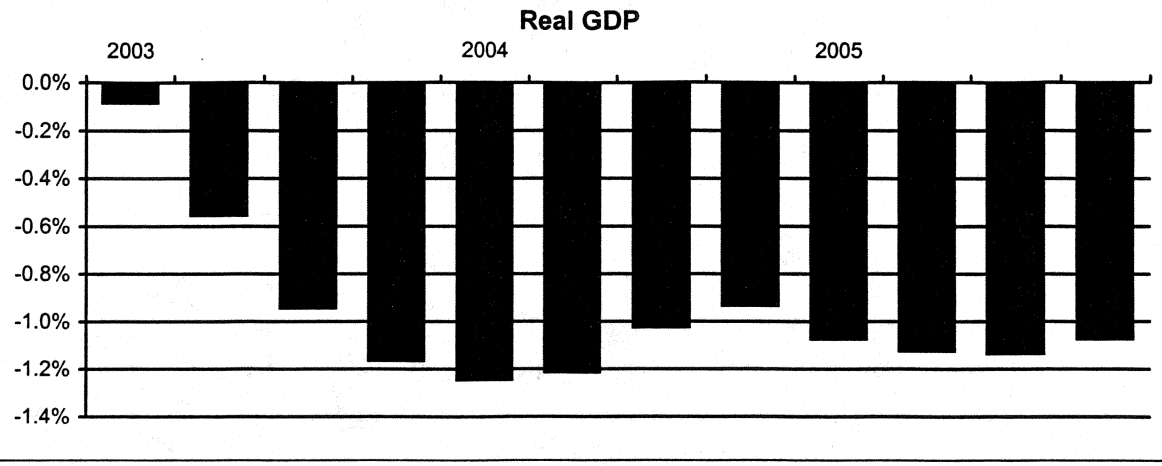
Comparison of Global Insight January 2003 and June 2003 Forecasts - Levels

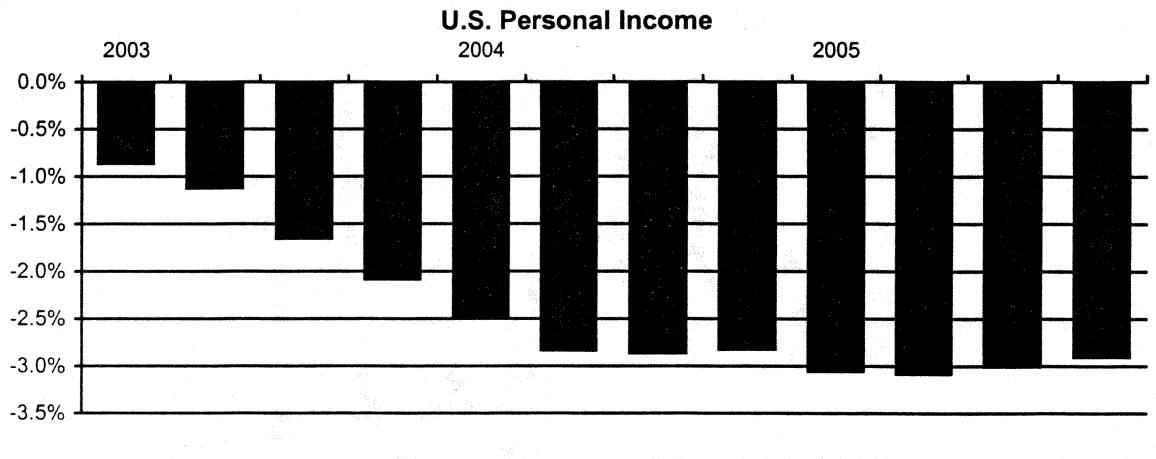


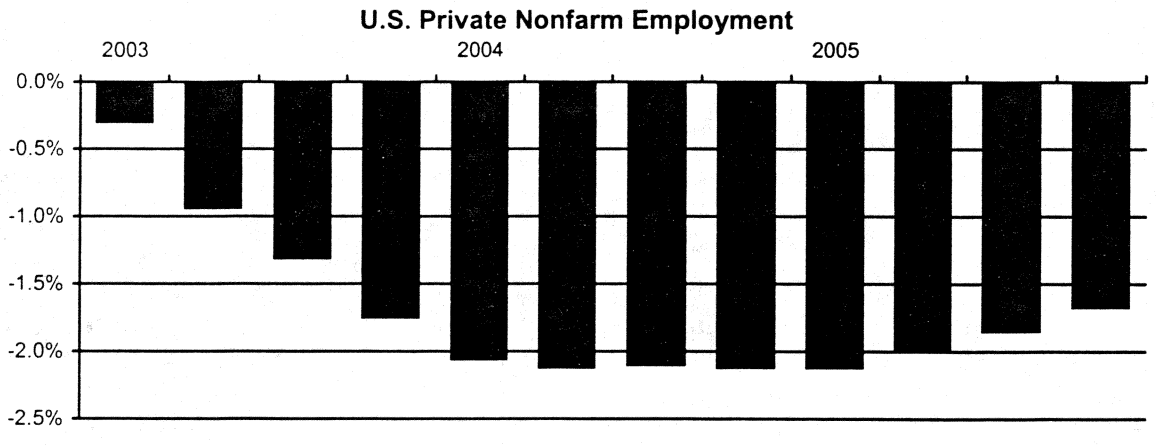




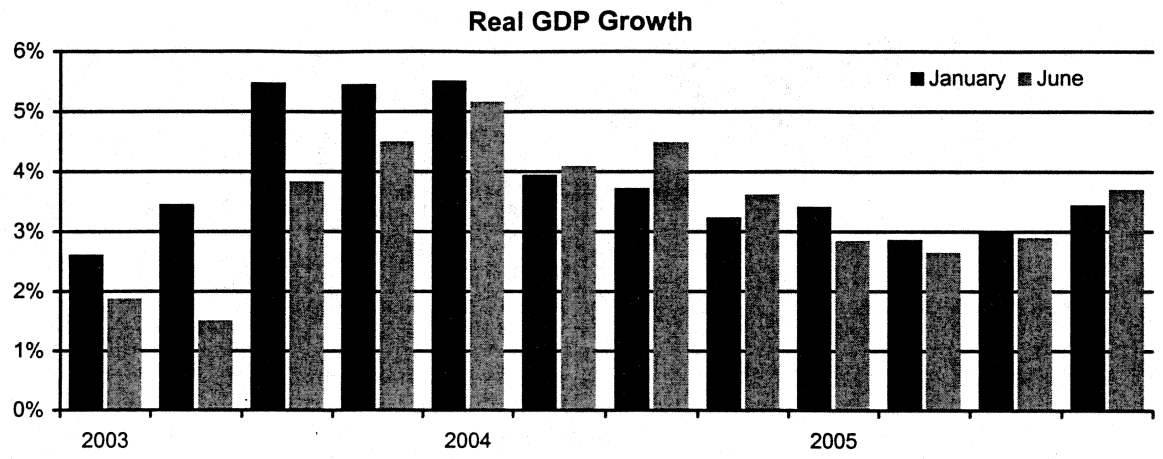
Percentage Difference Between January 2003 and June 2003 Forecast - Levels

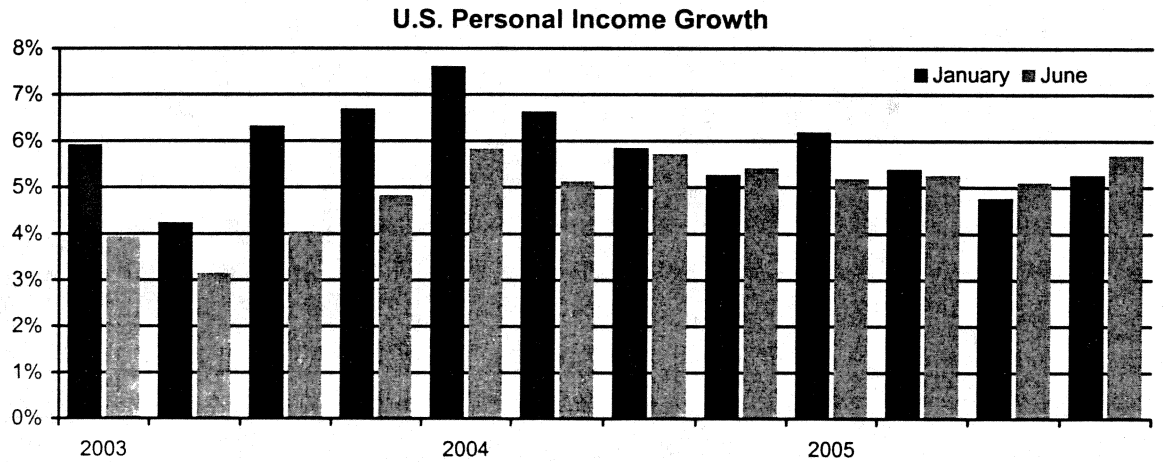


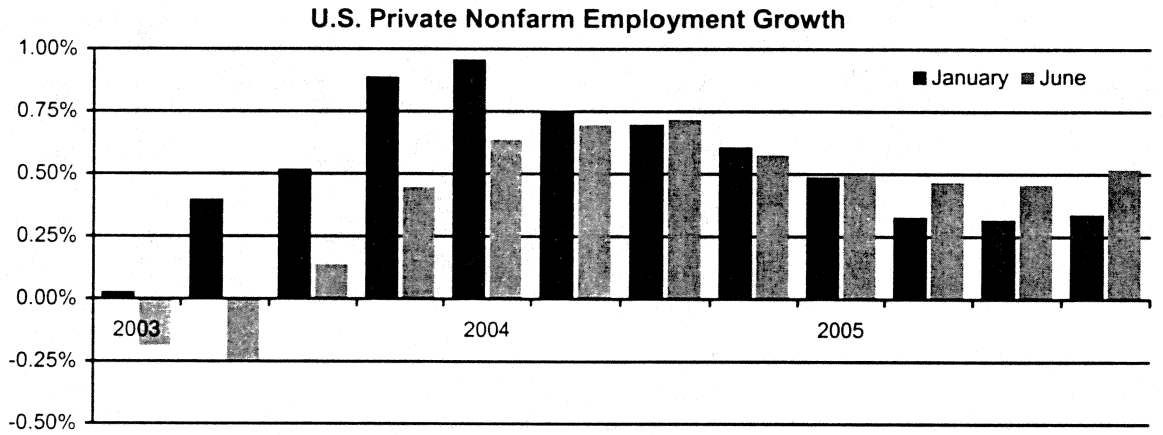




Comparison of Global Insight January 2003 and June 2003 Forecasts - Growth Rates







Revenue Forecast

After adjusting for tax changes, it appears that both the non-auto sales tax and the personal income tax could end FY 2003 slightly below the level of FY 2002. The new tax on trusts and the local government fund true up affect income for the personal income tax in FY 2003. For the non-auto sales tax, the new vendor payment schedule affects FY 2003 and the auto leasing change affect the tax for both FY 2002 and FY 2003. This lack of growth in the two largest sources of state revenue highlights the rough spot we find ourselves in. Together the non-auto sales tax and the personal income tax account for 73% of state GRF revenue.

The forecast for the auto sales tax is expected to be relatively flat over the next two years. Sales are being controlled by manufacturer incentives. How big the incentives will be is unknown. Sales could increase if the high level of incentives remains, but sales could also fall if the high level of incentives is withdrawn. We have seen sales fall in months where incentives were scaled back.

The non-auto sales tax is expected to grow slowly during FY 2004 and pick up in FY 2005. Consumers may be cautious after this extended slow economy. The federal tax cuts will help, but sustained job growth and greater consumer confidence are also needed to stimulate demand. Increases in housing purchases are often part of the post recession pick up in demand. With high levels of housing purchases through the last several years, this pick up in demand is unlikely for this expansion. (Housing purchases stimulate purchases of household durable goods that are taxable under the sales tax.)

The personal income tax is expected to follow a similar pattern to the non-auto sales tax: slow growth in FY 2004 followed by higher growth in FY 2005. Withholding has been growing at 2.4% through May of this year compared to the same period last year. Withholding growth should gradually rise during the next two years as the economy accelerates. Quarterly estimated tax payments and refunds have been a drag on withholding gains during FY 2003 and may cause the overall tax to decline for the year. Through May, quarterly estimated payments are $1,023 million. This is $285 million or 21.8% below last year's corresponding amount of $1,308 million. Refunds are up 10.0% over last year. To attain an overall growth rate for the tax of 2.7% for FY 2004, the quarterly estimated payments and refunds must at least stabilize next year. Growth is expected for quarterly payments in FY 2005 as overall growth reaches an estimated 5.0%.

The corporate franchise tax is expected to grow slowly in FY 2004. Taxes are based on calendar year 2003 profits. Fiscal year 2005 is expected to see brisk growth of 10.0%.

Many of the other taxes are expected to see modest growth. The insurance taxes are an exception. High premium growth leads to 6.6% and 4.0% increases for the foreign insurance tax and 7.3% and 4.5% increases for the domestic insurance tax.

Earnings on investments have shrunk this fiscal year along with state balances and interest rates. Some recovery is expected the next two years assuming the GRF stabilizes. Slightly higher interest rates in FY 2004 and again in FY 2005 will help earnings increase.

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Forecast of Medicaid and Disability Assistance Before the Conference Committee on H.B. 95 for the FY 2004-2005 Biennial Budget

June 11, 2003

Testimony of LSC Staff by
Chuck Phillips, Division Chief for Health and Human Services
With assistance from Ivy Chen and Ross Miller, Economists,
and Steve Mansfield, Fiscal Supervisor

Good morning, Mr. Chairman and Members of the Conference Committee. My name is Chuck Phillips. I will be presenting the Legislative Service Commission's (LSC's) updated forecasts for Medicaid and Disability Assistance.

Before I begin, I would like to acknowledge my colleagues, Ivy Chen, Ross Miller, and Steve Mansfield, and thank them for their hard work in preparing the LSC forecast.

In February, our estimates of Medicaid costs (from line item 600-525) over the biennium were $9.0 billion in fiscal year (FY) 2004 ($3.7 billion in state share) and $9.7 billion in FY 2005 ($4.0 billion in state share). Our updated estimates are slightly higher at $9.1 billion for FY 2004 ($3.8 billion state share) and $9.8 billion for FY 2005 ($4.1 billion state share).

The following table presents the differences between LSC's and OBM's updated forecasts for expenditures in the Medicaid program.

Medicaid (Amounts in millions of dollars)			
Fiscal Year	State	Federal	Total
2004	$43.5	$61.5	$105.1
2005	$85.3	$120.6	$205.9

In FY 2004, the difference between LSC's updated forecast and OBM's updated forecast is $105.1 million, of which $43.5 million is state share. In FY 2005, the difference between the two forecasts is $205.9 million, of which $85.3 million is state share.

We have revised our forecast of the Covered Family and Children (CFC) caseload upward for FY 2004 and downward slightly for FY 2005 in response to revisions in Global Insights' forecast of unemployment rates. We also have revised downward our forecast of the Aged, Blind, and Disabled (ABD) caseload for both fiscal years due to the fact that recent caseload growth has tracked lower than originally forecasted.

Another change in our forecast worth noting is in the assumed percentage of CFC eligibles that enroll in a health maintenance organization — a percentage usually referred to as the HMO penetration rate. Our prior forecast assumed the penetration rate would be approximately 35% in FY 2004, and 36% in FY 2005. The latest data, showing the continued strong impact of the "Preferred Options" program implemented in the current biennium to encourage HMO enrollment, led us to increase the rate assumed in our February forecast from 35.0% to 36.6% in FY 2004 and from 35.8% to 36.8% in FY 2005.

The net effect of the changes in caseload and HMO penetration assumptions, and a recent increase in claims across all service categories, is that cost estimates for most of the service categories have increased compared with our February forecast. Most of the changes from our initial forecasts in the various service categories are less than $10 million per fiscal year. The largest changes are for nursing facility payments, outpatient hospital care, and prescription drug payments.

The revised forecast of nursing facility payments is higher than our original forecast by $48.9 million, or 1.8%, in FY 2004, and $44.4 million, or 1.5%, in FY 2005. The upward revision is due to both recent claims experience and per diem rates. The average per diem rate was projected to be $159.56 in FY 2004 and $167.94 in FY 2005 in our February forecast. After considering data that has become available recently, LSC increased the forecast to $161.71 in FY 2004, an increase of 6.1% over the estimate for the current fiscal year, and to $170.49 in FY 2005, an increase of 5.4% over the estimate for FY 2004.

The revised forecast of outpatient hospital payments is higher than our original forecast by $14.3 million, or 2.4%, in FY 2004, and $18.4 million, or 2.9%, in FY 2005. The upward revision is due to more claims than expected and higher costs per claim in both the ABD and Healthy Family populations. This is partially offset by the downward revision in ABD caseload mentioned above.

The revised forecast of prescription drugs payments is higher than our original forecast by $34.4 million in FY 2004 and $85.5 million in FY 2005. Our February forecast assumed that the Supplemental Drug Rebate program enacted in S.B. 261 of the 124th General Assembly would be fully implemented in FY 2004, and thus LSC built into our forecast model an assumption of slow growth in drug utilization and expenditures over the next biennium. However, according to the Department of Job and Family Services, the program will not be fully implemented for at least a couple of years. Accordingly, our May forecast assumes no impact of the Supplemental Drug Rebate program in the FY 2004-2005 biennium. Most of the difference between our February and May forecasts for prescription drug payments is attributable to the difference in this assumption.

Disability Assistance Forecast: The following table presents the LSC and OBM updated forecasts for expenditures in the Disability Assistance program.

Disability Assistance
(Amounts in millions of dollars)

	FY 2003	FY 2004	FY 2005
DA Total--LSC Forecast	$114.7	$132.9	$161.4
DA Total--OBM Forecast	$118.4	$144.2	$180.4

The updated LSC forecast total cost is $2.2 million less in FY 2004 and $2.9 million less in FY 2005 than LSC's previous forecast. This is due to a slightly lower rate of increase in the medical costs per recipient.

In closing Mr. Chairman, I have highlighted the updated forecast. Included in the packet is much more detail and analysis.

My colleagues and I would be happy to answer any questions the committee may have.

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Forecast of TANF/OWF Caseloads and Expenditures Before the Conference Committee on H.B. 95 for the FY 2004-2005 Biennial Budget

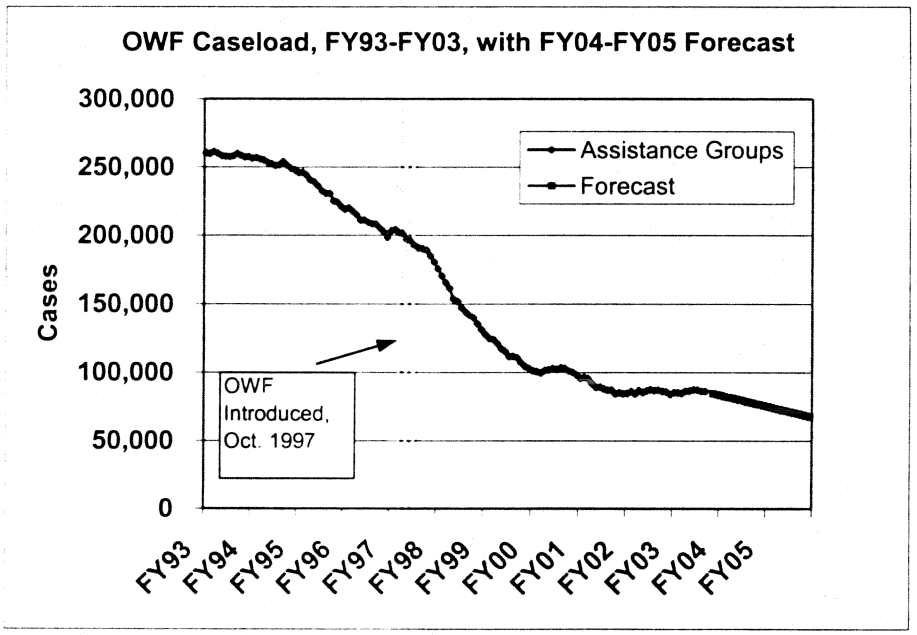
June 11, 2003

Testimony of LSC Staff by
Steve Mansfield, Fiscal Supervisor

Good morning, Mr. Chairman and Members of the Conference Committee. My name is Steve Mansfield. I will be presenting the highlights of the Legislative Service Commission's (LSC's) forecast of Temporary Assistance for Needy Families/Ohio Works First (TANF/OWF) cash assistance caseloads and expenditures.

Caseloads: LSC forecasts the total number of TANF/OWF cash assistance cases to decrease in FY 2004 to a monthly average of about 81,100 cases and to about 75,300 average monthly cases in FY 2005. This represents a 5.6% decrease and a 7.2% decrease, respectively.

TANF/OWF Forecast



Spending: The effect of these decreases in the caseload will mean that in FY 2004, assuming that grant levels for recipients remains the same, the total expenditure for cash benefits will be $290.7 million, a decrease of $11.2 million from the anticipated FY 2003 level. In FY 2005, expenditures for cash benefits will be $278.6 million, a decrease of $26.6 million from FY 2004.

TANF TANF - LSC Baseline Estimates			
	FY 2003	FY 2004	FY 2005
Average monthly cases	85,875	81,106	75,276
Total cash grants (millions)	$311.1	$290.7	$266.6

LSC's cash assistance expenditure estimates are $22.3 million below the Office of Budget and Management's (OBM's) baseline forecast for FY 2004 and $51.9 million below OBM's forecast for FY 2005. Also, this is $14.5 million less in FY 2004 and $12.0 million less in FY 2005 than LSC's previous forecast.

Unspent TANF Federal Award: At the end of FY 2002 (September 30, 2002), Ohio's unspent federal TANF award funds totaled $420.5 million, with $135.0 million reported as unliquidated obligations, and $285.6 million reported as the unobligated balance.

As of March 31, 2003, Ohio's unspent federal TANF funds totaled $722,684,647. Of this amount $355,260,198 was reported to the federal government as unliquidated obligations, and $367,424,449 was reported as the unobligated balance. One year earlier (i.e., as of March 31, 2002), Ohio reported a total of $628,537,985 as unspent with $158,077,930 being unliquidated obligations and $470,460,055 being the unobligated balance. Thus in a year-over-year comparison, Ohio's total unspent federal TANF funds have increased by $94.1 million, although the unobligated portion is lower by $103.0 million.

Because the TANF program is a block grant with a known level of federal funding, and fund balances and appropriations are known, an analysis of the appropriation of TANF funds can be made. If all prior appropriation is used and all appropriation for FY 2004 and FY 2005 is also used, the appropriation levels for appropriation item 600-689, TANF Block Grant (Fund 3V6) in FY 2004 ($786.1 million), and for FY 2005 ($841.9 million), the total unspent TANF award remaining at the end of FY 2005 will be -$37.0 million.

TANF FEDERAL FUNDS--APPROPRIATION ANALYSIS SFY 2003-2005	
Resources SFY03	
Total Unspent TANF Award, end of SFY02	$420,547,668
TANF Award, SFY03	$727,968,260
Total Available, FY03	**$1,148,515,928**
Spending Authority SFY03	
Fund 3V6 Encumbrance, Beginning Balance SFY03	$136,544,326
Fund 3G9 Encumbrance, Beginning Balance SFY03	$82,954,243
Appropriation FY03--Fund 3V6 (see H.B. 94 and CB item JFS076 of March 25, 2002)	$777,963,666
SFY03 Transfer to CCDF (made Q1)	$16,000,100
Total Possible Spending, SFY03	**$1,013,462,335**
Resources SFY04	
Total Unspent TANF Award, end of SFY03 (assuming all prior appropriation used & transfer made)	$135,053,593
TANF Award, SFY04	$727,968,260
Total Available, SFY04	**$863,021,853**
Spending Authority SFY04	
H.B. 95 (as passed by Senate) Appropriation SFY04--Fund 3V6	**$786,095,609**
Resources SFY05	
Total Unspent TANF Award, end of SFY04 (assuming all prior appropriation used & transfer made)	$76,926,244
TANF Award, SFY05	$727,968,260
Total Available, SFY05	**$804,894,504**
Spending Authority SFY05	
H.B. 95 (as passed by Senate) Appropriation SFY05--Fund 3V6	**$841,909,688**
Cumulative Unspent TANF Award, end of SFY05 (assuming all appropriation used & transfers made)	**($37,015,184)**

The result of a negative balance of -$37.0 million is not possible. States cannot spend in federal funds more than the federal government will make available. The assumption that all appropriations will be used, therefore, cannot be correct. Thus either previously or at the present, the federal TANF block grant had been over-appropriated. Spending in the current fiscal year is considerably less than what is available. As of June 9, 2003, the current balance encumbered in Fund 3V6, TANF Block Grant, was $304.1 million, with $236.7 million of that balance being from the current year and $69.2 million being from the prior year. Also as of June 9, 2003, Fund 3G9, Ford Foundation Reimbursement (to which $584.4 million in TANF reserve funds was

appropriated and encumbered in September 2000) had a remaining balance of $32.7 million. Given these balances, it appears possible that a substantial amount of spending authority may be carried forward into FY 2004.

In closing Mr. Chairman, I have simply highlighted the forecast, and analyzed the implications for other TANF expenditures and for the amount of unspent federal TANF grant awards. Additional information is included in the packet.

I would be happy to answer any questions the committee may have.

LSC June and OBM January Baseline GRF Revenue Forecasts - State Sources Only

GRF Amounts by Source (dollar amounts in millions)

	FY 2003			FY 2004			FY 2005		
REVENUE SOURCE	OBM January	LSC June	Difference	OBM January	LSC June	Difference	OBM January	LSC June	Difference
Auto Sales & Use	$905.0	$940.0	$35.0	$920.0	$920.9	$0.9	$920.0	$930.0	$10.0
Non-Auto Sales & Use	$5,172.0	$5,418.0	$246.0	$5,410.0	$5,254.7	-$155.3	$5,680.0	$5,531.5	-$148.5
Total Sales & Use	$6,077.0	$6,358.0	$281.0	$6,330.0	$6,175.6	-$154.4	$6,600.0	$6,461.5	-$138.5
Personal Income	$7,501.0	$7,357.0	-$144.0	$7,834.0	$7,558.0	-$276.0	$8,262.0	$7,938.0	-$324.0
Corporate Franchise	$725.0	$725.0	$0.0	$770.0	$756.6	-$13.4	$837.0	$831.5	-$5.5
Public Utility	$240.0	$217.5	-$22.5	$250.0	$240.6	-$9.4	$262.5	$239.4	-$23.1
Kilowatt-Hour	$335.0	$341.9	$6.9	$345.0	$330.1	-$14.9	$355.0	$337.3	-$17.7
Foreign Insurance	$225.0	$226.0	$1.0	$230.0	$239.8	$9.8	$230.0	$249.5	$19.5
Domestic Insurance	$155.0	$162.5	$7.5	$165.0	$174.3	$9.3	$175.0	$182.1	$7.1
Business & Property	$56.9	$33.0	-$23.9	$56.5	$34.3	-$22.2	$56.5	$35.6	-$20.9
Cigarette	$583.2	$595.0	$11.8	$554.8	$583.0	$28.2	$551.2	$576.0	$24.8
Alcoholic Beverage	$58.0	$56.7	-$1.3	$60.0	$57.0	-$3.0	$60.0	$58.0	-$2.0
Liquor Gallonage	$30.0	$29.7	-$0.3	$30.0	$30.0	$0.0	$31.0	$30.3	-$0.7
Estate	$95.0	$93.0	-$2.0	$105.0	$81.0	-$24.0	$105.0	$75.0	-$30.0
Total Taxes	**$16,081.1**	**$16,195.3**	**$114.2**	**$16,730.3**	**$16,260.3**	**-$470.0**	**$17,525.2**	**$17,014.2**	**-$511.0**
								$0.0	
Earnings on Investment	$50.0	$17.0	-$33.0	$60.0	$25.0	-$35.0	$75.0	$35.0	-$40.0
Licenses and fees	$33.0	$33.0	$0.0	$35.0	$35.0	$0.0	$35.0	$35.0	$0.0
Other Income	$125.8	$140.8	$15.0	$98.0	$98.0	$0.0	$98.0	$98.0	$0.0
ISTV's & IDC's	$605.7	$624.0	$18.3	$60.0	$60.0	$0.0	$60.0	$60.0	$0.0
Total Non-Tax Receipts	**$814.5**	**$814.8**	**$0.3**	**$253.0**	**$218.0**	**-$35.0**	**$268.0**	**$228.0**	**-$40.0**
BSF Transfer In	$109.6	$149.6	$40.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Liquor Transfers	$105.0	$115.0	$10.0	$105.0	$105.0	$0.0	$97.0	$97.0	$0.0
Transfers In - Other	$235.2	$259.9	$24.7	$102.5	$102.5	$0.0	$102.5	$102.5	$0.0
Transfers In - Temporary	$13.3	$13.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Transfers In	**$463.1**	**$537.8**	**$74.7**	**$207.5**	**$207.5**	**$0.0**	**$199.5**	**$199.5**	**$0.0**
Total Sources Excluding Federal	**$17,358.7**	**$17,547.9**	**$189.2**	**$17,190.8**	**$16,685.8**	**-$505.0**	**$17,992.7**	**$17,441.7**	**-$551.0**

LSC and OBM June Baseline GRF Revenue Forecasts - State Sources Only

GRF Amounts by Source (dollar amounts in millions)

	FY 2003			FY 2004			FY 2005		
REVENUE SOURCE	OBM	LSC	Difference	OBM	LSC	Difference	OBM	LSC	Difference
Auto Sales & Use	$949.0	$940.0	-$9.0	$949.0	$920.9	-$28.1	$949.0	$930.0	-$19.0
Non-Auto Sales & Use	$5,412.5	$5,418.0	$5.5	$5,285.0	$5,254.7	-$30.3	$5,505.0	$5,531.5	$26.5
Total Sales & Use	$6,361.5	$6,358.0	-$3.5	$6,234.0	$6,175.6	-$58.4	$6,454.0	$6,461.5	$7.5
Personal Income	$7,391.0	$7,357.0	-$34.0	$7,545.0	$7,558.0	$13.0	$7,945.0	$7,938.0	-$7.0
Corporate Franchise	$725.0	$725.0	$0.0	$770.0	$756.6	-$13.4	$837.0	$831.5	-$5.5
Public Utility	$225.0	$217.5	-$7.5	$240.0	$240.6	$0.6	$250.0	$239.4	-$10.6
Kilowatt-Hour	$345.0	$341.9	-$3.1	$355.0	$330.1	-$24.9	$370.0	$337.3	-$32.7
Foreign Insurance	$225.0	$226.0	$1.0	$230.0	$239.8	$9.8	$230.0	$249.5	$19.5
Domestic Insurance	$159.0	$162.5	$3.5	$170.0	$174.3	$4.3	$175.0	$182.1	$7.1
Business & Property	$28.9	$33.0	$4.1	$31.0	$34.3	$3.3	$32.0	$35.6	$3.6
Cigarette	$595.2	$595.0	-$0.2	$560.0	$583.0	$23.0	$555.0	$576.0	$21.0
Alcoholic Beverage	$58.0	$56.7	-$1.3	$60.0	$57.0	-$3.0	$60.0	$58.0	-$2.0
Liquor Gallonage	$30.0	$29.7	-$0.3	$30.0	$30.0	$0.0	$31.0	$30.3	-$0.7
Estate	$97.0	$93.0	-$4.0	$105.0	$81.0	-$24.0	$105.0	$75.0	-$30.0
Total Taxes	**$16,240.6**	**$16,195.3**	**-$45.3**	**$16,330.0**	**$16,260.3**	**-$69.7**	**$17,044.0**	**$17,014.2**	**-$29.8**
Earnings on Investment	$25.0	$17.0	-$8.0	$25.0	$25.0	$0.0	$25.0	$35.0	$10.0
Licenses and fees	$33.0	$33.0	$0.0	$35.0	$35.0	$0.0	$35.0	$35.0	$0.0
Other Income	$140.8	$140.8	$0.0	$98.0	$98.0	$0.0	$98.0	$98.0	$0.0
ISTV's & IDC's	$624.0	$624.0	$0.0	$60.0	$60.0	$0.0	$60.0	$60.0	$0.0
Total Non-Tax Receipts	**$822.8**	**$814.8**	**-$8.0**	**$218.0**	**$218.0**	**$0.0**	**$218.0**	**$228.0**	**$10.0**
BSF Transfer In	$149.6	$149.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Liquor Transfers	$115.0	$115.0	$0.0	$105.0	$105.0	$0.0	$97.0	$97.0	$0.0
Transfers In - Other	$259.9	$259.9	$0.0	$102.5	$102.5	$0.0	$102.5	$102.5	$0.0
Transfers In - Temporary	$13.3	$13.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Transfers In	**$537.8**	**$537.8**	**$0.0**	**$207.5**	**$207.5**	**$0.0**	**$199.5**	**$199.5**	**$0.0**
Total Sources Excluding Federal	**$17,601.2**	**$17,547.9**	**-$53.3**	**$16,755.5**	**$16,685.8**	**-$69.7**	**$17,461.5**	**$17,441.7**	**-$19.8**

Table 1
Health Care Spending (ALI 600-525 Only)

Service Category	FY 2002	FY 2003		FY 2004		FY 2005	
	Actual	Estimated	% Change	Estimated	% Change	Estimated	% Change
Long Term Care	$2,878,316,825	$3,024,976,773	5.10%	$3,248,195,781	7.38%	$3,451,093,207	6.25%
Nursing Facilities	$2,461,762,040	$2,596,064,392	5.46%	$2,805,688,257	8.07%	$2,995,283,698	6.76%
ICF/MRs	$416,554,785	$428,912,381	2.97%	$442,507,524	3.17%	$455,809,509	3.01%
Hospitals	$1,554,044,390	$1,820,573,670	17.15%	$1,990,081,813	9.31%	$2,148,841,376	7.98%
Inpatient	$1,099,011,540	$1,277,960,563	16.28%	$1,386,721,177	8.51%	$1,490,664,297	7.50%
Outpatient	$455,032,850	$542,613,107	19.25%	$603,360,636	11.20%	$658,177,079	9.09%
Physicians	$469,970,680	$535,319,136	13.90%	$580,577,934	8.45%	$621,092,799	6.98%
Prescription Drugs	$1,244,229,690	$1,532,573,525	23.17%	$1,792,480,566	16.96%	$2,071,799,097	15.58%
HMO	$597,202,743	$744,290,140	24.63%	$847,662,110	13.89%	$894,047,728	5.47%
Medicare Buy-In	$133,386,397	$153,625,209	15.17%	$165,929,687	8.01%	$176,873,732	6.60%
Waiver	$162,482,168	$172,607,524	6.23%	$211,147,666	22.33%	$248,011,947	17.46%
All Other Care	$662,893,933	$788,713,629	18.98%	$873,786,148	10.79%	$954,508,974	9.24%
CHIP II	$47,900,786						
DA Medical	$67,868,259	$91,500,000	34.82%	$106,500,000	16.39%	$131,500,000	23.47%
Claims FY04 53rd Week				$92,000,000			
Total	**$7,818,295,871**	**$8,864,179,605**	**13.38%**	**$9,908,361,703**	**11.78%**	**$10,697,768,860**	**7.97%**
Other Revenue Offset	$691,685,505	$1,177,785,346		$797,334,402		$852,811,600	
Total Net GRF Expenditures	**$7,126,610,366**	**$7,686,394,259**	**7.85%**	**$9,111,027,301**	**18.53%**	**$9,844,957,260**	**8.06%**
Federal Share	$4,163,365,776	$4,485,779,690		$5,337,239,793		$5,767,175,963	
State Share	$2,963,244,590	$3,200,614,570		$3,773,787,508		$4,077,781,297	

Note.
1. This table only includes health care spending through Department of Job and Family Services' 600-525 line item. It includes spending for Medicaid, CHIPI, CHIPII, and DA Medical.
2. The forecast is the LSC baseline forecast, which assumes no change in the state health care policies and program for the upcoming biennium.
3. "Other Revenue Offset" includes revenue from drug rebates, franchise fees, DSH payments, and Budget Stabilization Fund. Expenditures of CHIP II and DA Medical are included in the Other Revenue Offset for FY 2002 since CHIP II was funded through line item 600-426 and DA Medical was funded through line item 600-511 prior to FY 2003.
4. The growth rate for FY 2003 for Hospitals, Physicians, Prescription Drugs, HMO, and All Other Care includes the growth of CHIPII spending.
5. "All Other Care" includes services such as dental care, home health care, and other practitioners, and includes various contracts.
6. The FMAP rate used here is a blended FMAP.

Table 2
Medicaid Caseload by Eligibility Group

Fiscal Year	ABD&CFC Total mo. avg.	ABD&CFC Total % change	ABD Total ABD mo. avg.	ABD Total ABD % change	ABD ABD (no QMB) mo. avg.	ABD ABD (no QMB) % change	ABD QMB mo. avg.	ABD QMB % change	ABD SLMB mo. avg.	ABD SLMB % change
1991	1,108,464		232,629		228,955		3,674			
1992	1,232,398	11.18%	255,971	10.03%	246,369	7.61%	9,602	161.38%		
1993	1,270,110	3.06%	280,162	9.45%	263,676	7.02%	16,067	67.32%	420	
1994	1,294,972	1.96%	313,240	11.81%	286,655	8.71%	20,191	25.67%	6,395	
1995	1,284,005	-0.85%	345,304	10.24%	309,576	8.00%	22,773	12.79%	12,955	102.58%
1996	1,228,262	-4.34%	366,783	6.22%	321,978	4.01%	22,736	-0.16%	22,069	70.35%
1997	1,166,169	-5.06%	370,047	0.89%	323,023	0.32%	23,791	4.64%	23,233	5.27%
1998	1,107,999	-4.99%	365,493	-1.23%	315,884	-2.21%	23,683	-0.46%	25,925	11.59%
1999	1,095,716	-1.11%	373,158	2.10%	314,855	-0.33%	23,538	-0.61%	34,764	34.09%
2000	1,109,202	1.23%	372,357	-0.21%	318,720	1.23%	23,635	0.41%	30,002	-13.70%
2001	1,276,967	15.12%	376,886	1.22%	323,150	1.39%	22,451	-5.01%	31,284	4.28%
2002	1,419,856	11.19%	383,846	1.85%	327,427	1.32%	20,800	-7.35%	35,619	13.86%
2003*	1,554,396	9.48%	401,616	4.63%	341,987	4.45%	22,129	6.39%	37,501	5.28%
2004*	1,634,894	5.18%	415,698	3.51%	355,782	4.03%	22,704	2.60%	37,212	-0.77%
2005*	1,642,631	0.47%	427,551	2.85%	366,406	2.99%	23,163	2.02%	37,983	2.07%

Fiscal Year	CFC Total mo. avg.	CFC Total % change	CFC Healthy Families mo. avg.	CFC Healthy Families % change	CFC Healthy Start mo. avg.	CFC Healthy Start % change	CFC CHIP I / HS Exp mo. avg.	CFC CHIP I / HS Exp % change	CFC CHIP II mo. avg.	CFC CHIP II % change
1991	875,835		828,828		47,007					
1992	976,427	11.49%	894,261	7.89%	82,166	74.80%				
1993	989,948	1.38%	880,786	-1.51%	109,162	32.86%				
1994	981,732	-0.83%	858,069	-2.58%	123,663	13.28%				
1995	938,701	-4.38%	808,875	-5.73%	129,826	4.98%				
1996	861,479	-8.23%	721,950	-10.75%	139,529	7.47%				
1997	796,122	-7.59%	662,403	-8.25%	133,719	-4.16%				
1998	742,506	-6.73%	580,827	-12.32%	137,912	3.14%	23,767			
1999	722,558	-2.69%	500,840	-13.77%	169,210	22.69%	52,509	120.93%		
2000	736,846	1.98%	481,064	-3.95%	185,127	9.41%	70,655	34.56%		
2001	900,081	22.15%	657,175	36.61%	141,385	-23.63%	81,310	15.08%	20,210	
2002	1,036,010	15.10%	774,752	17.89%	130,898	-7.42%	91,897	13.02%	38,464	90.32%
2003*	1,152,780	11.27%	861,204	11.48%	143,867	9.34%	102,574	12.34%	45,135	17.99%
2004*	1,219,196	5.76%	906,185	4.96%	155,502	5.70%	109,180	6.28%	48,329	7.56%
2005*	1,215,080	-0.34%	903,440	0.05%	154,834	-0.18%	108,711	-0.25%	48,095	-0.38%

* LSC baseline estimates

Table 3
Medicaid Caseload for Covered Families and Children (CFC):
Fee-for-Service vs HMO

Fiscal Year	Total CFC		FFS		HMO		Penetration Rate
	mo. avg.	% change	mo. avg.	% change	mo. avg.	% change	(=HMO/CFC)
1991	875,835		750,006		125,829		14.37%
1992	976,427	11.49%	842,914	12.39%	133,513	6.11%	13.67%
1993	989,948	1.38%	841,939	-0.12%	148,009	10.86%	14.95%
1994	981,732	-0.83%	812,600	-3.48%	169,133	14.27%	17.23%
1995	938,701	-4.38%	748,172	-7.93%	190,528	12.65%	20.30%
1996	861,479	-8.23%	607,327	-18.83%	254,153	33.39%	29.50%
1997	796,122	-7.59%	464,883	-23.45%	331,239	30.33%	41.61%
1998	742,506	-6.73%	411,458	-11.49%	331,048	-0.06%	44.59%
1999	722,558	-2.69%	465,809	13.21%	256,750	-22.44%	35.53%
2000	736,846	1.98%	483,743	3.85%	253,103	-1.42%	34.35%
2001	900,081	22.15%	648,350	34.03%	251,731	-0.54%	27.97%
2002	1,036,010	15.10%	699,979	7.96%	336,031	33.49%	32.44%
2003*	1,152,780	11.27%	748,133	6.88%	404,646	20.42%	35.10%
2004*	1,219,196	5.76%	772,877	3.31%	446,319	10.30%	36.61%
2005*	1,215,080	-0.34%	767,545	-0.69%	447,535	0.27%	36.83%

* LSC baseline estimates