

# Redbook

## LBO Analysis of Executive Budget Proposal

### Office of Budget and Management

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#### TABLE OF CONTENTS

|  |          |
|--|----------|
| <b>Quick look</b> .....                                  | <b>1</b> |
| <b>Overview</b> .....                                    | <b>2</b> |
| Agency overview.....                                     | 2        |
| Appropriation summary.....                               | 2        |
| <b>Analysis of FY 2024-FY 2025 budget proposal</b> ..... | <b>3</b> |
| General Revenue Fund Group .....                         | 3        |
| Operating Expenses (ALI 042321) .....                    | 3        |
| Internal Service Activity Fund Group .....               | 3        |
| Proposed consolidation .....                             | 3        |
| Financial Management (ALI 042603) .....                  | 4        |
| Fiduciary Fund Group.....                                | 5        |
| Forgery Recovery (ALI 042604) .....                      | 5        |

Attachment:

Appropriation Spreadsheet

# LBO Redbook

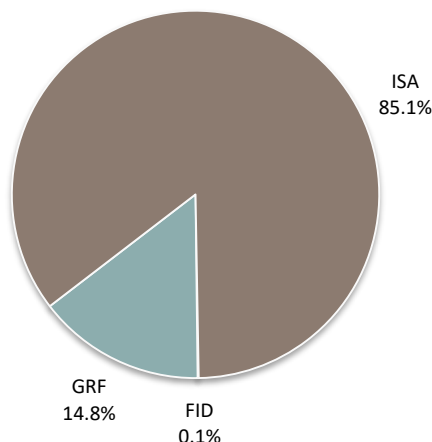
## Office of Budget and Management

### Quick look...

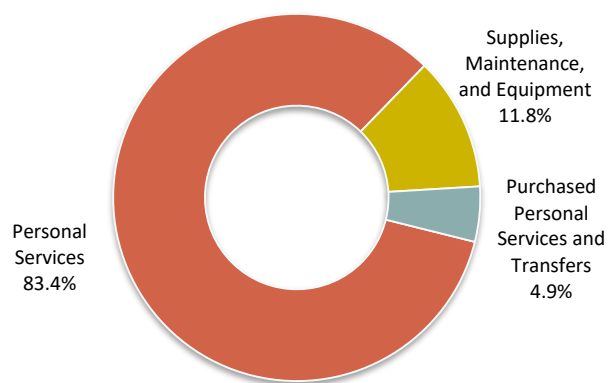
- The Office of Budget and Management (OBM) provides financial management and policy analysis to help ensure responsible use of state resources.
- OBM employed a total of 161 employees as of March 2023, of which 158 were permanent, full-time staff.
- The executive budget recommends \$30.8 million each year of the FY 2024-FY 2025 biennium.
  - OBM received federal appropriations to distribute pandemic-related aid to counties, Medicaid providers, hospitals, state agencies, and others in FY 2020-FY 2023. The executive proposal does not include new money from any of these funding sources in OBM’s budget.
  - The executive budget recommends consolidating two ISA line items beginning in FY 2024, and proposes adding additional duties to this program area.

| Fund Group                      | FY 2022 Actual         | FY 2023 Estimate       | FY 2024 Introduced  | FY 2025 Introduced  |
|---------------------------------|------------------------|------------------------|---------------------|---------------------|
| General Revenue (GRF)           | \$4,278,788            | \$4,308,573            | \$4,502,924         | \$4,592,399         |
| Dedicated Purpose (DPF)         | \$2,150,143,890        | \$1,009,243,931        | \$0                 | \$0                 |
| Internal Service Activity (ISA) | \$21,250,793           | \$24,884,979           | \$26,219,399        | \$26,219,399        |
| Fiduciary (FID)                 | \$25,008               | \$30,000               | \$30,000            | \$30,000            |
| <b>Total</b>                    | <b>\$2,175,698,480</b> | <b>\$1,038,467,483</b> | <b>\$30,752,323</b> | <b>\$30,841,798</b> |
| % change                        | --                     | -52.3%                 | -97.0%              | 0.3%                |
| <i>GRF % change</i>             | --                     | <i>0.7%</i>            | <i>4.5%</i>         | <i>2.0%</i>         |

**Chart 1: OBM Budget by Fund Group  
FY 2024-FY 2025 Biennium**



**Chart 2: OBM Budget by Expense Category  
FY 2024-FY 2025 Biennium**



Biennial total: \$61.6 million

## Overview

### Agency overview

The mission of the Office of Budget and Management (OBM) is to provide policy analysis, fiscal research, and financial management services to the Governor and agencies of state government, helping to ensure the proper and responsible use of state resources. OBM provides the Governor with technical expertise to prepare and implement the next biennial budget and offers services to both their state agency customers and the general public.

The Ohio Administrative Knowledge System (OAKS) administers all accounting activities in the state through its financial application. OBM utilizes this vital software program to process fiscal transactions, manage the state's payment card program, monitor transactions, and provide support for agencies that use the OAKS module as a source of information. OAKS is an important cog in the hub of state finance, and is maintained entirely through OBM's Accounting Operations and Processing Department.

The Ohio Grants Partnership was created by OBM in February 2020 to support Ohio's grant management community by allowing state enterprises to track grant awards and coordinate with each other. Shortly after its formation, the COVID-19 pandemic accelerated OBM's plans for a consolidated grants department that serves the entire enterprise. In a short period of time, the Ohio Grants Partnership has become the centralized resource for COVID-19 relief fund disbursement.

### Appropriation summary

FY 2024 recommended funding for OBM, totaling \$30.8 million, is \$1.01 billion (97.0%) less than FY 2023 estimated spending. Recommended state-funded appropriations would increase by \$1.5 million (5.2%); the decrease in overall funding is largely due to the one-time federal funds made available under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). Recommended total funding in FY 2025, \$30.8 million, is \$0.1 million (0.3%) higher than the FY 2024 recommended total, with all of the funding increase attributed to GRF operating expenses (which increase by 2.0%).

H.B. 45 of the 134<sup>th</sup> General Assembly appropriated \$559.0 million in ARPA money across nine different line items in the OBM budget for use in FY 2023. Section 287.10 of that legislation reappropriated amounts equal to the unexpended portions of these appropriation items for the same purposes in FY 2024.

The budget also proposes moving the Central Services Agency from the Department of Administrative Services (DAS) to OBM. The transfer would likely increase OBM expenditures by about \$1 million per year, which would be paid by a state-funded appropriation in the Internal Service Activity (ISA) Fund Group.

The table and Chart 1 shown in the "**Quick look**" section present the executive recommended appropriations by fund group. Chart 2 in the "**Quick look**" section shows the executive recommended appropriations by object of expense.

## Analysis of FY 2024-FY 2025 budget proposal

### General Revenue Fund Group

#### Operating Expenses (ALI 042321)

| FY 2020<br>Actual                         | FY 2021<br>Actual | FY 2022<br>Actual | FY 2023<br>Estimate | FY 2024<br>Introduced | FY 2025<br>Introduced |
|---|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| <b>GRF ALI 042321, Operating Expenses</b> |                   |                   |                     |                       |                       |
| \$3,043,100                               | \$2,921,705       | \$4,256,551       | \$4,308,573         | \$4,502,924           | \$4,592,399           |
| % change                                  | -4.0%             | 45.7%             | 1.2%                | 4.5%                  | 2.0%                  |

This line item funds general operations for evaluating agency budget requests, preparing state operating and capital budget recommendations, and developing economic forecasts and revenue estimates. When budget preparation and forecasting needs are minimal, the program provides policy, program, and technical assistance to state agencies, as needed. This line item also funds administrative functions of the Controlling Board, debt management, OBM's assistance to municipal and school district planning commissions, and the cost of membership dues for the National Association of State Budget Officers. An uncodified section of the budget bill specifies that this line item be used for the financial audit of Ohio's Auditor of State.

The Operating Expenses line item also funds the costs of developing projects associated with Ohio Shared Services (OSS). OSS utilizes the state's centralized budgeting and accounting systems to provide fiscal and accounting services to agencies lacking the workforce to implement these complex projects on their own. OSS saves the state of Ohio money by leveraging economies of scale in their service to smaller agencies. This GRF item primarily funds employees working on incomplete projects, which differentiates them from employees compensated by Internal Service Activity (ISA) line item 042620, Shared Services Operating and its successor, ISA item 042603, Financial Management.

Accordingly, the majority of item 042321 is used for wages and compensation. In the upcoming biennium, 82.4% of expenditures are anticipated for personal services, and another 7.1% for purchased personal services, of which the latter contributes to OBM's forecasting and debt management efforts.

### Internal Service Activity Fund Group

#### Proposed consolidation

The executive budget recommends the consolidation of two ISA line items beginning in FY 2024. ISA item 042620, Shared Services Operating, would be combined with ISA item 042603, Financial Management. The outcome would coincide with a 5.4% increase to overall ISA funding levels in FY 2024 as the recommended appropriation for the consolidated line item would exceed estimated total ISA expenditures for FY 2023. However, the name of item 042603 would remain unchanged in order to reflect the broad nature of this continuing line item. The other line item, 042620, would be discontinued because it does not have a recommended appropriation.

## Financial Management (ALI 042603)

| FY 2020<br>Actual                                 | FY 2021<br>Actual | FY 2022<br>Actual | FY 2023<br>Estimate | FY 2024<br>Introduced | FY 2025<br>Introduced |
|---|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| <b>1050 ALI 042603, Financial Management</b>      |                   |                   |                     |                       |                       |
| \$14,911,437                                      | \$14,758,009      | \$15,456,484      | \$17,834,979        | \$26,219,399          | \$26,219,399          |
| % change  | -1.0%             | 4.7%              | 15.4%               | 47.0%                 | 0.0%                  |
| <b>1050 ALI 042620, Shared Services Operating</b> |                   |                   |                     |                       |                       |
| \$5,408,504                                       | \$5,280,525       | \$5,794,309       | \$7,050,000         | \$0                   | \$0                   |
| % change  | -2.4%             | 9.7%              | 21.7%               | -100.0%               | N/A                   |

OBM provides financial, budgeting, and audit services to other state agencies. Line item 042603 supports the state's accounting operations, financial reporting activities, Office of Internal Audit, as well as a portion of OBM's costs for providing service to these agencies. Fund 1050 receives revenue through direct charges billed to other state agencies for internal auditing services, as well as other service charges authorized by R.C. 126.25. Recommended funding increases by \$8.4 million (47.0%) from FY 2023 to FY 2024, which reflects the proposed consolidation among the two appropriation items as well as additional duties assumed by OBM from the Department of Administrative Services (DAS). About 83% of this line item is used to pay for personal services, and 12% for supplies and maintenance.

Should the proposed consolidation occur, this line item will also pay operating costs associated with Ohio Shared Services. OSS utilizes the state's centralized budgeting and accounting systems to provide fiscal and accounting services to agencies lacking the workforce to implement these complex projects on their own. Currently, OSS assists its client agencies with accounts payable services, travel and expense reimbursements, vendor management, accounts receivable services, and contact center services. Because OSS encompasses the largest number of employees of all programs within OBM, the majority of expenses are attributable to payroll.

The executive budget proposes moving the Central Services Agency (CSA) to OBM from DAS. CSA provides routine support services to various boards and commissions, inclusive of human resources and personnel services. Such a transfer would likely increase OBM expenditures by about \$1 million per year. The budget also proposes removing the Controlling Board's authority to exempt a board or commission from using the centralized services. It also repeals a statute currently specifying that the provision of routine support services does not include initiating or denying personnel or fiscal actions.

As part of the CSA move, the budget transfers the cash balance from the Central Service Agency Fund (Fund 1150) to the Accounting and Budgeting Fund (Fund 1050) and abolishes Fund 1150 after the completion of the transfer. The budget requires the OBM Director to cancel any encumbrances against Fund 1150 ALI 100632, Central Service Agency, and reestablish them against either Fund 1050 ALI 042603, Financial Management or Fund 1050 ALI 042620, Shared Services Operating. The bill appropriates the reestablished encumbrance amounts.

## Fiduciary Fund Group

### Forgery Recovery (ALI 042604)

| FY 2020<br>Actual                        | FY 2021<br>Actual | FY 2022<br>Actual | FY 2023<br>Estimate | FY 2024<br>Introduced | FY 2025<br>Introduced |
|--|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| <b>5EH0 ALI 042604, Forgery Recovery</b> |                   |                   |                     |                       |                       |
| \$12,652                                 | \$10,508          | \$25,008          | \$30,000            | \$30,000              | \$30,000              |
| % change                                 | -16.9%            | 138.0%            | 20.0%               | 0.0%                  | 0.0%                  |

This line item is used to reissue state warrants that were fraudulently redeemed and certified to be forgeries by the Office of the Attorney General’s Bureau of Criminal Investigation (BCI)<sup>1</sup> and the Treasurer of State. Fund 5EH0 consists of revenue that OBM receives from the banks that erroneously cash forged warrants. The OBM Director must reissue a state warrant of the same amount to the rightful recipient upon receipt of funds to cover the expense.

OBM/zg

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<sup>1</sup> An uncodified section of the budget bill, Section 229.20, refers to the certification of forgeries being determined by investigators of the Bureau of Criminal Identification and Investigation, but the Bureau has been renamed.

FY 2024 - FY 2025 Appropriations - As Introduced

All Fund Groups

| Line Item Detail by Agency                     |        |   | Estimate               | Introduced       | FY 2023 to FY 2024 | Introduced | FY 2024 to FY 2025 |          |
|--|--------|---|------------------------|------------------|--------------------|------------|--------------------|----------|
|  |        |   | FY 2022                | FY 2023          | FY 2024            | % Change   | FY 2025            | % Change |
| Report For: Main Operating Appropriations Bill |        |   | Version: As Introduced |                  |                    |            |                    |          |
| OBM Office of Budget and Management            |        |   |                        |                  |                    |            |                    |          |
| GRF  | 042321 | Operating Expenses                              | \$ 4,256,551           | \$ 4,308,573     | \$ 4,502,924       | 4.51%      | \$ 4,592,399       | 1.99%    |
| GRF  | 042425 | Shared Services Development                     | \$ 22,237              | \$ 0             | \$ 0               | N/A        | \$ 0               | N/A      |
| General Revenue Fund Total                     |        |   | \$ 4,278,788           | \$ 4,308,573     | \$ 4,502,924       | 4.51%      | \$ 4,592,399       | 1.99%    |
| 5CV1   | 042515 | Provider Relief - Adult Day Care/Senior Centers | \$ 5,322,701           | \$ 0             | \$ 0               | N/A        | \$ 0               | N/A      |
| 5CV1   | 042517 | Ohio Humanities Council                         | \$ 1,000,000           | \$ 0             | \$ 0               | N/A        | \$ 0               | N/A      |
| 5CV1   | 042621 | COVID Response Costs - Multiple Agencies        | \$ 250,191,948         | \$ 14,157,400    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042625 | JFS Unemployment Fund                           | \$ 1,471,765,771       | \$ 0             | \$ 0               | N/A        | \$ 0               | N/A      |
| 5CV3   | 042627 | Ohio Ambulance Transportation                   | \$ 0                   | \$ 20,000,000    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042628 | Adult Day Care                                  | \$ 0                   | \$ 8,000,000     | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042630 | Statewide Hospital Support                      | \$ 0                   | \$ 100,000,000   | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042631 | Assisted Living Workforce Support               | \$ 0                   | \$ 40,000,000    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042632 | Hospice Care Workforce Support                  | \$ 0                   | \$ 30,000,000    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042633 | HCBS Workforce Support                          | \$ 0                   | \$ 10,000,000    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042635 | ALS Support Grants                              | \$ 0                   | \$ 1,000,000     | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV3   | 042636 | Nursing Facility Workforce Support              | \$ 0                   | \$ 350,000,000   | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5CV4   | 042526 | Coronavirus Local Fiscal Recovery               | \$ 421,863,470         | \$ 422,136,531   | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 5ZF0   | 042426 | Ashtabula County Supplement                     | \$ 0                   | \$ 13,950,000    | \$ 0               | -100.00%   | \$ 0               | N/A      |
| Dedicated Purpose Fund Group Total             |        |   | \$ 2,150,143,890       | \$ 1,009,243,931 | \$ 0               | -100.00%   | \$ 0               | N/A      |
| 1050   | 042603 | Financial Management                            | \$ 15,456,484          | \$ 17,834,979    | \$ 26,219,399      | 47.01%     | \$ 26,219,399      | 0.00%    |
| 1050   | 042620 | Shared Services Operating                       | \$ 5,794,309           | \$ 7,050,000     | \$ 0               | -100.00%   | \$ 0               | N/A      |
| Internal Service Activity Fund Group Total     |        |   | \$ 21,250,793          | \$ 24,884,979    | \$ 26,219,399      | 5.36%      | \$ 26,219,399      | 0.00%    |
| 5EHO   | 042604 | Forgery Recovery                                | \$ 25,008              | \$ 30,000        | \$ 30,000          | 0.00%      | \$ 30,000          | 0.00%    |
| Fiduciary Fund Group Total                     |        |   | \$ 25,008              | \$ 30,000        | \$ 30,000          | 0.00%      | \$ 30,000          | 0.00%    |
| Office of Budget and Management Total          |        |   | \$ 2,175,698,480       | \$ 1,038,467,483 | \$ 30,752,323      | -97.04%    | \$ 30,841,798      | 0.29%    |