

**Greenbook**  
**LSC Analysis of Enacted Budget**

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**Office of Budget and  
Management**

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### **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Office of Budget and Management

- Total budget of \$57.2 million for the FY 2018-FY 2019 biennium, about 17% of which comes from the GRF
- Provides policy analysis, fiscal research, and financial management services to the Governor and other state agencies

## 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 the Governor, state agencies, the General Assembly, and other interested parties, including local government units. In recent years, OBM's functions have expanded to include the consolidation of common back-office functions through Ohio Shared Services and internal control and risk assessment through the Office of Internal Audit. The Director of OBM sits on the Governor's cabinet as the Governor's Chief Financial Officer.

### Appropriation Overview

<b>Fund Group</b>	<b>FY 2017*</b>	<b>FY 2018 Appropriation</b>	<b>% change, FY 2017-FY 2018</b>	<b>FY 2019 Appropriation</b>	<b>% change, FY 2018-FY 2019</b>
General Revenue	\$4,336,266	\$4,813,761	11.0%	\$5,034,976	4.6%
Internal Service Activity	\$19,544,602	\$22,950,558	17.4%	\$23,538,954	2.6%
Fiduciary	\$37,634	\$30,000	-20.3%	\$30,000	0.0%
Federal	\$332,310	\$414,422	24.7%	\$428,430	3.4%
<b>TOTAL</b>	<b>\$24,250,812</b>	<b>\$28,208,741</b>	<b>16.3%</b>	<b>\$29,032,360</b>	<b>2.9%</b>

\*FY 2017 figures represent actual expenditures.

The budget appropriates \$28.2 million for OBM in FY 2018, a 16.3% increase compared to FY 2017 spending of \$24.3 million. FY 2019 recommended funding is \$29.0 million, a 2.9% increase from the FY 2018 amount. Charges for Ohio Shared Services and other accounting and budgeting services that OBM provides are deposited into the State Accounting and Budgeting Fund (Fund 1050), part of the Internal Service Activity Fund Group, and are used to fund the bulk of OBM operations. This fund group makes up 81.2% of the proposed budget over the biennium. The next largest source of funding for OBM comes from the GRF, which represents 17.2% of the biennium budget.

### Funding Distribution by Program

Most of OBM's budgeted resources go to programs in the Financial Accounting area, which includes funding for accounting services as well as Ohio Shared Services and the Office of Internal Audit. Table 2 below lists the funding for each program, regardless of the particular line item used. These programs are discussed in more detail in the "**Analysis of Enacted Budget**" section. As the table shows, Ohio Shared Services comprises the largest portion of OBM's biennial budget, at \$17.4 million or 30.5%, followed by Accounting Operations and Processing, Budget Development and Implementation, Internal Audit, Financial Reporting, the Office of Health Transformation, and several other smaller programs. Funding for central costs, such as OBM administration, information technology staff, and the Fiscal Training Academy, is allocated throughout the Shared Services, Accounting Operations and Processing, Budget Development and Implementation, and Internal Audit programs pursuant to formula calculations.

<b>Table 2. FY 2018-FY 2019 Budget by Program (\$ in millions)</b>				
<b>Program</b>	<b>FY 2017</b>	<b>FY 2018 Appropriation</b>	<b>FY 2019 Appropriation</b>	<b>Percent of Budget</b>
Ohio Shared Services	\$7.1	\$8.7	\$8.8	30.5%
Accounting Operations and Processing	\$6.4	\$7.2	\$7.3	25.5%
Budget Development and Implementation	\$4.5	\$5.1	\$5.3	18.2%
Internal Audit	\$3.6	\$4.1	\$4.2	14.6%
Financial Reporting	\$1.2	\$1.3	\$1.3	4.5%
Office of Health Transformation	\$0.7	\$0.8	\$0.8	2.9%
Debt Management	\$0.5	\$0.6	\$0.5	1.9%
Controlling Board	\$0.3	\$0.3	\$0.4	1.2%
Financial Planning and Supervision Commissions	\$0.1	\$0.1	\$0.1	0.4%
Gubernatorial Transition	\$0.0	\$0.0	\$0.2	0.4%
<b>TOTAL</b>	<b>\$24.3</b>	<b>\$28.2</b>	<b>\$29.0</b>	<b>100.0%</b>

Note: Individual amounts may not add to totals due to rounding.

## Semiannual Report

Am. Sub. H.B. 49 establishes a requirement in permanent law that OBM produce a report for the General Assembly every six months. The report will identify: (1) all line items that have been discontinued, but have a remaining balance, (2) all funds without expenditures, (3) all funds that have spent less than 50% of their appropriations, and (4) dedicated purpose funds that have over 100% of their appropriation in cash on hand. The initial report is due October 1, 2018. OBM is expected to absorb the costs of producing this semiannual report in appropriation line item 042603, Financial Management.

## Business Incentive Tax Credit Update

The enacted budget requires that the main operating biennial state budget submitted by the Governor (developed largely by OBM) and enacted by the General Assembly is to include detailed estimates regarding the amount of business incentive tax credits authorized in each year of the biennium, the amount of credits claimed in each year of the biennium, and the amount of credits that will remain outstanding at the end of the biennium. It defines "business incentive tax credits" to include the job creation tax credit, job retention tax credit, historic preservation tax credit, motion picture tax credit, New Markets tax credit, research and development tax credit, and small business investment tax credit (i.e., InvestOhio). OBM is expected to absorb its share of the costs of producing these estimates within existing funds for budget development.

## Requirements to Consult with the OBM Director

H.B. 49 requires state agencies to consult with the OBM Director before they agree to a monetary settlement that obligates payment from a fund in the State Treasury. In a separate provision, the enacted budget also requires the review and comment of the Director before any state agency or state issuer seeks a change to certain public obligations laws.<sup>1</sup>

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<sup>1</sup> More specifically, existing law relating to public obligations for which the state or a state agency is the direct obligor, or obligor on any backup security or related credit enhancement facility.

## ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the funding for each appropriation item in OBM's budget. A narrative describes how each appropriation is used and any changes affecting the appropriation enacted in the budget.

### Budget Development and Implementation (042321)

This GRF line item funds the management of the financial resources of state agencies through the development and implementation of operating and capital budgets, the management of state debt, and the coordination of the activities of the Controlling Board. Also funded are a portion of agency central costs associated with administration, information technology, and the Fiscal Training Academy. A small portion also funds financial planning and supervision commissions and the budget act requires the costs of auditing the Auditor of State (part of the Internal Audit Program discussed in "**Financial Management (042603)**") be paid from this line item. The enacted budget appropriates \$3.1 million in FY 2018, 9.1% more than FY 2017 expenditures, and \$3.1 million in FY 2019, 1.3% more than is appropriated in FY 2018.

Program	FY 2017	FY 2018 Appropriation	FY 2019 Appropriation
Budget Development and Implementation	\$1.9	\$2.0	\$2.0
Debt Management	\$0.5	\$0.6	\$0.5
Controlling Board	\$0.3	\$0.3	\$0.4
Financial Planning and Supervision Commissions	\$0.1	\$0.1	\$0.1
Internal Audit	\$<0.1	\$<0.1	\$<0.1
<b>TOTAL</b>	<b>\$2.8</b>	<b>\$3.1</b>	<b>\$3.1</b>

Note: Individual amounts may not add to totals due to rounding.

### 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 executive's 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 program also 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.

OBM's value management section is also housed under this program. The objective of value management is to evaluate enterprise-wide initiatives as they are implemented to determine whether the projects are achieving expected benefits. The value management section coordinates with state agencies to track project outcomes.

### **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, and the Buckeye Tobacco Settlement Financing Authority, the entity created in 2007 to issue bonds backed by (or consisting of "securitized") Tobacco Master Settlement Agreement payments.

### **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. 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. The Controlling Board Program also funds OBM's legislative liaison functions. Although the 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 to other state agencies as specified in temporary law. This involves state funds available to assist state agencies and local governments with disaster recovery and other emergency situations, as well as statewide ballot advertising expenses.

### **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. A 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 of the Director serves as a member of each financial planning and supervision commission.

**Office of Health Transformation (042416 and 042606)**

These line items support the Office of Health Transformation (OHT), created by Executive Order 2011-02K in January 2011. OHT oversees and coordinates the state agencies that administer federal Medicaid programs and grants. OHT is funded with a combination of GRF funds (ALI 042416) and federal funds (ALI 042606). OHT receives federal funds as a subrecipient of an Ohio Department of Medicaid federal grant that provides funding for certain administrative functions at the state level. The grant requires a 50% state match. Overall, the budget appropriates \$0.8 million for OHT in each fiscal year. The FY 2018 appropriations total 22.8% more than FY 2017 expenditures, and the FY 2019 appropriations total 3.4% more than the FY 2018 appropriations.

**Shared Services Development (042425)**

This GRF line item funds the continued development and implementation of service lines offered by Ohio Shared Services (OSS). Federal guidelines require projects to be fully operational before the costs can be recovered through the Statewide Cost Allocation Plan (SWCAP). This means that these costs cannot be paid for out of the Accounting and Budgeting Fund (Fund 1050). As a result, OBM uses the GRF for this purpose. The budget appropriates \$1.3 million for this line item in each fiscal year. The FY 2018 appropriation is 12.7% more than FY 2017 expenditures, and the FY 2019 appropriation is 4.0% less than the FY 2018 appropriation.

**Gubernatorial Transition (042435)**

This GRF line item complies with Revised Code section 107.30 to appropriate money for incurred costs of the governor-elect. This will fund the salaries, supplies, and other reasonable expenses during the period of transition in FY 2019. The budget appropriates \$221,625 in FY 2019 for this purpose.

**Financial Management (042603)**

The enacted budget appropriates \$15.6 million for this line item in FY 2018, 14.5% more than FY 2017 expenditures, and appropriates \$16.0 million in FY 2019, or 2.7% more than the FY 2018 appropriation. The act requires the costs associated with single audit schedules or financial statements prepared in conformance with generally accepted accounting principles for the state to be paid from this line item. More generally, this line item provides the funds for the accounting and budgeting services provided to state agencies by OBM. Specifically, the Accounting Operations and Processing, Internal Audit, Budget Development and Implementation, and Financial Reporting programs are all funded out of this line item. Included in this funding is a portion of agency central costs associated with administration, information technology, and the Fiscal Training Academy. These programs are funded by a payroll checkoff

deposited into the Accounting and Budgeting Fund (Fund 1050), though the Internal Audit Program also receives funding through direct charges paid by user agencies. The table below summarizes the funding these programs receive through this line item.

<b>Program</b>	<b>FY 2017</b>	<b>FY 2018 Appropriation</b>	<b>FY 2019 Appropriation</b>
Accounting Operations and Processing	\$6.4	\$7.2	\$7.3
Internal Audit	\$3.5	\$4.1	\$4.2
Budget Development and Implementation	\$2.6	\$3.1	\$3.3
Financial Reporting	\$1.2	\$1.3	\$1.3
<b>TOTAL</b>	<b>\$13.6</b>	<b>\$15.6</b>	<b>\$16.0</b>

Note: Individual amounts may not add to totals due to rounding.

The Budget Development and Implementation Program and the Internal Audit Program also receive some funding from GRF line items. For the total funding provided to these programs across all line items, and the percentage they comprise of OBM's budget, please refer to Table 2 in the "**Overview**" section. The following is a brief discussion of each program.

### **Accounting Operations and Processing**

The Accounting Operations and Processing Program oversees the Financials (FIN) module of OAKS, the state's enterprise resource planning system. As part of this responsibility, the program monitors and controls both the spending and revenue collection activities of state agencies through expenditure control, review, and release; payment issuance; completion of a monthly reconciliation between the state's accounting system and the Treasurer of State; and the SWCAP. The SWCAP distributes GRF indirect costs, such as those for central services, across all non-GRF funds that benefit from those services. These cost allocations must be filed annually with, and approved by, the federal government, since the SWCAP is also used to fairly allocate such costs to federally funded programs for reimbursement.

The program's requirements and configuration management (RACM) team is responsible for maintaining the various components of OAKS FIN module as well as the state's e-Commerce Program, which includes the state payment card, financial electronic data interchange, and electronic revenue. 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.

### **Internal Audit**

The Office of Internal Audit Program (OIA) evaluates the control and governance processes of state government, the outcome of which is reduced risk

exposure and efficient and accountable utilization of state resources. OIA services include operational audits, reviews of program and process design and effectiveness, and information system reviews. OIA also provides consulting services to state agencies. OIA activities are based on an annual audit plan coordinated with the Auditor of State and the individual agency internal control offices. Audit plans are also reviewed by the State Audit Committee. Currently, 26 cabinet agencies fall under OIA's oversight; other agencies may request OIA services. The program is funded by the payroll checkoff charged to the agencies under OIA jurisdiction and direct charges for staff time to the agencies involved in OIA audits.

### **Budget Development and Implementation**

This program funds OBM's operations related to the management of the financial resources of state agencies, chiefly through the preparation of operating and capital budgets. The program is split-funded between the GRF and the accounting and budgeting services payroll charge due to federal SWCAP requirements that prohibit the recovery of costs for legislative activities through the payroll charge. The program is discussed in greater detail in "**Budget Development and Implementation (042321).**"

### **Financial Reporting**

The Financial Reporting Program compiles and publishes the Ohio Comprehensive Annual Financial Report (CAFR), the state's official annual financial report, which is prepared in conformity with Generally Accepted Accounting Principles as required under section 126.21 of the Revised Code. 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 reconciliation of the annual year-end closing of the state's accounting system, and compliance with certain federal cash management and award reporting requirements.

### **Shared Services Operating (042620)**

The enacted budget appropriates \$7.3 million for this line item in FY 2018, 24.1% more than FY 2017 expenditures, and appropriates \$7.5 million in FY 2019, or 2.3% more than the FY 2018 appropriation. This line item funds the operations of OSS and a portion of agency central costs associated with administration, information technology, and the Fiscal Training Academy. Implemented in FY 2010, OSS is an outgrowth of OAKS. OSS leverages OAKS to perform a host of common fiscal services, the objective of which is to save the state money by using economies of scale to generate cost savings and to allow agencies to focus on their core missions. OSS assists agencies with seven basic service suites: (1) accounts payable (AP) services, such as invoice management, voucher processing and maintenance, and document imaging and retention, (2) travel

and expense reimbursements, (3) vendor maintenance services, including vendor documentation and 1099 forms, invoice tracking, and vendor payment inquiries, (4) management of a contact center that provides support to its customers and assistance to OAKS users through the OAKS first-tier help desk, (5) pre-collections, which is intended to accelerate the collection of agency receivables that are less than 45 days late, (6) accounts receivable (AR) processing services, such as billing, processing, and integration of workflow with pre-collections activities, and (7) processing of payments between state agencies.

OSS operating costs are funded by a combination of direct charges to agencies based on a per-voucher cost for AP, AR, and travel and expense reimbursement transactions, a small percentage of amounts collected through the pre-collections service line, and a portion of the payroll checkoff, which supports the cost for vendor maintenance and contact center assistance. The budget appropriates \$7.3 million in FY 2018 for OSS operating costs and \$7.5 million in FY 2019.

### **Forgery Recovery (042604)**

This line item is used to reissue state warrants that were fraudulently redeemed. The Forgery Recovery Fund (Fund 5EH0) consists of revenue that OBM receives from the banks that erroneously cash forged warrants. OBM then issues a replacement warrant, which is mailed to the rightful recipient. The budget provides funding of \$30,000 in each fiscal year for this purpose; in case additional amounts are needed to reissue warrants backed by the receipt of funds, the budget bill includes uncodified language appropriating those amounts.

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# FY 2018 - FY 2019 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>OBM Office of Budget and Management</b>								
GRF	042321	Budget Development and Implementation	\$ 2,550,274	\$ 2,816,140	\$ 3,073,172	9.13%	\$ 3,112,524	1.28%
GRF	042416	Office of Health Transformation	\$ 211,006	\$ 332,330	\$ 401,989	20.96%	\$ 415,577	3.38%
GRF	042425	Shared Services Development	\$ 1,012,189	\$ 1,187,796	\$ 1,338,600	12.70%	\$ 1,285,250	-3.99%
GRF	042435	Gubernatorial Transition	\$0	\$0	\$ 0	N/A	\$ 221,625	N/A
<b>General Revenue Fund Total</b>			<b>\$ 3,773,468</b>	<b>\$ 4,336,266</b>	<b>\$ 4,813,761</b>	<b>11.01%</b>	<b>\$ 5,034,976</b>	<b>4.60%</b>
1050	042603	Financial Management	\$ 12,575,120	\$ 13,643,284	\$ 15,624,379	14.52%	\$ 16,044,968	2.69%
1050	042620	Shared Services Operating	\$ 6,585,449	\$ 5,901,318	\$ 7,326,179	24.14%	\$ 7,493,986	2.29%
<b>Internal Service Activity Fund Group Total</b>			<b>\$ 19,160,569</b>	<b>\$ 19,544,602</b>	<b>\$ 22,950,558</b>	<b>17.43%</b>	<b>\$ 23,538,954</b>	<b>2.56%</b>
5EH0	042604	Forgery Recovery	\$ 8,870	\$ 37,634	\$ 30,000	-20.29%	\$ 30,000	0.00%
<b>Fiduciary Fund Group Total</b>			<b>\$ 8,870</b>	<b>\$ 37,634</b>	<b>\$ 30,000</b>	<b>-20.29%</b>	<b>\$ 30,000</b>	<b>0.00%</b>
3CM0	042606	Office of Health Transformation - Federal	\$ 210,991	\$ 332,310	\$ 414,422	24.71%	\$ 428,430	3.38%
<b>Federal Fund Group Total</b>			<b>\$ 210,991</b>	<b>\$ 332,310</b>	<b>\$ 414,422</b>	<b>24.71%</b>	<b>\$ 428,430</b>	<b>3.38%</b>
<b>Office of Budget and Management Total</b>			<b>\$ 23,153,898</b>	<b>\$ 24,250,812</b>	<b>\$ 28,208,741</b>	<b>16.32%</b>	<b>\$ 29,032,360</b>	<b>2.92%</b>