

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 three 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.
3. 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.

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Office of Budget and Management

- Total budget of \$57.3 million over the biennium
- Implementation of new Shared Services service lines continues
- New Budget and Planning Module to be developed for use in FY 2018-FY 2019 budget cycle

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.

Staffing Levels

As of the end of January 2015, OBM has 216 full-time permanent employees by headcount. This staffing level is nearly unchanged from the level in January 2013, when the number of such employees was 215.

Appropriation Overview

The executive budget recommends \$28.6 million for OBM in FY 2016, a 3.8% increase compared to FY 2015 spending estimates of \$27.6 million. FY 2017 recommended funding is \$28.7 million, nearly flat with the FY 2016 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 81.6% of the proposed budget over the biennium. The next largest source of funding for OBM comes from the GRF, which represents 16.7% of the proposed biennium budget. Table 1 below displays OBM's budget by fund group.

Table 1. Executive Budget Recommendations by Fund Group, FY 2016-FY 2017					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$4,601,054	\$4,796,898	4.3%	\$4,796,898	0.0%
Internal Service Activity	\$22,519,995	\$23,375,916	3.8%	\$23,375,916	0.0%
Fiduciary	\$40,000	\$40,000	0.0%	\$40,000	0.0%
Federal	\$438,723	\$430,000	-2.0%	\$438,723	2.0%
TOTAL	\$27,599,772	\$28,642,814	3.8%	\$28,651,537	<0.1%

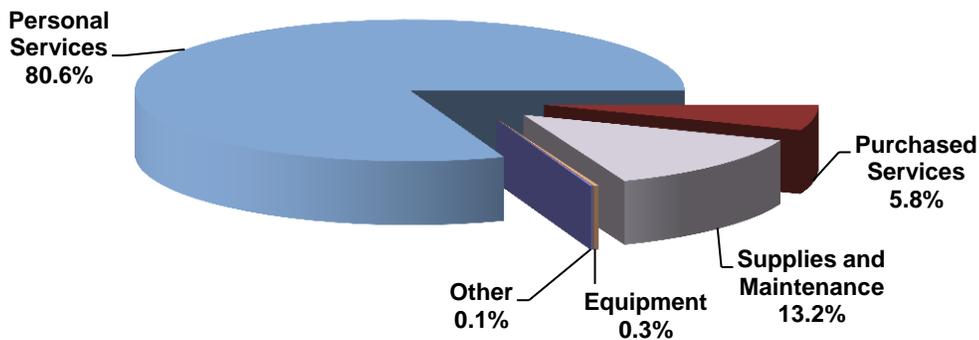
*FY 2015 figures represent estimated expenditures.

Funding Distribution

By Category of Expense

Most of OBM's expenditures over the FY 2016-FY 2017 biennium will be for payroll. Specifically, personal services expenses are budgeted at \$22.7 million in FY 2016, 2.9% higher than the \$22.1 million allotted for FY 2015. Such expenses are expected to increase by another 2.7%, to \$23.4 million in FY 2017. The chart below shows the total biennium budget by category of expense.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2016-FY 2017



By Functional Category

Most of OBM's budgeted resources go to programs in the Financial Accounting area. This includes funding for accounting services as well as Ohio Shared Services and the Office of Internal Audit, and accounts for 86.6% of the total budget. Table 2 below shows the recommended budget according to major functions handled by OBM. These categories coincide with the line item groupings found in the "**Analysis of Executive Proposal**" section within this document.

Functional Category	FY 2015 Estimate	FY 2016 Recommended	FY 2017 Recommended	Percent of Budget
Financial Accounting	\$23.8	\$24.8	\$24.8	86.6%
Budget Development & Implementation	\$2.9	\$3.0	\$2.9	10.3%
Office of Health Transformation	\$0.9	\$0.9	\$0.9	3.0%
TOTAL	\$27.6	\$28.6	\$28.7	100%

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

By Program

Within the functional categories listed above, many individual programs are funded. Table 3 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 Executive Proposal**" section. As Table 3 shows, Ohio Shared Services comprises the largest portion of OBM's biennial budget, at \$20.3 million or 35.4%, 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.

Program	FY 2015 Estimate	FY 2016 Recommended	FY 2017 Recommended	Percent of Budget
Ohio Shared Services	\$9.5	\$10.1	\$10.2	35.4%
Accounting Operations and Processing	\$7.0	\$6.9	\$6.6	23.6%
Budget Development and Implementation*	\$4.0	\$4.3	\$4.3	15.1%
Internal Audit	\$3.8	\$4.1	\$4.2	14.5%
Financial Reporting	\$1.3	\$1.3	\$1.3	4.6%
Office of Health Transformation	\$0.9	\$0.9	\$0.9	3.0%
Debt Management	\$0.6	\$0.5	\$0.5	1.8%
Controlling Board	\$0.3	\$0.3	\$0.3	1.2%
Financial Planning and Supervision Commissions	\$0.2	\$0.2	\$0.3	0.9%
TOTAL	\$27.6	\$28.6	\$28.7	100%

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

*Includes \$155,000 in estimated FY 2015 spending from GRF line item 042409, Commission Closures, which was not recommended appropriations in the executive proposal.

Issues of Interest

Ohio Shared Services Update

In FY 2009, OBM began the implementation of Ohio Shared Services (OSS), an outgrowth of the Ohio Administrative Knowledge System (OAKS), the state's enterprise resource planning system. 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 currently assists agencies with six basic service lines: accounts payable (AP) processing, travel and expense reimbursements, vendor management, contact center assistance, pre-collections, and accounts receivable (AR) processing. Currently, OSS provides AP services for 28 state agencies. According to OBM, OSS has no plans to add more agencies. Rather, the current focus is on adding volume from existing agencies through increased utilization, allowing OSS to continue to standardize processes and reach economies of scale.

In the last several years, OSS has been implementing two new service lines and assisted the Department of Administrative Services (DAS) in the rollout of the Marketplace e-Catalog procurement solution. Most of OSS's focus has been on implementing the pre-collections service line. Currently, this service line is in the pilot phase, with the Ohio Department of Job and Family Services' (ODJFS) Child Services section using OSS to collect overdue child support. Through January 2015, about \$1.35 million has been collected, exceeding ODJFS's expectations. OSS is pursuing other agencies and governmental entities to participate in this service. AR processing is also still in the pilot phase with four agencies. Upon completion of the pilot phase, additional agencies are expected to be integrated throughout FY 2016.

Overall, the executive proposes a total budget for OSS of \$10.1 million in FY 2016 and \$10.2 million in FY 2017, up from the \$9.5 million estimated for FY 2015. OSS operations are currently funded by a combination of direct charges to agencies based on a per-voucher cost, a small percentage of the amount collected through the pre-collections service line, and a portion of the accounting and budgeting services payroll check-off. The GRF supports new service line development and integration.

OAKS Upgrades

OBM's Budget Development and Implementation Program will be implementing a new Budget and Planning Module (BPM) during FY 2015 and FY 2016 in preparation for the FY 2018-FY 2019 budget cycle. The existing system has been in use for three budget cycles, including that for FY 2016 and FY 2017. OBM's FY 2016 budget includes \$100,000 for consultants to assist in the development of the new BPM application. OBM and DAS reviewed several enterprise budgeting systems and found that leveraging the capabilities of OAKS's Enterprise Planning and Business Intelligence modules would

meet the state's needs in the most cost-effective way. Outside of OBM-specific needs, the IT development cost of the project is \$1.2 million, which is being funded in DAS's budget under Fund 5EB0, line item 100656, OAKS Developments and Updates.

In addition, OBM's State Accounting division has been concentrating heavily on a major upgrade of the OAKS Financials (FIN) module during FY 2015, as each of the changes to the existing functionality requires review and consideration for implementation in addition to the programming requirements to meet Ohio's legal and functional requirements. The improvements to FIN are scheduled to roll out July 1, 2015, for the start of FY 2016. New or improved functionality brought about by the upgrade includes vendor self-service; enhanced features associated with online procurement of goods and services, including automation of purchase orders and vouchers for electronic payment; payment card expansion; and improved dashboards and workflows. The IT development cost of the FIN upgrade is \$10 million, also funded through Fund 5EB0 in DAS's budget. Most of the cost, \$7 million, will be paid for out of funds appropriated in the current FY 2014-FY 2015 biennium. As with the BPM project, OBM's budget includes additional funds in the current and upcoming biennium for consultants related to OBM-specific needs and assistance with the FIN upgrade.

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. The three categories used in this analysis are as follows:

1. Financial Accounting;
2. Budget Development and Implementation; and
3. Office of Health Transformation.

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

Categorization of OBM's Appropriation Line Items for Analysis of Executive Proposal			
Fund	ALI and Name		Category
General Revenue Fund			
GRF 042321	Budget Development and Implementation		2: Budget Development and Implementation
GRF 042416	Office of Health Transformation		3: Office of Health Transformation
GRF 042425	Shared Services Development		1: Financial Accounting
Internal Service Activity Fund Group			
1050 042603	Financial Management		1: Financial Accounting
1050 042620	Shared Services Operating		1: Financial Accounting
Fiduciary Fund Group			
5EH0 042604	Forgery Recovery		1: Financial Accounting
Federal Fund Group			
3CM0 042606	Office of Health Transformation – Federal		3: Office of Health Transformation

Category 1: Financial Accounting

This category of appropriations funds various financial accounting and reporting functions, Ohio Shared Services (OSS) operations and service line development, and the internal control and risk assessment functions performed by the Office of Internal Audit (OIA).

Governor's Recommended Funding for Financial Accounting				
Fund	ALI and Name		FY 2016	FY 2017
General Revenue Fund				
GRF	042425	Shared Services Development	\$1,385,000	\$1,425,000
General Revenue Fund Subtotal			\$1,385,000	\$1,425,000
Internal Service Activity Fund Group				
1050	042603	Financial Management	\$14,676,746	\$14,593,851
1050	042620	Shared Services Operating	\$8,699,170	\$8,782,065
Internal Service Activity Fund Group Subtotal			\$23,375,916	\$23,375,916
Fiduciary Fund Group				
5EH0	042604	Forgery Recovery	\$40,000	\$40,000
Fiduciary Fund Group Subtotal			\$40,000	\$40,000
Total Funding: Financial Accounting			\$24,800,916	\$24,840,916

Financial Management (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, Internal Audit, Budget Development and Implementation, and Financial Reporting programs are all funded out of this line item. Also funded are a portion of agency central costs associated with administration, information technology, and the Fiscal Training Academy. These programs are funded by a payroll check-off 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 Budget Development and Implementation Program also receives funding from a line item in the GRF. For the total funding provided to these programs and the percentage they comprise of OBM's budget, please see Table 3 in the "**Overview**" section.

In total, the executive recommends \$14.7 million in FY 2016, a 2.6% increase compared to FY 2015 estimated spending of \$14.3 million. FY 2017 recommendations decrease 0.6% to \$14.6 million. The table below summarizes the funding of the programs receiving support from this line item. Following the table is a brief discussion of each program.

Program	FY 2015 Estimate	FY 2016 Recommended	FY 2017 Recommended
Accounting Operations and Processing	\$7.0	\$6.8	\$6.6
Internal Audit	\$3.7	\$4.1	\$4.2
Budget Development and Implementation	\$2.4	\$2.5	\$2.5
Financial Reporting	\$1.3	\$1.3	\$1.3
TOTAL	\$14.3	\$14.7	\$14.6

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

Accounting Operations and Processing

The Accounting Operations and Processing Program oversees the Financials (FIN) module of the Ohio Administrative Knowledge System (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 Statewide Cost Allocation Plan (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.

Overall, the executive budget allocates \$6.8 million from the Financial Management appropriation in FY 2016, a 1.8% decrease from FY 2015 estimated spending of \$7.0 million, and \$6.6 million in FY 2017, representing a 3.8% decrease from the FY 2016 level. The decline in this program's budget is due primarily to decreases in the amounts budgeted for consultant contracts related to OBM-specific needs and assistance with the upgrade of OAKS FIN. The contracted amounts are higher in FY 2015 in anticipation of the project's go-live date. Lower amounts budgeted for maintenance expenses also contribute to the decreases. This is due to the enterprise-wide IT Optimization initiative, which shifts the cost of the Ohio.gov ePayment portal from OBM's payroll check-off to user agencies. The IT Optimization initiative is discussed in more detail on page 10 under line item 042620, Shared Services Operating.

Internal Audit

The Internal Audit Program 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 on new projects or processes. 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. In FY 2014, OIA completed 72 (88%) of its 82 planned engagements. Of the ten engagements not completed, six were consulting engagements where the client shifted its priorities, two were actively being worked on but were delayed into FY 2015, and two projects were delayed into future years at the request of the client. According to OIA's current audit plan, the office has 96 planned engagements for FY 2015.

The program is funded in roughly equal portions by the payroll check-off charged to the agencies under OIA jurisdiction and direct charges for staff time to the agencies involved in OIA audits. The executive budget recommends \$4.1 million in FY 2016 and \$4.2 million in FY 2017 to fund this program. These amounts are increased from the FY 2015 allocation of \$3.8 million. These funding allocations allow OIA to add two new full-time positions, a financial auditor and an information technology auditor, to fulfill the requirements of OIA's annual audit plan. OIA's workload has increased with the addition of four cabinet agencies to OIA's jurisdiction in FY 2014 plus the Casino Control Commission, which voluntarily requested OIA services. A portion of the increase also reflects growth in the formula-driven allocation of administration costs to the program.

A very small portion of this program, roughly \$40,000 each fiscal year, supports the costs associated with the audit of the Auditor of State. As in years past, the executive proposal requires the funding for this activity to be provided through GRF line item 042321, Budget Development and Implementation.

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 budget allocates around \$1.3 million per fiscal year for this program, supporting eight permanent FTEs. These amounts represent increases of around \$38,000 (3.0%) and \$24,000 (1.8%) in FY 2016 and FY 2017, respectively, mainly for payroll-related costs.

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 the Budget Development and Implementation functional category.

Shared Services Operating (042620)

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. Begun in FY 2009, 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 six service lines: (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, and (6) accounts receivable (AR) processing services, such as billing, processing, and integration of workflow with pre-collections activities.

Currently, OSS provides AP services for 28 state agencies. The tiered pricing model introduced in 2013, which provides agencies that reach certain percentages of "in-scope" vouchers processed by OSS with discounts on their per-voucher cost, was successful in encouraging agencies to increase the volume sent to OSS. The latter two service lines were only recently deployed. Between the two, most of OSS's focus has been on implementing the pre-collections service line. This service line is in the pilot phase with the Ohio Department of Job and Family Services' (ODJFS) Child Services section using OSS to collect overdue child support. Through January 2015, about

\$1.35 million has been collected, exceeding ODJFS's expectations. OSS is pursuing other agencies and governmental entities to participate in this service. The AR service line is still in the pilot phase, with four agencies participating. Upon completion of the pilot phase, additional agencies are expected to be integrated throughout FY 2016.

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 check-off, which supports the cost for vendor maintenance and contact center assistance. The executive budget proposes \$8.7 million in FY 2016 for OSS operating costs, an increase of 5.9% over the FY 2015 estimate of \$8.2 million, and \$8.8 million in FY 2017, an increase of 1.0% from the FY 2016 level. These increases are mainly due to budgeted increases for purchased service contracts and supplies and maintenance costs. Specifically, the budget funds consultants to assist OBM in the implementation of new OAKS capabilities and functionality once the upgrade to OAKS FIN is completed. In addition, supplies and maintenance costs are expected to increase due to the enterprise-wide IT Optimization initiative, which is an effort to consolidate and improve IT services across the state to lower overall IT costs. The project receives dedicated support through the DAS budget from charges assessed to state agencies based on the agencies' IT spending. The initiative is anticipated to increase agency costs in the short-term until full optimization is achieved, at which point volume usage will drive down service rates and charges, possibly beginning by the end of FY 2016.

Shared Services Development (042425)

This GRF line item funds the continued development and implementation of service lines offered by OSS. Specifically, the line item is used to pay the payroll-related costs of project managers and agency integration staff. Federal guidelines require projects to be fully operational before the costs can be recovered through the 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 executive recommendation funds this line item at about \$1.4 million in each fiscal year, amounts that represent increases of \$135,000 (10.8%) and \$40,000 (2.9%) in FY 2016 and FY 2017, respectively. The increase in funding for this line item is due to a shift in staff from existing OSS service lines to new service lines that have not been fully implemented. Specifically, technological improvements with the state's Marketplace e-Catalog and features that will be introduced with the upcoming upgrade of the OAKS FIN module are expected to increase efficiencies in AP processing. This allows current AP staff to be shifted to the new AR and pre-collections service lines. However, as a result of the federal guidelines discussed above, the GRF must be used to pay their costs. Overall, the executive recommendations fund no additional staff for OSS.

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 executive budget provides flat funding of \$40,000 in each fiscal year for this purpose and appropriates any additional amounts that may be needed to reissue warrants backed by the receipt of funds.

Category 2: Budget Development and Implementation

The group of functions within this category is geared toward promoting the effective and efficient use of state resources and facilitating the operations of state agencies consistent with the priorities of the Governor and the General Assembly and in accordance with state law. The GRF line item providing the funding for these activities is listed in the table below.

Governor's Recommended Funding for Budget Development and Implementation				
Fund		ALI and Name	FY 2016	FY 2017
General Revenue Fund				
GRF	042321	Budget Development and Implementation	\$2,981,898	\$2,933,175
<i>General Revenue Fund Subtotal</i>			\$2,981,898	\$2,933,175
Total Funding: Budget Development and Implementation			\$2,981,898	\$2,933,175

Budget Development and Implementation (042321)

This 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 supervision commissions and the audit of the Auditor of State (included in the Internal Audit Program discussed above). The executive recommendation provides approximately \$3.0 million for this line item in FY 2016, a 10.5% increase from the FY 2015 estimate of \$2.7 million, and \$2.9 million in FY 2017, a 1.6% decrease from the amount recommended in FY 2016. As the funding summary below shows, most of the increase in funding for this line item is due to the Budget Development and Implementation Program. Details concerning these programs are provided below.

Program	FY 2015 Estimate	FY 2016 Recommended	FY 2017 Recommended
Budget Development and Implementation	\$1.5	\$1.9	\$1.8
Debt Management	\$0.6	\$0.5	\$0.5
Controlling Board	\$0.3	\$0.3	\$0.3
Financial Planning and Supervision Commissions	\$0.2	\$0.2	\$0.3
TOTAL	\$2.7	\$3.0	\$2.9

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, currently consisting of one FTE, 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. Examples of enterprise-wide initiatives examined by value management include Ohio Shared Services, IT Optimization, Voice over Internet Protocol (VoIP) telephony, which allows the delivery of telephone calls via the Internet, and MOBI Wireless Management, which manages the wireless contracts of state agencies to provide the most advantageous combination of price and features. The value management section coordinates with state agencies to track project outcomes. Agencies use a web-based value reporting portal to enter and provide quarterly updates on various performance measures, including metrics based on cost, time, quality, and output. The executive budget continues to fund two FTEs for this section, the currently filled position plus an additional FTE if the workload demands additional staff.

The executive recommendation provides GRF funding of about \$1.9 million in FY 2016, an increase of roughly \$350,000 (22.9%) from the FY 2015 GRF allocation of \$1.5 million. The FY 2017 allocation is \$1.8 million, or about \$80,000 (4.3%) less than the FY 2016 amount. The increase in GRF funding for FY 2016 and FY 2017 is due mainly to the inclusion of just under \$196,000 per year in GRF rent costs in OBM's budget. The executive proposes to end the practice of DAS paying agency GRF rent costs and instead begin DAS billings of agencies for all their occupied space in state office buildings rather than only for the non-GRF portion of those costs, as is the case currently. The executive budget accommodates the increased agency expense by allocating the GRF funding that would otherwise be appropriated in DAS's budget for

rent costs to existing GRF line items in agency budgets. In addition, the executive proposal provides \$100,000 in FY 2016 for consultants to assist in the development of the new OAKS Budget and Planning Module (BPM).

The majority of funding for this program comes from the accounting and budgeting services payroll charge, appropriated through ISA Fund 1050, line item 042603, Financial Management (see pages 8 and 10). Over the biennium, these non-GRF allocations support 58% of the program's budget while the GRF supports the remaining 42%. According to OBM, the GRF must be relied upon to fund at least some of the cost of budgeting services provided to state agencies because a portion of these expenses is not permitted to be recovered due to federal guidelines governing the SWCAP.

Taking into account both the GRF and Fund 1050, the program has recommended appropriations of \$4.3 million in each fiscal year, increased from the FY 2015 estimate of \$3.9 million. The recommendations represent an increase of about \$475,000 (12.3%) in FY 2016 and a decrease of about \$42,000 (1.0%) in FY 2017. In addition to the GRF funding increases described above, non-GRF funding for the program includes increases in the amounts budgeted for supplies and maintenance and to a lesser extent, payroll-related costs. The program will maintain steady staffing levels of roughly 34 FTEs over the next two fiscal years.

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 "securitize") Tobacco Master Settlement Agreement payments. The executive recommendation provides \$495,979 in FY 2016 and \$509,028 in FY 2017, amounts that represent a decrease of 15.0% and an increase of 2.6%, respectively. Most of the difference between FY 2015 and FY 2016 reflects a drop in costs budgeted for debt counsel services while the increase in FY 2017 is due to payroll-related costs. The number of FTEs supported by this program, four, will remain steady in the upcoming biennium.

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 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.

The executive proposal allocates \$327,948 in FY 2016 and \$337,363 in FY 2017 for Controlling Board Program expenses. Each year's funding represents a 2.9% increase from the year prior, mostly due to payroll-related 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. Currently, there are 25 active municipal commissions and four active school district commissions. The executive proposal recommends \$249,696 in FY 2016 and \$257,082 in FY 2017 to support the current one FTE performing the work associated with this program and an additional position if the number of fiscal emergencies declared makes it so that the current staff member can no longer effectively manage the work associated with this program alone. The recommended amounts are slightly above the estimated FY 2015 amount of \$236,148. The increases each year are primarily driven by payroll-related costs.

Category 3: Office of Health Transformation

Governor's Recommended Funding for the Office of Health Transformation				
Fund	ALI and Name		FY 2016	FY 2017
General Revenue Fund				
GRF	042416	Office of Health Transformation	\$430,000	\$438,723
General Revenue Fund Subtotal			\$430,000	\$438,723
Federal Fund Group				
3CM0	042606	Office of Health Transformation – Federal	\$430,000	\$438,723
Federal Fund Group Subtotal			\$430,000	\$438,723
Total Funding: Office of Health Transformation			\$860,000	\$877,446

Office of Health Transformation (042616 and 042606)

These line items support the Office of Health Transformation (OHT), created by Executive Order 2011-02K in January 2011. With a current staff of five full-time employees, OHT coordinates the state agencies that administer federal health care programs and initiatives. OHT's initiatives are centered on modernizing Medicaid, streamlining health and human services, and implementing new health care delivery payment systems that reward value rather than volume. OHT is funded with a combination of GRF funds and federal funds. OHT receives federal funds as a subrecipient of a Ohio Department of Medicaid federal grant that provides funding for certain administrative functions at the state level. The grant requires a 50% state match. OBM sends invoices to the Department indicating the amounts actually spent by the program and subsequently receives reimbursement.

Overall, the executive recommendation provides \$860,000 for OHT in FY 2016, an 8.2% decrease from the FY 2015 estimate of \$937,294. FY 2017 recommended appropriations amount to \$877,446, a 2.0% increase from FY 2016. The FY 2015 estimates assume the entire appropriation amounts will be used. According to OBM, the recommendations better align OHT appropriations with the actual spending that is likely to occur.

General Revenue Fund

GRF 042321 Budget Development and Implementation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$2,012,297	\$2,348,523	\$2,401,377	\$2,697,483	\$2,981,898	\$2,933,175
	16.7%	2.3%	12.3%	10.5%	-1.6%

Source: General Revenue Fund

Legal Basis: ORC 126, 127, 117.14, 118.05, and 3316.05; Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Sub. H.B. 215 of the 122nd G.A.)

Purpose: Moneys in this line item pay for the Budget Development and Implementation Program, which evaluates agency budget requests, prepares the state operating and capital budget recommendations for submission to the General Assembly every two years, and develops economic forecasts and revenue estimates. After the budget is enacted, the program oversees the preparation of agency allotment plans, monitors agency spending, and provides policy, program, and technical assistance to state agencies as needed. This line item also pays for the administrative oversight of the Controlling Board, debt management, OBM's involvement in municipal and school district financial planning commissions, the cost of national association dues, and the audit of the Auditor of State.

GRF 042409 Commission Closures

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$30,213	\$31,590	\$157,277	\$155,000	\$0	\$0
	4.6%	397.9%	-1.4%	-100%	N/A

Source: General Revenue Fund

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

Purpose: This line item was used to pay for any obligations associated with the closure of any state agency, including final payroll expenses occurring after a closure if appropriations or cash in the closing agency are insufficient. In FY 2014 and FY 2015, the Director of OBM may request Controlling Board approval for funds to be transferred to this line item from GSF Fund 5KM0 appropriation item 911614, CB Emergency Purposes, for anticipated expenses associated with agency closures.

Office of Budget and Management

GRF 042416 Office of Health Transformation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$259,858	\$349,916	\$293,348	\$498,571	\$430,000	\$438,723
	34.7%	-16.2%	70.0%	-13.8%	2.0%

Source: General Revenue Fund

Legal Basis: Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 699 of the 126th G.A.)

Purpose: This line item is used to fund the administrative expenses of the Office of Health Transformation (OHT). OHT's initiatives center around modernizing Medicaid, streamlining health and human services, and implementing new health care delivery payment systems. Federal funding for OHT is found in FED Fund 3CM0 appropriation item 042606, Office of Health Transformation - Federal.

GRF 042423 Liquor Enterprise Transaction

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$475,000	\$0	\$0	\$0	\$0
	N/A	-100%	N/A	N/A	N/A

Source: General Revenue Fund

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 153 of the 129th G.A.)

Purpose: This line item was used to retain or contract for the services of commercial appraisers, underwriters, investment bankers, and financial advisers that were necessary to commence negotiation of the agreement transferring the state's liquor enterprise to JobsOhio to provide a revenue source for that organization's economic development efforts. The amount expended from this line item was reimbursed from the proceeds of the transaction.

Office of Budget and Management

GRF 042425 Shared Services Development

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$1,240,756	\$1,250,000	\$1,385,000	\$1,425,000
	N/A	N/A	0.7%	10.8%	2.9%

Source: General Revenue Fund

Legal Basis: Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item is used to pay the costs of projects associated with the development of Ohio Shared Services (OSS). OSS leverages the state's accounting system 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. Previously, these costs were paid from DPF Fund 5N40 appropriation item 042602, OAKS Project Implementation, which was supported by transfers from the GRF.

GRF 042435 Gubernatorial Transition

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$9,647	\$0	\$0	\$0	\$0	\$0
	-100%	N/A	N/A	N/A	N/A

Source: General Revenue Fund

Legal Basis: As needed line item; ORC 107.30 (originally established by Sub. H.B. 215 of the 122nd G.A.)

Purpose: This line item funds the salaries, supplies, and other reasonable expenses of the governor-elect during the transition between an incumbent governor and a new gubernatorial administration.

Dedicated Purpose Fund Group

5N40 042602 OAKS Project Implementation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$922,419	\$1,072,870	\$342	\$0	\$0	\$0
	16.3%	-100.0%	-100%	N/A	N/A

Source: Dedicated Purpose Fund Group: GRF transfers to Fund 5N40

Legal Basis: Discontinued line item (originally established by the Controlling Board on December 18, 2000)

Purpose: This line item was used to pay the costs of projects associated with the development of Ohio Shared Services (OSS). OSS leverages the state's accounting system 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. Beginning in FY 2014, these costs are funded directly from GRF appropriation item 042425, Shared Services Development. In FY 2014, the remaining cash in Fund 5N40 was transferred to the GRF and the fund was abolished.

5Z80 042608 Office of Health Transformation Administration

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$57,278	\$0	\$0	\$0	\$0	\$0
	-100%	N/A	N/A	N/A	N/A

Source: Dedicated Purpose Fund Group: Charges to seven user agencies receiving Medicaid funding

Legal Basis: Discontinued line item (originally established by Controlling Board on December 17, 2007)

Purpose: This line item was used to supplement GRF funding in appropriation item 042416, Office of Health Transformation, to provide the state match required to obtain federal funding for the administrative expenses of the Office of Health Transformation (OHT). Funds in this line item were comprised of revenue received in FY 2008 via Executive Medicaid Management Administration (the entity OHT replaced) charges to the seven Medicaid agencies. These billings were abandoned once federal funding was secured. In FY 2014, the small amount of cash remaining in Fund 5Z80 was transferred to the GRF and the fund was abolished.

Internal Service Activity Fund Group

1050 042603 Financial Management

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$18,384,363	\$20,105,069	\$12,919,758	\$14,307,202	\$14,676,746	\$14,593,851
	9.4%	-35.7%	10.7%	2.6%	-0.6%

Source: Internal Service Activity Fund Group: A variable payroll charge of up to 1.341% of gross pay per employee in FY 2015 to state agencies (the percentage varies by agency based on operating expenses), direct charges to agencies for internal auditing services, state payment card rebates, and other miscellaneous income

Legal Basis: ORC 126.25; Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by the Controlling Board in June 1971)

Purpose: This line item pays for the cost of the state's accounting operations, the Office of Internal Audit, financial reporting activities, as well as a majority of the costs associated with budgeting services provided to state agencies by OBM. The FY 2014-FY 2015 budget requires this appropriation to pay all costs associated with single audit schedules or financial statements prepared in conformance with generally accepted accounting principles. Formerly, this line item also funded the operating costs of Ohio Shared Services (OSS). Beginning in FY 2014, these costs are funded through ISA Fund 1050 appropriation item 042620, Shared Services Operating.

Office of Budget and Management

1050 042620 Shared Services Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$7,206,283	\$8,212,793	\$8,699,170	\$8,782,065
	N/A	N/A	14.0%	5.9%	1.0%

Source: Internal Service Activity Fund Group: A variable payroll charge of up to 1.341% of gross pay per employee in FY 2015 to state agencies (the percentage varies by agency based on operating expenses), direct charges to agencies for Ohio Shared Services usage, state payment card rebates, and other miscellaneous income

Legal Basis: Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item pays the operating costs associated with Ohio Shared Services (OSS). OSS leverages the state's accounting system 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. Currently, OSS assists its client agencies with accounts payable services, travel and expense reimbursements, vendor management, contact center assistance, accounts receivable services, and pre-collections activities. Prior to FY 2014, OSS operating expenditures came from ISA Fund 1050 appropriation item 042603, Financial Management. Costs associated with development and agency integration of new service lines are funded by GRF line item 042425, Shared Services Development.

Fiduciary Fund Group

5EH0 042604 Forgery Recovery

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$12,445	\$10,497	\$15,100	\$40,000	\$40,000	\$40,000
	-15.7%	43.8%	164.9%	0.0%	0.0%

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

Legal Basis: ORC 126.40; Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 119 of the 127th G.A.)

Purpose: This line item is used to reissue warrants that have been fraudulently redeemed and certified as forgeries by the rightful recipient, as determined by the Office of the Attorney General's Bureau of Criminal Identification and Investigation (BCII) and the Treasurer of State. Upon receipt of funds to cover the reissuance of the warrant, the Director of OBM must reissue a state warrant of the same amount. Am. Sub. H.B. 59 of the 130th General Assembly appropriates any additional amounts needed to reissue warrants backed by the receipt of funds, if necessary.

Office of Budget and Management

Federal Fund Group

3CM0 042606 Office of Health Transformation - Federal

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$263,145	\$288,344	\$240,527	\$438,723	\$430,000	\$438,723
	9.6%	-16.6%	82.4%	-2.0%	2.0%

Source: Federal Fund Group: Federal Medicaid reimbursement for administration under Title XIX (Medical Administration) of the Social Security Act

Legal Basis: Section 227.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 119 of the 127th G.A.)

Purpose: This line item provides the federal share of funding for the administrative expenses of the Office of Health Transformation (OHT). OHT's initiatives are centered around modernizing Medicaid, streamlining health and human services, and implementing new health care delivery payment systems. State funding for OHT is found in GRF appropriation item 042416, Office of Health Transformation.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
OBM Office of Budget and Management								
GRF	042321	Budget Development and Implementation	\$ 2,401,377	\$ 2,697,483	\$ 2,981,898	10.54%	\$ 2,933,175	-1.63%
GRF	042409	Commission Closures	\$ 157,277	\$ 155,000	\$ 0	-100.00%	\$ 0	N/A
GRF	042416	Office of Health Transformation	\$ 293,348	\$ 498,571	\$ 430,000	-13.75%	\$ 438,723	2.03%
GRF	042425	Shared Services Development	\$ 1,240,756	\$ 1,250,000	\$ 1,385,000	10.80%	\$ 1,425,000	2.89%
General Revenue Fund Total			\$ 4,092,758	\$ 4,601,054	\$ 4,796,898	4.26%	\$ 4,796,898	0.00%
5N40	042602	OAKS Project Implementation	\$ 342	\$ 0	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 342	\$ 0	\$ 0	N/A	\$ 0	N/A
1050	042603	Financial Management	\$ 12,919,758	\$ 14,307,202	\$ 14,676,746	2.58%	\$ 14,593,851	-0.56%
1050	042620	Shared Services Operating	\$ 7,206,283	\$ 8,212,793	\$ 8,699,170	5.92%	\$ 8,782,065	0.95%
Internal Service Activity Fund Group Total			\$ 20,126,040	\$ 22,519,995	\$ 23,375,916	3.80%	\$ 23,375,916	0.00%
5EH0	042604	Forgery Recovery	\$ 15,100	\$ 40,000	\$ 40,000	0.00%	\$ 40,000	0.00%
Fiduciary Fund Group Total			\$ 15,100	\$ 40,000	\$ 40,000	0.00%	\$ 40,000	0.00%
3CM0	042606	Office of Health Transformation - Federal	\$ 240,527	\$ 438,723	\$ 430,000	-1.99%	\$ 438,723	2.03%
Federal Fund Group Total			\$ 240,527	\$ 438,723	\$ 430,000	-1.99%	\$ 438,723	2.03%
Office of Budget and Management Total			\$ 24,474,768	\$ 27,599,772	\$ 28,642,814	3.78%	\$ 28,651,537	0.03%