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## OFFICE OF BUDGET AND MANAGEMENT

### **Budget Stabilization Fund (PARTIALLY VETOED)**

- Increases, from 8.5% to 10%, the amount of the GRF revenues for the preceding fiscal year intended to be maintained in the Budget Stabilization Fund (BSF).
- Would have required that investment earnings of the BSF be credited to the GRF rather than the BSF itself (VETOED).
- Would have required that the first \$650 million of BSF investment earnings credited to the GRF be used to reduce income tax withholding rates (VETOED).

### **State appropriation limitation (VETOED)**

- Would have modified how the state appropriation limitation (SAL) is calculated by requiring the inclusion of certain non-GRF appropriations in the SAL calculation.
- Would have established a standard annual growth rate of 3.0% for SAL and eliminated the alternative growth factor.
- Would have eliminated the exemption for appropriations of gifts of money from inclusion in the SAL calculation.
- Would have eliminated the General Assembly's authority to exceed the SAL in response to an emergency proclamation by the Governor.
- Would have required the Governor to itemize all non-GRF appropriation line items that are subject to the SAL as part of the Governor's biennial budget submissions.

### **Medicaid Caseload and Expenditure Forecast report**

- Requires the OBM Director, in consultation with the Department of Medicaid, to develop and submit to the Governor a Medicaid Caseload and Expenditure Forecast each biennium.
- Requires the Governor to submit the new report to the General Assembly as part of the executive budget proposal each biennium.

### **Health and Human Services Reserve Fund (VETOED)**

- Would have required the OBM Director to transfer \$600 million cash from the Health and Human Services Reserve Fund to the BSF.
- Would have permitted the Medicaid Director, if needed to meet the state's Medicaid program obligations in FY 2024 or FY 2025, to request the Controlling Board to transfer money from the HHS Fund to GRF item 651525, the main Medicaid appropriation item.

## Support services for boards and commissions

- Eliminates the Central Service Agency within the Department of Administrative Services, which provided routine support services to various boards and commissions, and transfers its duties to OBM.

## Fraud analysis

- Requires OBM to conduct a statewide assessment of financial fraud and financial crimes on state programs.
- Requires OBM and other state agencies to submit a report to the Governor, Senate President, and House Speaker by June 30, 2024.

## OBM reporting

- Eliminates various reporting requirements for agencies to submit information to OBM and removes OBM as a recipient of certain reports.
- Eliminates the requirement that the OBM Director furnish to legislative leaders a report, each April and October, of various funds and line items not having a current year appropriation, but having open encumbrances.
- Changes the name of a report the OBM Director and the Ohio Turnpike and Infrastructure Commission must each issue from a “comprehensive annual financial report” to an “annual comprehensive financial report.”

## Budget Stabilization Fund (PARTIALLY VETOED)

(R.C. 131.43 and 131.44)

The act increases, from 8.5% to 10%, the minimum amount of the GRF revenues for the preceding fiscal year intended to be maintained in the Budget Stabilization Fund (BSF) and used in the calculation for the BSF’s required year-end balance.

The Governor vetoed a provision that would have required investment earnings of the BSF to be credited to the GRF, rather than to the BSF itself.

The Governor also vetoed a requirement that the first \$650 million of BSF investment earnings be credited to the GRF, to be used to reduce income tax withholding rates. Each fiscal year, until the \$650 million threshold was met, the OBM Director would have been required to certify the amount credited in that year to the Tax Commissioner by the following July 10 (see “**Withholding rate adjustments,**” below).

## **State appropriation limitation (VETOED)**

(R.C. 107.032, 107.033, 107.034 (repealed), 107.035, 131.56, 131.57, and 131.58; Section 701.40)

### **SAL calculation**

The Governor vetoed provisions that would have changed how the state appropriation limitation (SAL) is calculated in FY 2028 (starting July 1, 2027) and beyond. Generally, the SAL limits the growth of GRF spending to a designated percentage each biennium. For more background on the SAL, please see [LSC's Guidebook for Ohio Legislators, Chapter 8 \(PDF\)](#), available on LSC's website at [www.lsc.ohio.gov](http://www.lsc.ohio.gov).

### **Non-GRF appropriations to be included in SAL calculation**

The vetoed provisions included in the meaning of "aggregate GRF appropriations" any appropriations made indirectly from any non-GRF fund that is supported by cash transfers from the GRF.

Under continuing law, an appropriation that originates in the GRF is included in the SAL calculation even if that appropriation is subsequently moved to a non-GRF account. The act would have designated any tax revenue credited to the GRF during FYs 2024 through 2027 as a GRF tax source funding GRF appropriations for the succeeding fiscal year even if the tax revenue is later credited to a non-GRF account.

### **SAL growth factor**

The act would have reduced the SAL growth factor from 3.5% to 3% and eliminated the alternative growth factor based on inflation and population growth.

### **Gifts of money included**

The act would have eliminated an exemption excluding appropriations of money received as gifts from being included in the SAL calculation.

### **Elimination of SAL exception for emergency proclamation**

The act would have eliminated an exception permitting the General Assembly to exceed the SAL if the excess appropriations are made in response to a Governor's emergency proclamation and the appropriations are used for that emergency.

### **List of non-GRF appropriation items subject to SAL**

Finally, the act would have required the Governor to include in the executive budget proposal a table itemizing all non-GRF appropriation line items that are subject to the SAL for the current fiscal year and each fiscal year covered by the upcoming budget proposal.

## **Medicaid Caseload and Expenditure Forecast report**

(R.C. 107.03, 126.021, and 126.023)

The act requires the OBM Director, in consultation with the Department of Medicaid, to submit a Medicaid Caseload and Expenditure Forecast report to the Governor, alongside the biennial budget estimates currently required. The report must be submitted to the Governor by January 1 of each odd-numbered year, near the start of a new General Assembly.

## Submission to General Assembly

The report, in turn, must be submitted to the General Assembly as part of Governor's executive budget proposal, as a supplemental budget document. In most years, this means the report must be submitted by the fourth week after the new General Assembly organizes; in a year following a new Governor's inauguration, it must be submitted by March 15.

### Report components

The act prescribes requirements that the new report must meet. The report must provide a part-to-whole mapping of the state and federal shares of the Medicaid appropriation item, GRF 651525, Medicaid Health Care Services, or any equivalent GRF item, and break down the information by the following categories: eligibility group and subgroup, service delivery system, Medicaid provider, and program. For each of these categories, the report must clearly distinguish proposed policy changes from continuing law or administrative policy. It also must indicate whether the data used throughout the report is proposed, estimated, or actual data for the current or proposed biennium.

The act identifies specific, required components to be included, as follows:

- A complete Medicaid budget broken down by the agency administering each component of the program, fund, appropriation item, and whether the spending is for services or administration;
- A summary of Medicaid service spending by eligibility group and subgroup and service delivery system and a detailed mapping into individual appropriation items, including state and federal shares of each item;
- A complete description of each policy proposal, including assumed start date and cost projection broken down by fiscal year, appropriation item, state and federal shares, eligibility group and subgroup, and service delivery system;
- The Medicaid caseload broken down by eligibility group and subgroup and service delivery system;
- The percentage of total Medicaid enrollment that is comprised of Medicaid recipients enrolled under the care management system and the percentage of total Medicaid spending that the care management system comprises;
- A detailed accounting of both the care management system component and the fee-for-service component of the Medicaid budget by eligibility group and subgroup, including spending, member months, and per member per month capitation rates or costs;
- Historical spending data by service delivery system and Medicaid provider and program, including at least the following provider categories:
  - Hospital;
  - Pharmacy;
  - Waiver;
  - Nursing;

- Home health care;
  - Professional medical and clinic;
  - Nursing facility;
  - Behavioral health care;
  - Intermediate care facility for individuals with intellectual disabilities (ICF/IID)
- A detailed accounting of the Medicare Buy-In and Part D components of the Medicaid budget by eligibility group and subgroup, including spending, average monthly premiums, and average rates;
  - A summary of projected spending for each fiscal year broken down by forecast component and by baseline and policy proposals;
  - Detailed calculations demonstrating the effects of the following hypothetical scenarios:
    - A \$1 increase in Medicaid home and community-based services wages for direct care providers for each fiscal year, broken down by provider, appropriation item, and state and federal shares;
    - A one percentage point increase in provider franchise fee revenue for each fiscal year;
    - A \$1 increase in nursing facility and ICF/IID per Medicaid day payment rates.
  - A detailed explanation of how the Governor’s Medicaid budget recommendations satisfy the law requiring the Medicaid Director to implement cost savings reforms to the Medicaid program;<sup>24</sup>
  - The most recent Medicaid cost containment report;<sup>25</sup>
  - Any other information the OBM or Medicaid directors deem to be useful to facilitate a better understanding of the Governor’s Medicaid budget recommendations.

For almost all components, the report must include Medicaid proposed, estimated, or actual program data for each fiscal year of the upcoming budget biennium and the current fiscal biennium. The OBM and Medicaid directors are permitted to include additional years’ data as well.

## **Health and Human Services Reserve Fund (VETOED)**

(Section 516.20)

The act would have required the OBM Director to transfer \$600 million cash from the Health and Human Services (HHS) Reserve Fund to the BSF, on or shortly after July 1, 2023. Additionally, during FYs 2024 and 2025, the vetoed provisions would have permitted the Medicaid Director, after determining that there were insufficient funds to pay the state’s

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<sup>24</sup> R.C. 5162.70.

<sup>25</sup> R.C. 5162.131, not in the act.

Medicaid program obligations, to request the Controlling Board to approve a cash transfer from the HHS Fund to the GRF, specifically to item 651525 (the primary Medicaid appropriation item), to fund the needed increase, up to \$600 million total over the biennium.

## **Support services for boards and commissions**

(R.C. 126.25 and 126.42; Sections 516.10 and 525.10)

The act eliminates the Central Service Agency located within DAS, which provided routine support services to various boards and commissions. Those services will be provided by OBM instead. The act adds “human resources and personnel services” as a routine support service and removes language specifying that initiating or denying personnel or fiscal actions is not considered routine support services.

## **Fraud analysis**

(Section 701.70)

The act requires OBM, with help from DAS, to establish and coordinate a statewide assessment of financial fraud and financial crimes in state programs, specifically including those under the jurisdiction of the Department of Taxation, the Bureau of Workers’ Compensation, and the Department of Job and Family Services. OBM must establish and coordinate an effort to implement a statewide initiative to identify and recover state funds from private sector banking institutions and digital payment networks that hold funds associated with fraudulent disbursements. Additionally, OBM must coordinate an effort to prevent state funds from being dispersed fraudulently by utilizing banking institution financial crime data with the state agency fraud analytics.

By June 30, 2024, OBM and other state agencies as determined by OBM must submit a financial report to the Governor, the Senate President, and the House Speaker demonstrating the prevention and recovery of funds associated with fraudulent disbursements from state agencies.

## **OBM reporting requirements**

(R.C. 126.30, 131.02, 153.17, 3333.021, 5123.0412, 5727.28, 5727.42, and 5727.91; repealed R.C. 131.38)

The act eliminates the following reporting requirements for agencies to submit certain information to OBM:

- Interest charges paid related to an agency’s purchase or lease of goods or services;
- Unpaid amounts due to the state that an agency is unable to collect;
- Information on segregated custodial funds maintained by an agency;
- Notification, by the owner of a public work, of execution of a takeover contract for the takeover of a defaulted public works contract; and
- Tax refunds to certain entities.

The act also removes OBM from the recipients to which the Chancellor of Higher Education must send a fiscal analysis prior to implementing any action or adopting a rule with an expected fiscal effect. Finally, it removes OBM as a recipient for a Department of Development Disabilities' report on use of the Department of Developmental Disabilities Administration and Oversight Fund.

## **Appropriation report to General Assembly**

(Repealed R.C. 126.231)

The act eliminates a requirement that the OBM Director furnish to the Senate President and Senate Minority Leader, the Speaker of the House and the House Minority Leader, and the Chairpersons of the Finance committees in both chambers a report, each April and October, of the following appropriation information:

<b>Details of eliminated OBM report</b>	
<b>Report</b>	<b>Line items or funds included in the report</b>
Both October and April	Line items without current year appropriation, but with remaining open encumbrances.
	Dedicated purpose funds that have more than 100% of their appropriation in cash on hand.
October only	Funds that had no expenditures in the immediately preceding fiscal year, but had remaining cash balances.
	Funds that have spent less than half of their preceding fiscal year appropriations.
April only	Funds that had no expenditures in the current fiscal year, but had remaining cash balances.
	Funds that spent or encumbered less than half of their current appropriations through December of that fiscal year.

## **Annual comprehensive financial reports**

(R.C. 126.21, 126.46, and 5537.17)

The act changes the name of the state report the OBM Director must issue from a "comprehensive annual financial report" to an "annual comprehensive financial report." Under continuing law, this financial report of the state must cover all funds handled by OBM, including basic financial statements and required supplementary information prepared in accordance with generally accepted accounting principles, as well as any other information required by the Director. The act also makes a conforming change in the State Audit Committee Law, which under continuing law must review and comment on OBM's report preparation process.

The act changes the name of a report the Ohio Turnpike and Infrastructure Commission must issue from a “comprehensive annual financial report” to an “annual comprehensive financial report.” Under continuing law, the report must outline the complete operating and financial statement covering the Commission’s operations and funding of any turnpike projects and infrastructure projects for each year.