

LSC Redbook

Analysis of the Executive Budget Proposal

Office of Budget and Management

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Office of Budget and Management (OBM), which includes the following four sections.

1. **Overview:** Provides a brief description of OBM and an overview of the provisions of the executive budget that affect OBM, including major new initiatives proposed.
2. **Analysis of Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for OBM, including funding for each appropriation line item. The line items are organized into three categories.
3. **Requests Not Funded:** Compares OBM's budget request with the executive budget recommendations.
4. **Attachments:** Includes the catalog of budget line items (COBLI) for OBM, which briefly describes each line item, accompanied by the LSC budget spreadsheet for OBM.

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Appropriation Overview	2
Funding Distribution	2
By Functional Category.....	2
By Category of Expense	3
Major Initiatives	3
Internal Audit Program Implementation	4
Shared Services Center.....	4
Reduction in Accounting and Budgeting Services Payroll Rate	5
ANALYSIS OF EXECUTIVE PROPOSAL	6
Introduction	6
Category 1: Financial Accounting	7
State Accounting and Budgeting (042603)	7
OAKS Project Implementation (042602)	12
Audit of Auditor of State (042412).....	12
Payment Issuance (042413).....	12
Forgery Recovery (042604)	13
Category 2: Budget Development and Implementation	14
Budget Development and Implementation (042321)	14
National Association Dues (042410).....	16
Category 3: Government Services	17
Executive Medicaid Management Administration (042616, 042608, and 042606).....	17
Gubernatorial Transition (042435).....	18
REQUESTS NOT FUNDED	19
ATTACHMENTS:	
Catalog of Budget Line Items	
Budget Spreadsheet By Line Item	

Office of Budget and Management

- Total budget of \$91.1 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 the Governor, state agencies, the General Assembly, and other interested parties, including local government units. The Director of OBM sits on the Governor's cabinet as the Governor's chief financial officer. Table 1 below summarizes OBM's staffing situation by program.

Program	FY 2008	FY 2009 (est.)	FY 2010 (rec.)	FY 2011 (rec.)
Ohio Administrative Knowledge System (OAKS)	9	25	128	125
State Accounting	71	80	81	81
Internal Audit	2	21	45	48
Budget Development	32	29	29	28
Financial Reporting	9	9	9	9
Executive Medicaid Management	5	5	5	5
Debt Management	3	4	4	4
E-Commerce	5	4	4	4
Controlling Board	3	2	2	2
Financial Planning	1	1	1	1
Total	140	180	308	307

As the table above indicates, the number of OBM employees will grow dramatically over the biennium. This is due primarily to staff increases related to the Shared Services Center and Internal Audit initiatives. Please note that the figures

represent employees as of the end of each fiscal year. Also, OAKS and Internal Audit employees should be viewed as a headcount as opposed to a full-time equivalent (FTE) count. Shared Services Center employees will be phased in during FY 2010 as the program adds agencies to its roster. Approximately 50 employees designated for Shared Services are budgeted for only half of the year in FY 2010.

Appropriation Overview

The executive budget recommends \$43.5 million for OBM in FY 2010, a 21.4% increase over FY 2009 adjusted appropriations of \$35.8 million. FY 2011 recommended funding is \$47.6 million, a 9.5% increase over FY 2010 recommendations. These increases are primarily attributable to the implementation of the Internal Audit Program authorized by H.B. 166 of the 127th General Assembly and OBM's Shared Services Center initiative. Both of these projects are primarily funded out of the State Accounting and Budgeting Fund (Fund 1050). Table 2 below displays OBM's budget by fund group.

Table 2. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$3,933,542	\$3,505,318	(10.9%)	\$3,505,318	0.0%
General Services	30,481,663	\$39,189,727	28.6%	\$43,306,060	10.5%
Federal Special Revenue	\$1,322,999	\$734,979	(44.4%)	747,098	1.6%
Agency	\$80,000	\$50,000	(37.5%)	\$50,000	0.0%
Total	\$35,818,204	43,480,024	21.4%	47,608,476	9.5%

*Adjusted appropriations.

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 as well as the new offices of Internal Audit and Shared Services. Table 3 below shows the recommended budget by these categories. These categories coincide with the line item groupings found in the Analysis of Executive Proposal section within this document.

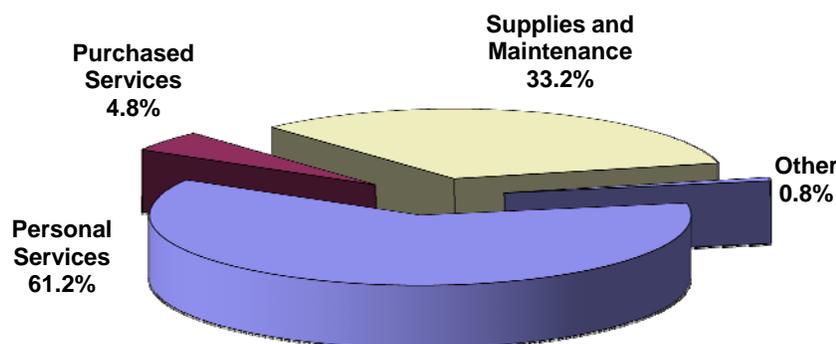
Functional Category	FY 2010	% of Total Budget	FY 2011	% Total of Budget
Financial Accounting	\$39.7	91.3%	\$43.9	92.2%
Budget Development and Implementation	\$2.4	5.5%	\$2.4	5.0%
Governmental Services	\$1.4	3.2%	\$1.4	2.9%
Total	\$43.5	100%	\$47.6	100%

Totals may not add to 100% due to rounding.

By Category of Expense

Most of OBM's expenditures over the biennium will be for personnel costs. Personal expenses are budgeted at \$25.9 million in FY 2010, 66.5% higher than the \$15.5 million budgeted for FY 2009. Such expenses are expected to increase an additional 15.5% to \$29.9 million in FY 2011. This growth is attributable to the implementation of the Internal Audit and Shared Services initiatives, which is significantly increasing the size of OBM in terms of the number of employees. FY 2011 payroll costs are higher than that of FY 2010 because Shared Services employees will be phased in during FY 2010 as agencies are added to the program. FY 2011 assumes that all employees work the entire fiscal year. Chart 1 below shows the budget by category of expense.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2010-FY 2011**



Major Initiatives

As mentioned above, the factors driving OBM's budget in the upcoming biennium will be ongoing implementation of the Internal Audit Program mandated in H.B. 166 of the 127th General Assembly and start up the Office of Shared Services. 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, the 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.

Implementation of the program began in FY 2009 using \$8.6 million approved by the Controlling Board. In terms of staffing, 17 employees are to be transferred in FY 2009, with the headcount increasing to 45 by the end of FY 2010 and to 48 by the end of FY 2011. Personnel costs are expected to be approximately \$4.8 million in FY 2010 and \$5.3 million in FY 2011.

For FY 2010, eight cabinet agencies are expected to be included in the Internal Audit and Evaluation Program and, by FY 2011, that number will jump to 21. The program will be funded mainly by direct charges to the agencies involved with supplemental funding being provided by a portion of the payroll check-off and other revenue allocations. Overall, the executive budget recommends \$6.0 million in FY 2010 and \$6.6 million in FY 2011 to fund this program.

Shared Services Center

In FY 2009, OBM began the 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 beginning with accounts payable. 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 Center aims to eliminate duplicative agency fiscal processes and reduce statewide costs given the economies of scale that centralization of these functions would produce. According to the executive *Blue Book*, the services would be governed by a two-way agreement between the agency and Shared Services.

The Shared Services Center would be funded by a combination of direct charges to agencies based on a per voucher cost, a portion of the payroll check-off, GRF transfers into the OAKS Project Implementation Fund (Fund 5N40), a cash drawdown of \$3.3 million in FY 2010 and other revenue allocations. Even with the resources in Fund 5N40 and the cash drawdown in FY 2010, the program will operate with a slight deficit of about \$545,000 in FY 2010 in order to entice agencies to participate in the program with a low voucher rate. As more agencies join the program and thus, more vouchers are processed and billed, OBM will make up the difference in FY 2011 with a higher voucher rate.

Overall, the program is expected to save agencies a total of \$1.6 million in FY 2010 and \$4.6 million in FY 2011. When funding from the OAKS Project

Implementation Fund (Fund 5N40) is included, the operating budget for Shared Services is \$11.7 million in FY 2010 and \$14.5 million in FY 2011. There will also be capital appropriations to purchase hardware and software as well as system design and build and consultant services.

Reduction in Accounting and Budgeting Services Payroll Rate

The executive budget builds in a 15% reduction in the accounting and budgeting services payroll rate, based on a percentage of gross pay per employee, in order to reduce pressure on agency budgets. Table 4 below summarizes the payroll check-off rate structure for FY 2009-FY 2011, including the amount generated from each component and the individual rates that are applied. The payroll rate is based on total state payroll assumptions of \$3.15 billion each in FY 2009 and FY 2010 and 3% growth in payroll in FY 2011 to \$3.24 billion.

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.

	FY 2009 (est.)	FY 2010 (est.)	FY 2011 (est.)
Base Operations Amount	\$10,128,055	\$10,745,480	\$11,675,192
<i>Rate</i>	<i>0.350%</i>	<i>0.341%</i>	<i>0.360%</i>
OAKS Charge Amount	\$10,554,515	\$9,610,874	\$9,733,416
<i>Rate</i>	<i>0.335%</i>	<i>0.305%</i>	<i>0.300%</i>
Internal Audit Indirect Charge Amount	\$8,254,576	\$1,973,000	\$1,897,000
<i>Rate</i>	<i>0.262%</i>	<i>0.063%</i>	<i>0.058%</i>
Shared Services Indirect Charge Amount	\$899,050	\$3,642,985	\$3,435,783
<i>Rate</i>	<i>0.023%</i>	<i>0.116%</i>	<i>0.106%</i>
Total Charge Amount	\$29,836,197	\$25,972,339	\$26,741,391
Rate	0.970%	0.824%	0.824%

Totals may not add to 100% due to rounding.

ANALYSIS OF EXECUTIVE PROPOSAL

Introduction

This section provides an analysis of the Governor's recommended 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 recommended appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that are proposed by the Governor. If the appropriation is earmarked, the earmarks are listed and described. The three categories used in this analysis are as follows:

1. Financing Accounting;
2. Budget Development and Implementation; and
3. 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.

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	042413	Payment Issuance		1: Financial Accounting
GRF	042416	Medicaid Agency Transition		3: Government Services
GRF	042435	Gubernatorial Transition		3: 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: 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.

Governor's Recommended Amounts 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
GRF	042413	Payment Issuance	\$446,968	\$457,545
General Revenue Fund Subtotal			\$491,496	\$503,854
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			\$39,673,472	\$43,859,914

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 out of this line item. These programs will be funded by a payroll check-off chargeback of 0.824% of gross pay per employee that is credited to the State Accounting and Budgeting Fund (Fund 1050). This chargeback is 15% lower than the FY 2009 rate of 0.970% in order to reduce pressure on agency budgets.

In total, the executive recommends \$37.0 million in FY 2010, a 30.6% increase over FY 2009 adjusted appropriations of \$28.3 million. FY 2011 recommendations are further increased to \$41.2 million, a 27.5% increase over the FY 2010 recommendation. The large difference between FY 2010 and FY 2011 program recommendations is due primarily to the implementation of the Shared Services initiative, funded out of the OAKS program. Please note that the portion of this line item devoted to budget development and implementation is discussed in the Budget Development and Implementation category. The table below summarizes the funding of the programs paid for out of this line item.

1050, 042603, State Accounting and Budgeting Fund Summary (in millions)		
Earmarks	FY 2010	FY 2011
Accounting Operations and Processing	\$18.1	\$18.6
Ohio Administrative Knowledge System (OAKS) – Shared Services	\$8.6	\$11.4
Internal Control and Audit Oversight	\$6.0	\$6.6
Budget Development and Implementation	\$1.7	\$1.7
Financial Reporting	\$2.0	\$2.1
Electronic Commerce	\$0.7	\$0.8
Total	\$37.0	\$41.2

Totals may not add to 100% due to rounding.

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.

According to OBM, this program has made several adjustments in recent years due to the implementation of OAKS. Some staff utilized to implement OAKS, such as developers and programmers, were transferred to DAS because of the implementation of OAKS. This program is also no longer responsible for the management of the former central accounting system, which OAKS replaced when it became operational in July 2008. Further, the implementation of the next phase of OAKS, the Shared Services initiative, will also affect this program, as accounting and processing duties will slowly shift to Shared Services, funded in the OAKS Program.

The executive recommendation 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 0.305% of gross pay per employee for FY 2010 and 0.300% for FY 2011, and paid to the OAKS Support Organization Fund (Fund 5EB0) used by the Department of Administrative Services (DAS) to operate OAKS. Such FY 2008 costs were about \$10.5 million; FY 2009 costs are expected to be \$11.6 million. The Governor's proposal includes \$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 \$18.1 million from the State Accounting and Budgeting appropriation in FY 2010 and with \$18.6 million in FY 2011.

These amounts include the state accounting functions, information technology projects, training, the general ledger team, 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 beginning with accounts payable. 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 Center would eliminate duplicative agency fiscal processes and reduce statewide costs given the economies of scale that centralization of these functions would produce. According to the executive, the services would be governed by a two-way agreement between a participating agency and Shared Services. The OAKS Program is expected to grow from 25 employees at the end of FY 2009 to 128 by the end of FY 2010, and ending up FY 2011 with 125. Permanent law in the bill authorizes the Director of OBM to appoint and fix the compensation of OBM Shared Services employees and to enter into contracts relating to the Shared Services Center.

Overall, the executive budget recommends \$8.6 million in FY 2010 and \$11.4 million in FY 2011 from the State Accounting and Budgeting appropriation to fund this program. The table below illustrates the funding for the Shared Services initiative included in the main operating budget bill for FY 2010 and FY 2011.

Source	FY 2010	FY 2011
Direct Charges	\$1.7	\$9.0
Payroll Check-off	\$3.6	\$3.4
OAKS Project Implementation Fund (Fund 5N40)	\$2.1	\$2.1
Cash Drawdown	\$3.3	\$0.0
Other Revenue Allocation	\$0.4	\$0.5
Total	\$11.1	\$15.0

OBM estimates accounting and budgeting payroll check-off rates of 0.116% of gross pay per employee in FY 2010 and 0.106% in FY 2011 will fund Shared Services. Even with a cash drawdown of \$3.3 million in FY 2010 and support from Fund 5N40, the program will operate with a slight deficit of about \$545,000 in FY 2010 in order to entice agencies to participate in the program with a subsidized voucher rate of \$10.00. As more agencies join the program and thus, more vouchers are processed and billed, OBM will make up the difference in FY 2011 with a higher voucher rate of \$12.87. Table 6 below summarizes OBM's billing methodology for the Shared Services Program.

Table 6. Shared Services Billing Methodology, FY 2010-FY 2011		
Source	FY 2010	FY 2011
Total Fund 1050 Budget	\$9,569,651	\$12,397,105
Less Check-off Revenue	\$3,642,985	\$3,435,783
Less Revenue Allocation	\$418,915	\$500,695
Less Cash Drawdown	\$3,299,079	\$0.0
Net to Recover through Voucher Costs	\$2,208,672	\$8,460,627
Estimated Vouchers Processed	166,308	699,680
Cost Per Voucher	\$10.00	\$12.87
Net Recovered	\$1,663,181	\$9,006,378
Difference	(\$545,491)	\$545,751

Overall, the program is expected to save agencies a total of \$1.6 million in FY 2010 and \$4.6 million in FY 2011. When the \$2.1 million transfer from the GRF to the OAKS Project Implementation Fund (Fund 5N40) is included, the budget for Shared Services is \$11.7 million in FY 2010 and \$14.5 million in FY 2011. These amounts are more than those reported in the executive *Blue Book* by \$1 million per year. According to OBM, the difference is the estimated annual cost of imaging and digitizing invoices that come into the Shared Services Center. The \$1 million per year was missed in the original request and in the executive recommendation. The transfers from Fund 5N40 were added to account for this cost, but those funds will be used mainly for development of the system and then payroll costs. Over time, the plan is to reduce supplemental sources of funding for Shared Services, making the Center entirely dependent on the Accounting and Budgeting Fund (Fund 1050). Also not included within these figures are capital costs for hardware, software, furniture, and so forth.

Internal Control and Audit Oversight

This program evaluates the control and governance processes of state government, the 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. Seventeen employees are to be transferred to this program from other state agencies in FY 2009 with the headcount increasing to 45 by the end of FY 2010 and to 48 by the end of FY 2011. Personnel costs are expected to be approximately \$4.8 million in FY 2010 and \$5.3 million in FY 2011.

For FY 2010, eight cabinet agencies are expected to be included in the Internal Audit and Evaluation Program. By FY 2011, that number will jump to 21. The program will be funded mainly by direct charges to the agencies involved, with supplemental funding being provided by a portion of the payroll check-off and other revenue allocations. The table below illustrates the funding sources for the Internal Audit program included in the main operating budget bill for FY 2010 and FY 2011.

Source	FY 2010	FY 2011
Direct Charges	\$3.8	\$4.4
Payroll Check-off	\$2.0	\$1.9
Other Revenue Allocation	\$0.3	\$0.3
Total	\$6.0	\$6.6

Totals may not add to 100% due to rounding

Direct charges to the agencies will be based on a three-tiered billing rate with an average rate of \$60 per hour. OBM estimates accounting and budgeting payroll check-off rates for Internal Auditing of 0.063% of gross pay per employee in FY 2010 and 0.058% in FY 2011. Overall, the executive budget recommends \$6.0 million in FY 2010 and \$6.6 million in FY 2011 to fund this program. This is a large increase from the \$3.5 million estimated to be spent by the Internal Audit Program in FY 2009 as it ramps up operations.

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 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. The executive proposal fully funds OBM's request for this program, at approximately \$2.0 million in FY 2010 and approximately \$2.1 million in FY 2011.

Electronic Commerce

The Electronic Commerce Program 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. Electronic revenue 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. The executive recommends \$735,112 in FY 2010 and \$773,996 in FY 2011 for the program, levels that will allow existing services to be provided.

Earmarks

The executive budget includes a provision requiring no more than \$456,000 in FY 2010 and no more than \$467,000 from appropriation item 042603, State Accounting and Budgeting, be used for centralized audit costs associated with either Single Audit Schedules or financial statements prepared in conformance with generally accepted accounting principles. This is recurring temporary language.

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. Under the executive recommendation, this line item is funded by transfers of \$2.1 million each fiscal year from the GRF. These amounts are consistent with FY 2009 appropriations for this line item.

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 executive recommends \$44,528 in FY 2010 and \$46,309 in FY 2011, levels consistent with the FY 2009 adjusted appropriations.

Payment Issuance (042413)

This line item pays for personnel, maintenance, and equipment costs for the issuance of warrants and EFTs to state employees, vendors, tax refund recipients, and entitlement Program recipients. This line item is a part of the Accounting Operations and Processing program that is discussed in more detail above. The executive proposes \$446,968 in FY 2010 and \$457,545 in FY 2011. The amount recommended for FY 2010 is 26.2% lower than FY 2009 adjusted appropriations of \$625,000, as payment of banking fees has been transferred to the Treasurer of State (TOS). Due to the volume of deposits

TOS has, it gets a better rate and thus, lower fees, than OBM would for the same function.

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. In January 2009, OBM received Controlling Board approval to increase this line item's FY 2009 appropriation from \$35,000 to \$90,000 because of an increased level of forged warrant activity. The executive recommendation 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.

Governor's Recommended Amounts 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 executive recommendation provides approximately \$2.4 million for this line item in each fiscal year, a 16.0% increase from FY 2009 adjusted appropriations of \$2.1 million. FY 2011 recommendations of \$2.35 million are 2.6% lower than FY 2010 recommendations. As the funding summary below shows, the Governor's proposal allocates most of the funding for this line item to the Budget Development and Implementation Program. Details concerning these programs are provided below.

GRF, 042321, Budget Development & Implementation Funding Summary (in millions)				
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 the executive proposal allocates \$1.6 million to \$1.7 million per year of GSF appropriation item 042603, State Accounting and Budgeting, to this program, making total recommended program funding \$3.3 million in FY 2010 and \$3.4 million in FY 2011. With these funding levels, the program will be unable to complete floor reconfigurations in the Rhodes Tower, will do without two open economist positions and one administrative position, and will cut back on equipment and contracts.

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 executive recommendation provides \$361,237 in FY 2010 and \$373,473 in FY 2011. This will allow for a planned increase of 0.5 FTEs for the program, which is needed to manage the increasing amount and complexity of state debt and related financial transactions.

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/or commissions. OBM staff act as President and Executive Secretary to the Controlling Board, and provide administrative support and oversight.

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 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, as well as statewide ballot advertising expenses. The Board also approves the release of funds to help local governments defray the cost of specified unfunded mandates. The executive proposal provides \$285,841 in FY 2010 and \$284,925 in FY 2011 for Controlling Board expenses, including the payroll costs associated with two FTEs.

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 of the Director serves as a member of each Financial Planning and Supervision Commission. Currently, there are 15 active municipal commissions and eight active school district commissions. The executive proposal provides \$118,901 in FY 2010 and \$98,487 in FY 2011, supporting one FTE for this program.

The main operating budget bill modifies 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.

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 executive recommends \$30,448 in FY 2010 and \$31,361 in FY 2011. These levels are consistent with FY 2009 adjusted appropriations.

Category 3: Government Services

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

Governor's Recommended Amounts for Financial Accounting				
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: 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 is staffed by five employees.

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 FY 2009 and FY 2010 will be the state match required for a purchased services contract to analyze the current Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery. OBM estimates that the cost of this contract, to be awarded in the fourth quarter of FY 2009, is approximately \$1.4 million. Of this amount, the state share is likely to be around 30% to 50%. In order to pay for this contract, OBM is splitting the cost over FY 2009 and FY 2010, mainly using GRF. The \$57,751 recommended from Fund 5Z80 will also help meet the state match requirements.

The executive recommendation provides \$1.4 million for EMMA in FY 2010 and \$1.1 million in FY 2011. At these levels, only a limited number of special projects can be supported with seed money to assess the cost-effectiveness or return on investment of a Medicaid-related project.

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 executive recommends \$250,000 in FY 2011 for this purpose, the same amount provided in years past.

REQUESTS NOT FUNDED

This section describes agency requests that are not funded in the executive budget.

Budget Development						
Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
GRF 042321	\$2,412,346	\$2,800,057	(\$387,711)	\$2,350,805	\$2,709,709	(\$358,904)

With these funding levels, the program will be unable to complete planned floor reconfigurations in the Rhodes Tower, will do without two economist positions and one administrative position, and will cut back on equipment and contracts.

State Accounting and Budgeting						
Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
1050 042603	\$37,031,976	\$37,496,946	(\$464,970)	\$41,206,060	\$47,230,044	(\$6,023,984)

The amount not funded in this line item primarily reflects the scaling back of the Internal Audit Program over original plans. Under OBM's budget request, a headcount of 56 employees was assumed for FY 2010 and 76 employees were assumed for FY 2011. These figures have been reduced to 45 and 48, respectively, due to a lack of resources.

Medicaid Agency Transition						
Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
GRF 042416	\$807,919	\$571,028	(\$236,951)	\$420,298	\$369,298	(\$51,000)

The differences between the amounts requested and recommended revolve around the design contract to analyze the Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery. Due to GRF budget reductions in FY 2009, the Request for Proposal (RFP) for the contract will be awarded in FY 2009 to allow as much of the FY 2009 GRF appropriation as possible to be used to pay a portion of the state share of the contract cost. This reduces the pressure on FY 2010 GRF appropriations. Additionally, the federal share of the contract cost is estimated to be higher than originally planned. In developing the budget request, OBM figured on a higher state share than is now estimated and less splitting of funds between fiscal years, i.e., the budget request assumed the contract costs would be paid for using more FY 2010 funds than currently planned.

*General Revenue Fund***GRF 042321 Budget Development and Implementation**

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$1,578,990	\$1,892,410	\$2,140,197	\$2,078,881	\$2,412,346	\$2,350,805
	19.8%	13.1%	-2.9%	16.0%	-2.6%

Source: GRF

Legal Basis: ORC 126.; ORC Sections 127.12, 127.13, 118.05 and 3316.05 (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: Moneys in this line item pay for personnel, maintenance, and equipment costs for the Budget Development and Implementation program within OBM, including the state Controlling Board. This fund is also used for OBM's involvement in municipal and school district financial planning commissions.

GRF 042409 Commission Closures

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$9,091	\$0	\$0	\$0
		N/A			

Source: GRF

Legal Basis: As-needed line item (originally established by Am. Sub. H.B. 94 of the 124th G.A.)

Purpose: This appropriation is used to pay for any outstanding or unanticipated costs of agencies, boards, or commissions that are discontinued.

GRF 042410 National Association Dues

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$27,089	\$27,900	\$28,700	\$29,561	\$30,448	\$31,361
	3.0%	2.9%	3.0%	3.0%	3.0%

Source: GRF

Legal Basis: Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A. (originally established by Am. Sub. H.B. 694 of the 114th G.A.)

Purpose: The moneys in this line item pay annual membership dues in the National Association of State Budget Officers (NASBO).

GRF 042412 Audit of Auditor of State

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$55,900	\$67,747	\$47,128	\$41,625	\$44,528	\$46,309
	21.2%	-30.4%	-11.7%	7.0%	4.0%

Source: GRF

Legal Basis: ORC 117.14; Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: This appropriation is used to pay for an annual audit of the State Auditor's office.

GRF 042413 Payment Issuance

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$477,452	\$625,000	\$446,968	\$457,545
			30.9%	-28.5%	2.4%

Source: GRF

Legal Basis: Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: Moneys in this line item pay for personnel, maintenance, and equipment costs for the issuance of warrants and EFTs to state employees, vendors, tax refund recipients, and entitlement program recipients. The responsibility of paying banking fees has been transferred to the Treasurer of State, the rationale being that the Treasurer of State has a higher volume of cash deposited and thus receives better rates and lower banking fees than OBM.

GRF 042416 Medicaid Agency Transition

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$25,535	\$0	\$1,158,475	\$571,028	\$369,298
	N/A		N/A	-50.7%	-35.3%

Source: GRF

Legal Basis: Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A. (originally established in Section 401.10 of Am. Sub. H.B. 699 of the 126th G.A.)

Purpose: Moneys in this line item fund the administrative expenses associated with the Executive Medicaid Management Administration, which was established in Section 309.30.03 of Am. Sub. H.B. 119 of the 127th G.A. EMMA is responsible for the coordination of Medicaid policy and Medicaid-related operations across the agencies that administer Medicaid funded services, the goal being to address the inefficiencies, duplication of services, and unnecessary costs of the Medicaid program while also protecting federal matching funds. This line item also provides a large majority of the state share of the purchased services contract that will analyze the current Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery. Federal funding for EMMA is found in FSR Fund 3CM0 appropriation item 042606, Medicaid Agency Transition.

GRF 042435 Gubernatorial Transition

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$233,170	\$0	\$0	\$0	\$250,000
	N/A				

Source: GRF

Legal Basis: As needed line item (originally established in ORC 107.30)

Purpose: Moneys in this line item fund the salaries, supplies, and other reasonable expenses of the governor-elect during the period of transition.

General Services Fund Group

1050 042603 State Accounting and Budgeting

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$8,845,315	\$9,320,761	\$20,836,561	\$28,349,495	\$37,031,976	\$41,206,060
	5.4%	123.5%	36.1%	30.6%	11.3%

Source: GSF: A payroll charge to state agencies, equal to 0.824% of gross pay per employee for FY 2010 and FY 2011, and state payment card rebates

Legal Basis: ORC 126.25; Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: Moneys in this line item pay for the cost of accounting and budgeting services provided to state agencies by OBM, including a portion of the costs for the Shared Services Center and the Office of Internal Audit. Of this appropriation, up to \$456,000 in FY 2010 and \$467,000 in FY 2011 must be used to pay the costs of Single Audit Schedules or financial statements prepared in conformance with generally accepted accounting principles. A portion of the payroll charge to state agencies also supports the cost of the Financial component of the OAKS Support Organization within DAS. Amounts collected for that purpose are transferred quarterly from the State Accounting and Budgeting Fund (Fund 105) to the OAKS Support Organization Fund (Fund 5EB).

5N40 042602 OAKS Project Implementation

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$3,119,113	\$2,001,789	\$1,259,953	\$2,132,168	\$2,100,000	\$2,100,000
	-35.8%	-37.1%	69.2%	-1.5%	0.0%

Source: GSF: GRF transfers to SSR Fund 5N40 in FY 2010 and 2011

Legal Basis: Sections 233.10 and 512.21 of Am. Sub. H.B. 119 of the 127th G.A. (originally established by Controlling Board on December 18, 2000)

Purpose: Moneys are used to pay the costs of the Ohio Administrative Knowledge System (OAKS) project implementation planning. During the FY 2010-FY 2011 biennium, this fund will be used for to support the development and a portion of the payroll of the next phase of the OAKS system, the Shared Services Center. The executive proposes transfers of \$2.1 million each fiscal year from the GRF to Fund 5N40 for this purpose.

5Z80 042608 Executive Medicaid Administration

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$153,254	\$0	\$57,751	\$0
		N/A			

Source: GSF: Charges to seven user agencies receiving Medicaid funding

Legal Basis: Established by Controlling Board on December 17, 2007

Purpose: This line item will supplement GRF funding in appropriation item 042416, Medicaid Agency Transition, for the state match required for the cost of the purchased services contract that will analyze the current Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery.

Federal Special Revenue Fund Group

3CM0 042606 Medicaid Transition - Federal

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$0	\$1,322,999	\$734,979	\$747,098
			N/A	-44.4%	1.6%

Source: FED: Federal Medicaid reimbursement for administration under Title XIX Medical Administration of the Social Security Act

Legal Basis: Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: Moneys in this line item fund the administrative expenses associated with the Executive Medicaid Management Administration, which was established in Section 309.30.03 of Am. Sub. H.B. 119 of the 127th G.A. EMMA is responsible for the coordination of Medicaid policy and Medicaid-related operations across the agencies that administer Medicaid funded services, the goal being to address the inefficiencies, duplication of services, and unnecessary costs of the Medicaid program while also protecting federal matching funds. This line item also provides the federal share of the purchased services contract that will analyze the current Medicaid administration model and recommend an improved business model to better coordinate Medicaid funds and services delivery. State funding for EMMA is found in GRF appropriation item 042416, Medicaid Agency Transition.

Agency Fund Group

5EH0 042604 Forgery Recovery

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$24,973	\$14,624	\$80,000	\$50,000	\$50,000
	N/A	-41.4%	447.0%	-37.5%	0.0%

Source: AGY: Monies collected by the Attorney General's Office from the resolution cases of fraud involving state warrants

Legal Basis: ORC 126.40; Section 233.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: Moneys in this line item are used to reissue state warrants that were fraudulently redeemed.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

Fund	ALI	ALI Title	2008	2009	As Introduced 2010	% Change 2009 to 2010	As Introduced 2011	% Change 2010 to 2011
OBM Office of Budget and Management								
GRF	042321	Budget Development and Implementation	\$ 2,140,197	\$ 2,078,881	\$ 2,412,346	16.0%	\$ 2,350,805	-2.6%
GRF	042409	Commission Closures	\$ 9,091	\$ 0	\$ 0	N/A	\$ 0	N/A
GRF	042410	National Association Dues	\$ 28,700	\$ 29,561	\$ 30,448	3.0%	\$ 31,361	3.0%
GRF	042412	Audit of Auditor of State	\$ 47,128	\$ 41,625	\$ 44,528	7.0%	\$ 46,309	4.0%
GRF	042413	Payment Issuance	\$ 477,452	\$ 625,000	\$ 446,968	-28.5%	\$ 457,545	2.4%
GRF	042416	Medicaid Agency Transition	\$ 0	\$ 1,158,475	\$ 571,028	-50.7%	\$ 369,298	-35.3%
GRF	042435	Gubernatorial Transition	\$ 0	\$ 0	\$ 0	N/A	\$ 250,000	N/A
General Revenue Fund Total			\$ 2,702,568	\$ 3,933,542	\$ 3,505,318	-10.9%	\$ 3,505,318	0.0%
1050	042603	State Accounting and Budgeting	\$ 20,836,561	\$ 28,349,495	\$ 37,031,976	30.6%	\$ 41,206,060	11.3%
5N40	042602	OAKS Project Implementation	\$ 1,259,953	\$ 2,132,168	\$ 2,100,000	-1.5%	\$ 2,100,000	0.0%
5Z80	042608	Executive Medicaid Administration	\$ 153,254	\$ 0	\$ 57,751	N/A	\$ 0	-100.0%
General Services Fund Group Total			\$ 22,249,768	\$ 30,481,663	\$ 39,189,727	28.6%	\$ 43,306,060	10.5%
3CM0	042606	Medicaid Transition - Federal	\$ 0	\$ 1,322,999	\$ 734,979	-44.4%	\$ 747,098	1.6%
Federal Special Revenue Fund Group Total			\$ 0	\$ 1,322,999	\$ 734,979	-44.4%	\$ 747,098	1.6%
5EH0	042604	Forgery Recovery	\$ 14,624	\$ 80,000	\$ 50,000	-37.5%	\$ 50,000	0.0%
Agency Fund Group Total			\$ 14,624	\$ 80,000	\$ 50,000	-37.5%	\$ 50,000	0.0%
Total All Budget Fund Groups			\$ 24,966,959	\$ 35,818,204	\$ 43,480,024	21.4%	\$ 47,608,476	9.5%