

LSC Greenbook

Analysis of the Enacted Budget

Office of Budget and Management

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ATTACHMENT:

Budget Spreadsheet By Line Item

Office of Budget and Management

- Total budget of \$90.2 million over the biennium
- Implementation of Shared Services and Internal Auditing will significantly increase the size and scope of OBM

OVERVIEW

Agency Overview

The Office of Budget and Management (OBM) is a cabinet-level agency within the executive branch of state government. The primary mission of OBM is to provide financial management and policy analysis to help ensure the responsible use of state resources. OBM provides fiscal accounting and budgeting services to state government to ensure that Ohio's fiscal resources are used in a manner consistent with state laws and policies. The agency advises the Governor on budget concerns and helps state agencies coordinate their financial activities. OBM also provides financial information to state agencies, the General Assembly, and other interested parties. As of the end of FY 2009, OBM had 149 full-time permanent employees and 16 temporary, intermittent, or part-time employees by headcount. However, the number of OBM employees is expected to grow to over 300 over the biennium, due primarily to staff increases related to the Shared Services Center and Internal Audit initiatives, discussed in greater depth later in this overview.

Appropriation Overview

The budget appropriates \$43.0 million for OBM in FY 2010, a 60.1% increase over FY 2009 spending of \$26.9 million. FY 2011 funding is \$47.2 million, a 9.6% increase over the FY 2010 amount. These increases are primarily attributable to the implementation of the Internal Audit Program and the Shared Services Center initiative.

Fund Group	FY 2009 Actual	FY 2010	% change, FY 2009-2010	FY 2011	% change, FY 2010-2011
General Revenue	\$2,897,911	\$3,058,350	5.5%	\$3,047,773	(0.4%)
General Services	\$23,952,212	\$39,189,727	63.6%	\$43,306,060	10.5%
Federal Special Revenue	\$0	\$734,979	N/A	\$747,098	1.7%
Agency	\$37,952	\$50,000	31.7%	\$50,000	0.0%
Total	\$26,888,075	\$43,033,056	60.1%	\$47,150,931	9.6%

*FY 2009 figures represent actual expenditures.

Funding Distribution by Functional Category

Most of OBM's budgeted resources go to programs in the Financial Accounting functional category. This category includes accounting and budgeting services for state agencies as well as the new offices of Internal Audit and Shared Services. Table 2 below also shows the agency's budget for the two other major areas: Budget Development and Implementation and Other Government Services. These categories coincide with the line item groupings found in the Analysis of Enacted Budget section within this document.

Functional Category	FY 2010	FY 2011	Biennium Total	% Total of Budget
Financial Accounting	\$39.2	\$43.4	\$82.6	91.6%
Budget Development and Implementation	\$2.4	\$2.4	\$4.8	5.3%
Other Government Services	\$1.4	\$1.4	\$2.8	3.1%
Total	\$43.0	\$47.2	\$90.2	100%

Summary of Budget Issues

As mentioned above, the factors most affecting OBM's budget in the upcoming biennium will be the ongoing implementation of the Internal Audit Program mandated in H.B. 166 of the 127th General Assembly and start up of the Shared Services Center. These two initiatives are discussed in detail below.

Internal Audit Program Implementation

The Internal Audit and Evaluation Program, mandated by H.B. 166 of the 127th General Assembly, evaluates the control and governance processes of state government, with the intended outcome of efficient and accountable utilization of state resources through the establishment of comprehensive internal audit methodologies and the evaluation of management processes.

Implementation of the program began in FY 2009 using \$8.6 million approved by the Controlling Board, though only \$1.6 million was actually expended due to much lower than budgeted expenses for outside consultants and software, fewer than planned audit staff, and delayed hiring of staff due to reclassification of positions. OBM expects the number of internal audit employees to reach 44 full-time equivalents (FTEs) by the end of FY 2010 and 48 FTEs by the end of FY 2011. Personnel costs are expected to be approximately \$3.0 million in FY 2010 and \$3.6 million in FY 2011.

For FY 2010, seven cabinet-level agencies are expected to be included in the Internal Audit and Evaluation Program and, by FY 2011, that number will jump to 20. The program will be funded by direct charges to the agencies involved (based on a

tiered billing rate) and a portion of the accounting and budgeting services payroll check-off, which is the charge assessed to state agencies to reimburse OBM for the cost of accounting and budgeting services and the Financials (FIN) component of the state's primary accounting system, the Ohio Administrative Knowledge System (OAKS), based on a percentage of gross pay per employee. Overall, OBM's budget allocates \$4.1 million in FY 2010 and \$4.6 million in FY 2011 to fund this program.

Shared Services Center

In FY 2009, OBM began implementation of the next phase of the OAKS system, the Shared Services Center. The Shared Services Center will consolidate and centralize agency fiscal functions, such as accounts payable, travel reimbursements, and vendor payment inquiries, in an effort to eliminate duplicative agency fiscal processes and reduce statewide costs given the economies of scale that centralization of these functions would produce. So far, there are 14 agencies volunteering in the program, a number that is expected to grow to more than 25 agencies by the end of FY 2011.

Funding sources for the Shared Services Center include direct charges to agencies based on each voucher processed, a portion of the accounting and budgeting payroll check-off, GRF transfers into the OAKS Project Implementation Fund (Fund 5N40), and a cash drawdown. When funding from the OAKS Project Implementation Fund (Fund 5N40) is included, the operating budget for Shared Services is \$9.6 million in FY 2010 and \$13.3 million in FY 2011. There will also be capital appropriations to purchase hardware and software as well as system design, build, and consultant services.

Reduction in Accounting and Budgeting Services Payroll Rate

The budget builds in a 15% reduction in the accounting and budgeting services payroll check-off rate assessed to other state agencies for these purposes in order to reduce pressure on agency budgets. The amount of this assessment is based on a percentage of gross pay per employee and will decline from the FY 2009 rate of 0.947% to 0.805% for FY 2010 and FY 2011. Table 3 below summarizes the payroll check-off's rate structure for FY 2010-FY 2011, including the amount generated from each component and the individual rates that are applied.

Revenue from the payroll check-off for accounting and budgeting services is deposited into the Accounting and Budgeting Fund (Fund 1050). The fund will be supplemented by direct charges to user agencies for Internal Audit and Shared Services, earnings on investments, and miscellaneous other income, such as payment card rebates.

Table 3. Accounting and Budgeting Services Payroll Check-off Structure, FY 2010-FY 2011		
Component	FY 2010 (est.)	FY 2011 (est.)
Base Operations Amount	\$10,065,305	\$10,616,965
<i>Rate</i>	<i>0.318%</i>	<i>0.336%</i>
OAKS Charge Amount	\$9,610,874	\$9,733,416
<i>Rate</i>	<i>0.304%</i>	<i>0.308%</i>
Internal Audit Indirect Charge Amount	\$2,135,000	\$1,668,000
<i>Rate</i>	<i>0.068%</i>	<i>0.053%</i>
Shared Services Indirect Charge Amount	\$3,642,985	\$3,435,783
<i>Rate</i>	<i>0.115%</i>	<i>0.109%</i>
Total Charge Amount	\$25,454,164	\$25,454,164
Rate	0.805%	0.805%

Individual amounts and rates may not add to total due to rounding.

State Agency Spending Controls

OBM, along with the Department of Administrative Services (DAS), is involved with several provisions related to certain state agency spending controls contained within the budget, which mirror the controls in Executive Order 2009-07S, issued in April 2009. Elected state officers, the General Assembly or any legislative agency, the courts or any judicial agency, and state institutions of higher education are exempted from the controls, some of which are described below. In addition, there are other expenditure control strategies that require agencies to use DAS services or comply with DAS directives. These are discussed in more detail in the DAS Greenbook.

Spending Plans – 30% Reduction in Supplies and Services

By November 1, 2009, each state agency must submit to the General Assembly and the Director of OBM a spending plan that outlines a 30% overall reduction in spending on supplies and services for FY 2010-FY 2011 and that addresses any potential savings, lack of savings, or costs that may be realized by certain enumerated strategies, such as (1) receiving approval from the state agency director (or director's designee) for purchases of supplies and services costing more than \$1,000, (2) renegotiating certain contracts, (3) allowing contracts for critical services to expire and be rebid, (4) cancelling certain contracts funded with noncapital funds, (5) cooperatively purchasing supplies and services with other state agencies, (6) purchasing equipment and furniture in accordance with control-on-equipment directives, and (7) reducing parking expenses. By December 1, 2009, the Director of OBM must issue guidance to each state agency on which spending plan strategies the agency should implement for the FY 2010-FY 2011 biennium.

These spending plans must be prepared for future biennia as well. For instance, by February 1 of each odd-numbered year, beginning in 2011, the director of each state agency must submit to the General Assembly and the Director of OBM a spending plan for purchasing supplies and services for the following two fiscal years. The Director of OBM must issue guidance to each state agency by the following March 1 concerning the spending plan strategies the agency should implement for the following two fiscal years. The Director of DAS, in consultation with the Director of OBM, is required to monitor the implementation of the spending plan strategies of state agencies and report to the Governor and General Assembly semiannually regarding the effectiveness of the implemented strategies and any unintended consequences of implemented strategies.

Travel Expenses

State agencies are also directed to control nonessential travel expenses by (1) complying with any travel directives issued by the Director of OBM, (2) using, when possible, the online travel authorization and expense reimbursement process, (3) conducting meetings, whenever possible and in compliance with existing law, using conference calls, teleconferences, webinars, or other technology tools, (4) using fleet vehicles for official state travel whenever possible, (5) following restrictions set by DAS regarding mileage reimbursement under the existing Fleet Management Law, and (6) prohibiting the Director of OBM from reimbursing any state agency employee for unauthorized travel expenses.

Federal Stimulus Provisions

Oversight of Federal Stimulus Funds

A provision in the budget requires the Office of Internal Auditing (OIA) to, in connection with its statutory duties, monitor and measure the effectiveness of funds allocated to the state as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). OIA must submit a report of its findings for each of the six-month periods of the FY 2010-FY 2011 biennium to the President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, Minority Leader of the House of Representatives, and the chairs of the committees in the Senate and House of Representatives handling finance and appropriations. The provision also requires OBM to submit to the elected officials noted above the quarterly reports monitoring the effectiveness of ARRA funds that are submitted to the federal government for as long as the state is required to make reports to the federal government concerning the use of ARRA funds.

Fiscal Stabilization and Recovery Funds Guidelines

In an effort to meet federal accountability and transparency requirements, the budget permits the Director of OBM to issue guidelines to any agency applying for federal money made available for fiscal stabilization and recovery purposes and may

prescribe the process by which agencies are to comply with any reporting requirements established by the federal government.

The budget requires that federal money Ohio receives for fiscal stabilization in support of elementary, secondary, and higher education; public safety; and any other government service be deposited into the GRF and prohibits the federal money from being used as a match for the state's share of Medicaid. Further, federal fiscal stabilization and recovery funds received in FY 2010 and FY 2011 must be excluded from state debt service calculations for purposes of the 5% debt limit imposed by Section 17 of Article VIII of the Ohio Constitution.

The budget permits the Director of OBM, with the approval of the Controlling Board, to transfer appropriations between GRF appropriation items within the budgets and between the budgets of agencies receiving funding from the State Fiscal Stabilization Fund - Government Services in each fiscal year upon written request of the relevant agency, including transferring appropriations between FY 2010 and FY 2011, if necessary to meet the maintenance of effort and use of funds provisions in ARRA.

Vetoed Provisions

Legislative Approval of Certificates of Participation

The Governor vetoed a provision prohibiting the state from entering into or obtaining a certificate of participation (COP) or any similar debt instrument without the express approval of the General Assembly. A COP is a lease-purchase financing mechanism that has been used to pay for OAKS and the State Taxation and Accounting Revenue System (STARS).

List of State Employees Working for One Agency While Paid by Another

Also vetoed was a provision that required the Director of OBM to prepare, beginning October 1, 2009, a quarterly list of all employees paid by warrant of the Director who work primarily for one state agency while being paid from appropriations made to another state agency.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each appropriation item in OBM's budget. In this analysis, OBM's line items are grouped into three major categories. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used. If the appropriation is earmarked, the earmarks are listed and described. The three categories used in this analysis are as follows:

1. Financial Accounting;
2. Budget Development and Implementation; and
3. Other Government Services.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

Categorization of OBM's Appropriation Line Items for Analysis of Enacted Budget		
Fund	ALI and Name	Category
General Revenue Fund Group		
GRF 042321	Budget Development and Implementation	2: Budget Development & Implementation
GRF 042410	National Association Dues	2: Budget Development & Implementation
GRF 042412	Audit of Auditor of State	1: Financial Accounting
GRF 042416	Medicaid Agency Transition	3: Other Government Services
GRF 042435	Gubernatorial Transition	3: Other Government Services
General Services Fund Group		
1050 042603	State Accounting and Budgeting	1: Financial Accounting
5N40 042602	OAKS Project Implementation	1: Financial Accounting
5Z80 042608	Executive Medicaid Administration	1: Financial Accounting
Federal Special Revenue Fund Group		
3CM0 042606	Medicaid Transition – Federal	3: Other Government Services
Agency Fund Group		
5EH0 042604	Forgery Recovery	1: Financial Accounting

Category 1: Financial Accounting

This category of appropriations funds accounting and budgeting services provided to state agencies, including the Office of Internal Audit and the Office of Shared Services, as well as various other financial accounting and reporting functions.

Appropriations for Financial Accounting				
Fund		ALI and Name	FY 2010	FY 2011
General Revenue Fund				
GRF	042412	Audit of Auditor of State	\$44,528	\$46,309
General Revenue Fund Subtotal			\$44,528	\$46,309
General Services Fund Group				
1050	042603	State Accounting and Budgeting	\$37,031,976	\$41,206,060
5N40	042602	OAKS Project Implementation	\$2,100,000	\$2,100,000
General Services Fund Group Subtotal			\$39,131,976	\$43,306,060
Agency Fund Group				
5EH0	042604	Forgery Recovery	\$50,000	\$50,000
Agency Fund Group Subtotal			\$50,000	\$50,000
Total Funding: Financial Accounting			\$39,226,504	\$43,402,369

State Accounting and Budgeting (042603)

Moneys in this line item pay for the cost of accounting and budgeting services provided to state agencies by OBM. Specifically, the Accounting Operations and Processing, Electronic Commerce, Financial Reporting, Internal Control and Audit Oversight, and the OAKS programs are all funded by this line item. These programs will be funded by a payroll check-off of 0.805% of gross pay per employee that is credited to the State Accounting and Budgeting Fund (Fund 1050). This rate is 15% lower than the FY 2009 rate of 0.947% in order to reduce pressure on agency budgets.

In total, the budget appropriates \$37.0 million in FY 2010, a 76.4% increase over FY 2009 spending of \$21.0 million (or a 30.6% increase over the FY 2009 adjusted appropriation of \$28.3 million). FY 2011 appropriations are further increased to \$41.2 million, a 27.5% increase over the FY 2010 amount. The large difference between these years is due primarily to the implementation of the Shared Services and Internal Audit programs. A portion of this line item is also devoted to budget development and implementation functions and is therefore discussed in the Budget Development and Implementation category.

The table below summarizes the funding of the programs paid for out of this line item. Please note that the listed amounts reflect the implementation of plans complying with budget provisions mirroring Executive Order 2009-07S, which aims for a 30% overall reduction in spending on supplies and services, the result being lower planned spending than the appropriation amount.

Program	FY 2010	FY 2011
Accounting Operations and Processing	\$17.7	\$17.7
Ohio Administrative Knowledge System (OAKS) – Shared Services and RACM Team	\$11.1	\$14.6
Internal Control and Audit Oversight	\$4.1	\$4.6
Budget Development and Implementation	\$1.8	\$2.2
Financial Reporting	\$1.4	\$1.4
Total	\$36.1	\$40.5

Accounting Operations and Processing

The largest program within OBM, Accounting Operations and Processing (AOP) monitors and controls both the spending and revenue collection activities of state agencies. Specifically, program activities include vendor maintenance and expenditure control, review, and release. The program also completes a monthly reconciliation between the state's accounting system and the Treasurer of State and is responsible for all of OBM's information technology needs, such as network administration, database management, programming, and production. The implementation of the next phase of OAKS, the Shared Services initiative, will affect this program, as accounting and processing duties will slowly shift to Shared Services, funded in the OAKS Program.

The budget also pays for State Accounting's share of OAKS Financials module costs. These costs are collected by OBM through a payroll check-off, estimated at 0.304% of gross pay per employee for FY 2010 and 0.308% for FY 2011, and paid to the OAKS Support Organization Fund (Fund 5EB0) used by DAS to operate OAKS. Those check-off rates are expected to generate \$9.6 million for OAKS support in FY 2010 and \$9.7 million for FY 2011, amounts that enable DAS to pay the costs of OAKS Financials.

Overall, OBM plans to fund this program with approximately \$17.7 million from the State Accounting and Budgeting appropriation in each fiscal year. These amounts include state accounting functions, federal stimulus reporting, information technology projects, training, and administrative activities.

Ohio Administrative Knowledge System (OAKS)

Shared Services

This program supports the state's enterprise resource planning system, OAKS. This system, implemented in FY 2007 and FY 2008, provides the platform from which financial, capital improvements, fixed assets, procurement, and human resources are managed. For the FY 2010-FY 2011 biennium, the program's goals include improving the OAKS Budget and Planning module for the FY 2012-FY 2013 biennium and improving OAKS performance in reporting, general ledger operations, and commitment control functions.

Most importantly, the program will be focused on the development and implementation of the next phase of the OAKS system, the Shared Services Center. The Shared Services Center proposes to consolidate and centralize agency fiscal functions, such as accounts payable, travel reimbursements, and vendor payment inquiries. So far, there are 14 agencies volunteering in the program, a number that is expected to grow to more than 25 agencies by the end of FY 2011. The overall objective is to eliminate duplicative agency fiscal processes and reduce statewide costs given the economies of scale that centralization of these functions would produce. The Shared Services Center could have as many as 148 employees at the end of FY 2011, though the actual number needed may be lower depending on voucher volume. To facilitate the transition of state employees to the Shared Services Center, permanent law in the bill authorizes the Director of OBM to appoint and fix the compensation of OBM Shared Services employees.

Overall, OBM is allocating \$8.6 million in FY 2010 and \$12.3 million in FY 2011 from the State Accounting and Budgeting appropriation to fund this program. The program's Accounting and Budgeting Fund (Fund 1050) revenue sources include a portion of the payroll check-off estimated at \$3.6 million in FY 2010 and \$3.4 million in FY 2011, direct charges to agencies for vouchers processed of \$2.4 million in FY 2010 and \$5.7 million in FY 2011, and a cash drawdown. The program is supplemented by \$1.0 million per year from the OAKS Project Implementation Fund (Fund 5N40), although over time the plan is to reduce supplemental sources of funding for Shared Services and support the Center entirely through Fund 1050. Not included within these figures are capital costs for hardware, software, furniture, and so forth.

Requirements and Configuration Management (RACM) Team

The Requirements and Configuration Management (RACM) Team, responsible for maintaining various OAKS Financials components, was formerly the General Ledger Team and housed within DAS. The transition to OBM occurred in the spring of 2009. Specifically, the RACM team oversees the General Ledger, Accounts Payable, Accounts Receivable, and Commitment Control functions of OAKS. The RACM Team

includes the Electronic Commerce Program, which manages the state payment card, financial electronic data interchange (EDI), electronic revenue, and the Statewide Cost Allocation Plan (SWCAP) functions. The state payment card program provides state agencies with credit cards with enhanced controls and tracking for the purchases of small dollar goods and services. The electronic revenue program facilitates the receipt and processing of electronic payments from the state's constituents. The SWCAP is filed annually with the federal government. This plan distributes costs like rent and utilities across state government in order to fairly allocate those costs to federally funded programs for reimbursement.

Although the RACM Team is located at the Shared Services Center, it does not receive revenue from direct charges of the Shared Services Center for vouchers processed. Rather, the RACM Team receives revenue only from the accounting and budget services payroll check-off. OBM is allocating \$2.5 million in FY 2010 and \$2.3 million in FY 2011 for these purposes.

Internal Control and Audit Oversight

This program evaluates the control and governance processes of state government, the intended outcome of which is efficient and accountable utilization of state resources through the establishment of comprehensive internal audit methodologies and the evaluation of management processes. The program was mandated by H.B. 166 of the 127th General Assembly. Staffing for the Office of Internal Auditing (OIA) is expected to be 44 FTEs by the end of FY 2010 and 48 FTEs by the end of FY 2011. Personnel costs are expected to be approximately \$3.0 million in FY 2010 and \$3.6 million in FY 2011.

For FY 2010, seven cabinet-level agencies are expected to be included in the Internal Audit and Evaluation Program with billable hours expected to number 33,000. By FY 2011, those figures will jump to 20 and 44,500, respectively. The program will be funded mainly by direct charges to the agencies involved, based on a three-tiered billing rate, generating approximately \$2.2 million in FY 2010 and \$2.8 million in FY 2011, as well as a portion of the payroll check-off, which is expected to contribute \$2.1 million in FY 2010 and \$1.7 million in FY 2011. Overall, OBM plans to expend \$4.1 million in FY 2010 and \$4.6 million in FY 2011 on this program.

A provision in the budget requires the Office of Internal Auditing (OIA) to, among its duties, monitor and measure the effectiveness of funds allocated to the state as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). OIA must submit a report of its findings to the President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, Minority Leader of the House of Representatives, and the chairs of the committees in the Senate and House of

Representatives handling finance and appropriations. The report is to be submitted for each of the six-month periods of the FY 2010-FY 2011 biennium.

The provision also requires that the quarterly reports monitoring the effectiveness of ARRA funds that OBM submits to the federal government also be submitted to the elected officials noted above for as long as the state is required to make these reports to the federal government.

Financial Reporting

The Financial Reporting Program compiles and publishes the Ohio Comprehensive Annual Financial Report (CAFR), the state's official annual financial report. The CAFR officially documents the state's financial activity and financial position for Ohio citizens, taxpayers, elected officials, bond investors, the federal government, and other constituencies. The Financial Reporting Program also provides several other financial reporting services, such as publication of the Ohio Budgetary Financial Report, reconciliation of the annual year-end closing of the state's accounting system, and compliance with certain federal cash management and award-reporting requirements.

A provision in the budget directs a state agency with a segregated custodial fund to provide an annual report related to such a fund to the Director of OBM by the first day of May of each fiscal year and specifies that the report must be in a form and contain such information as required by the Director.

The budget also includes a provision requiring all costs associated with single audit schedules or financial statements prepared in conformance with generally accepted accounting principles to be paid from appropriation item 042603, State Accounting and Budgeting.

OAKS Project Implementation (042602)

This line item supplements the continued development and implementation of the OAKS enterprise resource planning system, and specifically the Shared Services Center. Though the budget provides for this line item by authorizing transfers of up to \$2.1 million each fiscal year from the GRF, the actual amounts are likely to be \$1.0 million per year to comply with budget reduction plans.

Audit of Auditor of State (042412)

This line item is used to pay for the annual audit of the Auditor of State's office, as required by section 117.14 of the Revised Code. The budget appropriates \$44,528 in FY 2010 and \$46,309 in FY 2011, levels consistent with prior-year spending for this purpose.

Forgery Recovery (042604)

This line item is used to reissue state warrants that were fraudulently redeemed. Through the Forgery Recovery Fund (Fund 5EH0), OBM receives revenue from the bank that erroneously cashed the forged warrant and draws a replacement warrant, which is mailed to the rightful recipient. The budget provides \$50,000 in each fiscal year to reissue such forged warrants.

Category 2: Budget Development and Implementation

This category of appropriations promotes the effective and efficient use of state resources and facilitates the operations of state agencies consistent with the priorities of the Governor and the General Assembly and in accordance with state law.

Appropriations for Budget Development and Implementation				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	042321	Budget Development & Implementation	\$2,412,346	\$2,350,805
GRF	042410	National Association Dues	\$30,448	\$31,361
Total Funding: Budget Development and Implementation			\$2,442,794	\$2,382,166

Budget Development and Implementation (042321)

This line item funds the management of the financial resources of state agencies through the preparation of operating and capital budgets, the coordination of the activities of the Controlling Board and the management of state debt. A small portion also funds Financial Planning Supervision Commissions.

The budget provides approximately \$2.4 million for this line item in each fiscal year, a 24.9% increase from FY 2009 spending of \$1.9 million (or a 16.0% increase over FY 2009 adjusted appropriations of \$2.1 million). FY 2011 appropriations of \$2.35 million are 2.6% lower than the FY 2010 amount. The funding summary below shows how these moneys will be distributed if program allocations go forward as indicated during budget deliberations. Details concerning these programs are provided below.

Program	FY 2010	FY 2011
Budget Development and Implementation	\$1.6	\$1.6
Debt Management	\$0.4	\$0.4
Controlling Board	\$0.3	\$0.3
Financial Planning and Supervision Commissions	\$0.1	\$0.1
Total	\$2.4	\$2.4

Budget Development and Implementation

This program evaluates agency budget requests and prepares the state operating and capital budget recommendations for submission to the General Assembly every two years in accordance with sections 126.02 and 126.03 of the Revised Code. The program also develops the biennial economic forecasts and revenue estimates that are

integral to the budgeting process. Updates of these forecasts and estimates are prepared periodically during a biennium, and a monthly report is issued to the Governor that analyzes current economic trends, year-to-date state revenues and spending, and the GRF balance.

After the budget has been enacted, OBM's budget analysts oversee the preparation of agency allotment plans and monitor agency spending during the fiscal year to ensure it is done in accordance with state law and does not exceed appropriations. The Budget Development Program provides policy, program, and technical assistance as needed to state agencies, including assistance on emerging management issues both within individual agencies and extending across multiple agencies.

Please note that these services are also supported by GSF appropriation item 042603, State Accounting and Budgeting. Taking into account \$1.8 million set aside from this source, total FY 2010 allocations for the Budget Development and Implementation Program are \$3.4 million. The amount set aside from the GSF appropriation in FY 2010 is \$2.2 million, bringing total program funding to \$3.8 million in FY 2011.

Debt Management

This program coordinates the bond sales of all state bond issuers, reviews certain bond documents to ensure they are complete and accurate, keeps track of all debt service payments, projects future state debt service needs, and informs bond rating agencies of the state's debt and overall financial situation. This program also provides administrative support to the Ohio Public Facilities Commission, one of the state agencies authorized to issue debt. The amount allocated for this purpose is approximately \$400,000 in each fiscal year.

Controlling Board

The Controlling Board provides legislative oversight over certain capital and operating expenditures by state agencies and has approval authority over various other state fiscal activities, such as transferring appropriations, increasing or establishing appropriations, transferring cash in certain instances, approving certain grants and loans made by the Department of Development, approving certain subsidy distributions, and so forth. The Board meets approximately every two weeks to consider and vote on requests for action that are submitted to the Board by state agencies, boards, and commissions. OBM staff act as President and Executive Secretary to the Controlling Board, and provide administrative support and oversight. OBM is slating approximately \$271,000 in FY 2010 and \$307,000 in FY 2011 for this purpose.

Although GRF and other state funds are appropriated to the Board, it disburses none of these funds. Instead, the Board approves the transfer of these amounts, totaling \$33.1 million in FY 2010 and \$41.1 million in FY 2011, to other state agencies as specified in temporary law. Among various other such actions, this involves state funds available to assist state agencies and local governments with disaster recovery and other emergency situations, statewide ballot advertising expenses, and unemployment compensation purposes. The Board also approves the release of funds to help local governments defray the cost of specified unfunded mandates.

Financial Planning and Supervision Commissions

A Financial Planning and Supervision Commission is established upon the occurrence or declaration of a fiscal emergency in any municipality or school district. The Commission oversees the finances of the municipality or school district and develops plans so that these entities may overcome financial difficulties. The Director of OBM or a designee serves as a member of each Financial Planning and Supervision Commission. Currently, there are 17 active municipal commissions and five active school district commissions, with several more school districts expected to go into fiscal emergency in CY 2009. The program's allocations support one FTE for this program. The budget includes a provision modifying the makeup of a Financial Planning and Supervision Commission from seven to five if a political subdivision in fiscal emergency has a population of 1,000 or less. Overall funding for this purpose is approximately \$129,000 in FY 2010 and \$111,500 in FY 2011.

National Association Dues (042410)

The moneys in this line item pay Ohio's annual membership dues for the National Association of State Budget Officers (NASBO). The budget appropriates \$30,448 in FY 2010 and \$31,361 in FY 2011, levels that are consistent with FY 2009 spending for these purposes.

Category 3: Other Government Services

This category of appropriations funds the Executive Medicaid Management Administration (EMMA) and any expenses associated with a gubernatorial transition.

Appropriations for Other Government Services				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	042416	Medicaid Agency Transition	\$571,028	\$369,298
GRF	042435	Gubernatorial Transition	\$0	\$250,000
General Revenue Fund Subtotal			\$571,028	\$619,298
General Services Fund Group				
5Z80	042608	Executive Medicaid Administration	\$57,751	\$0
General Services Fund Group Subtotal			\$57,751	\$0
Federal Special Revenue Fund Group				
3CM0	042606	Medicaid Transition – Federal	\$734,979	\$747,098
Federal Special Revenue Fund Group Subtotal			\$734,979	\$747,098
Total Funding: Other Government Services			\$1,363,758	\$1,366,396

Executive Medicaid Management Administration (042616, 042608, and 042606)

These line items support the Executive Medicaid Management Administration (EMMA), created by executive order in December 2007. EMMA is responsible for the coordination of Medicaid policy and Medicaid-related operations across the agencies that administer Medicaid-funded services, such as the departments of Aging, Alcohol and Drug Addiction Services, Education, Health, Mental Health, Mental Retardation and Development Disabilities, and Job and Family Services. As the central coordinating body for the Medicaid program, EMMA has been charged with addressing the inefficiencies, duplication of services, and unnecessary costs of the Medicaid program while also protecting federal matching funds. EMMA recently reorganized its staff, which included the hiring of two individuals that have greater technical expertise.

EMMA is funded by a combination of GRF funds and federal funds along with a small portion of funds generated by charges to seven user agencies. One of the primary expenses in the biennium will be to analyze the current Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery. Originally having planned to contract out this work, EMMA staff will instead perform most of it in-house, providing some GRF savings. Overall, the budget provides \$1.4 million for EMMA in FY 2010 and \$1.1 million in FY 2011.

Gubernatorial Transition (042435)

This line item funds the salaries, supplies, and other reasonable expenses of the governor-elect during the period of transition, should one occur in FY 2011. The budget appropriates \$250,000 in FY 2011 for this purpose, the same amount provided in years past.

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
Report For: Main Operating Appropriations Bill			Version: Enacted					
<i>OBM Office of Budget and Management</i>								
GRF	042321	Budget Development and Implementation	\$ 2,140,197	\$ 1,931,502	\$ 2,412,346	24.89%	\$ 2,350,805	-2.55%
GRF	042409	Commission Closures	\$ 9,091	\$ 0	\$ 0	N/A	\$ 0	N/A
GRF	042410	National Association Dues	\$ 28,700	\$ 29,561	\$ 30,448	3.00%	\$ 31,361	3.00%
GRF	042412	Audit of Auditor of State	\$ 47,128	\$ 41,625	\$ 44,528	6.97%	\$ 46,309	4.00%
GRF	042413	Payment Issuance	\$ 477,452	\$ 355,505	\$ 0	-100.00%	\$ 0	N/A
GRF	042416	Medicaid Agency Transition	\$ 0	\$ 539,718	\$ 571,028	5.80%	\$ 369,298	-35.33%
GRF	042435	Gubernatorial Transition	\$ 0	\$ 0	\$ 0	N/A	\$ 250,000	N/A
General Revenue Fund Total			\$ 2,702,568	\$ 2,897,911	\$ 3,058,350	5.54%	\$ 3,047,773	-0.35%
1050	042603	State Accounting and Budgeting	\$ 20,836,561	\$ 20,997,284	\$ 37,031,976	76.37%	\$ 41,206,060	11.27%
5N40	042602	OAKS Project Implementation	\$ 1,259,953	\$ 2,949,031	\$ 2,100,000	-28.79%	\$ 2,100,000	0.00%
5Z80	042608	Executive Medicaid Administration	\$ 153,254	\$ 5,897	\$ 57,751	879.37%	\$ 0	-100.00%
General Services Fund Group Total			\$ 22,249,768	\$ 23,952,212	\$ 39,189,727	63.62%	\$ 43,306,060	10.50%
3CM0	042606	Medicaid Transition - Federal	\$ 0	\$ 0	\$ 734,979	N/A	\$ 747,098	1.65%
Federal Special Revenue Fund Group Total			\$ 0	\$ 0	\$ 734,979	N/A	\$ 747,098	1.65%
5EH0	042604	Forgery Recovery	\$ 14,624	\$ 37,952	\$ 50,000	31.74%	\$ 50,000	0.00%
Agency Fund Group Total			\$ 14,624	\$ 37,952	\$ 50,000	31.74%	\$ 50,000	0.00%
Office of Budget and Management Total			\$ 24,966,959	\$ 26,888,075	\$ 43,033,056	60.05%	\$ 47,150,931	9.57%