OFFICE OF BUDGET AND MANAGEMENT

Budget Stabilization Fund

- Requires that the next $650 million of investment earnings of the Budget Stabilization Fund (BSF) be credited to the GRF rather than the BSF.
- Increases, from 8.5% to 10%, the amount of the GRF revenues for the preceding fiscal year intended to be maintained in the BSF.

State appropriation limitation

- Modifies, starting FY 2028 (starting July 1, 2027), how the state appropriation limitation (SAL) is calculated by requiring the inclusion of certain non-GRF appropriations in the SAL calculation.
- Establishes a standard annual growth rate of 3.0% for SAL and eliminates the alternative growth factor.
- Eliminates the exemption for appropriations of gifts of money from inclusion in the SAL calculation.
- Eliminates the General Assembly's authority to exceed the SAL in response to an emergency proclamation by the Governor.
- Requires the Governor to itemize all non-GRF appropriation line items that are subject to the SAL as part of the Governor's biennial budget submissions.

Medicaid Caseload and Expenditure Forecast report

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

Health and Human Services Reserve Fund

- Requires the OBM Director to transfer $600 million cash from the Health and Human Services Reserve Fund to the BSF.
- If needed to meet the state's Medicaid program obligations in FYs 2024 or 2025, permits the Medicaid Director to request the Controlling Board to transfer money from the HHS Fund to GRF item 651525, the main Medicaid appropriation item.

Routine support services for boards and commissions

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

Fraud analysis

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

OBM reporting requirements

- Eliminates various reporting requirements for agencies to submit information to OBM and removes OBM as a recipient of certain reports.

Appropriation report to General Assembly

- Eliminates the requirement that the OBM Director furnish to legislative leaders a report, each April and October, of various funds and line items without current year appropriation, but with remaining open encumbrances.

Annual comprehensive financial reports

- Changes the name of a report the OBM Director and the Ohio Turnpike and Infrastructure Commission must each issue from a "comprehensive annual financial report" to an "annual comprehensive financial report."

Budget Stabilization Fund

(R.C. 131.43 and 131.44)

The bill requires that the first $650 million of investment earnings of the Budget Stabilization Fund (BSF) accrued after the bill's 90-day effective date be credited to the GRF. All subsequent earnings will be credited to the BSF itself, as required by current law. For each fiscal year in which such investment earnings are credited to the GRF, the OBM Director must certify the amount to the Tax Commissioner by the following July 10 (see "**Withholding rate adjustments**," below).

Additionally, it increases from 8.5% to 10%, the minimum amount of the GRF revenues for the preceding fiscal year intended to be maintained in the BSF and used in the calculation for the BSF's required year-end balance.

State appropriation limitation

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

SAL calculation

The bill changes how the state appropriation limitation (SAL) is calculated starting in FY 2028 (starting July 1, 2027). Under continuing law, the Governor must include a SAL as part of the executive budget proposal at the beginning of each new General Assembly. The bill also explicitly directs the Governor to take the bill's changes into account when calculating the SAL for FY 2028. Generally, the SAL limits the growth of GRF spending to a designated percentage each biennium. For more background on the SAL, please see LSC's Guidebook for Ohio Legislators, Chapter 8 (PDF), available on LSC's website at www.lsc.ohio.gov.

Non-GRF appropriations to be included in SAL calculation

The bill includes in the meaning of "aggregate GRF appropriations" any appropriations made indirectly from any non-GRF fund that is supported by cash transfers from the GRF. For example, if a program is funded by a non-GRF fund, but that fund's money originates with GRF cash transfers, the program's appropriations must be included as "aggregate GRF appropriations" despite being appropriated from a non-GRF fund. This will likely result in more appropriations being classified as aggregate GRF appropriations and thus subject to the SAL.

Under continuing law, an appropriation that originates in the GRF will continue to be included in the SAL calculation even if that appropriation is subsequently moved to a non-GRF account. The bill further states that any tax revenue credited to the GRF during FYs 2024 through 2027 is a GRF tax source funding GRF appropriations for the succeeding fiscal year even if the tax revenue is later credited to a non-GRF account. As a hypothetical, this means that if the commercial activity tax (CAT), which is credited to the GRF in FY 2024, is credited to a non-GRF account starting in FY 2028, those non-GRF appropriations paid for by the CAT revenue would still be included in the calculation of the SAL, even though they were funded at that time from a non-GRF account. This change will ensure that all appropriations supported by GRF tax revenue during FY 2024 through FY 2027 will be included permanently in the SAL calculation.

SAL growth factor

The bill revises the growth factor for calculating the SAL. It reduces the SAL growth factor from 3.5% to 3% and eliminates the alternative growth factor based on inflation and population growth. Under current law, the SAL is calculated using the greater of the following figures:

- The previous year's SAL (or aggregate GRF appropriations for the previous fiscal year, in certain years) multiplied by 3.5% (standard growth factor);
- The sum of the rate of inflation plus the rate of population change (alternative growth factor).

As a result of the bill's change, the SAL must be calculated using the 3% standard growth factor only.

Gifts of money included in SAL calculation

The bill eliminates an exemption excluding appropriations of money received as gifts from being included in the SAL calculation. Therefore, starting in FY 2028, any appropriations of gifts of money must be included in the calculation for that year.

Elimination of SAL exception for emergency proclamation

Also taking effect in FY 2028, the bill eliminates an exception permitting the General Assembly to exceed the SAL if the excess appropriations are made in response to a Governor's emergency proclamation and the appropriations are used for that emergency. The bill retains the current exception permitting the General Assembly to exceed the SAL by passing a bill by a ⅔ majority of the members of each house that identifies the purpose of the excess appropriation and whether the appropriation must be included in future SAL calculations.

List of non-GRF appropriation items subject to SAL

Finally, the bill requires the Governor to include in the executive budget proposal a table itemizing all non-GRF appropriation line items that are subject to the SAL for the current fiscal year and each fiscal year covered by the upcoming budget proposal. The list of those appropriation line items must be included in the main operating appropriations act for that biennium. This change also takes effect starting with the budget for FY 2028.

Medicaid Caseload and Expenditure Forecast report

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

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

Submission to General Assembly

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

Report components

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

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

- A complete Medicaid budget broken down by the agency administering each component of the program, fund, appropriation item, and whether the spending is for services or administration;
- A summary of Medicaid service spending by eligibility group and subgroup and service delivery system and a detailed mapping into individual appropriation items, including state and federal shares of each item;
- A complete description of each policy proposal, including assumed start date and cost projection broken down by fiscal year, appropriation item, state and federal shares, eligibility group and subgroup, and service delivery system;

- The Medicaid caseload broken down by eligibility group and subgroup and service delivery system;
- The percentage of total Medicaid enrollment that is comprised of Medicaid recipients enrolled under the care management system and the percentage of total Medicaid spending that the care management system comprises;
- A detailed accounting of both the care management system component and the fee-for-service component of the Medicaid budget by eligibility group and subgroup, including spending, member months, and per member per month capitation rates or costs;
- Historical spending data by service delivery system and Medicaid provider and program, including at least the following provider categories:
  - Hospital;
  - Pharmacy;
  - Waiver;
  - Nursing;
  - Home health care;
  - Professional medical and clinic;
  - Nursing facility;
  - Behavioral health care;
  - Intermediate care facility for individuals with intellectual disabilities (ICF/IID).
- A detailed accounting of the Medicare Buy-In and Part D components of the Medicaid budget by eligibility group and subgroup, including spending, average monthly premiums, and average rates;
- A summary of projected spending for each fiscal year broken down by forecast component and by baseline and policy proposals;
- Detailed calculations demonstrating the effects of the following hypothetical scenarios:
  - A $1 increase in Medicaid home and community-based services wages for direct care providers for each fiscal year, broken down by provider, appropriation item, and state and federal shares;
  - A one percentage point increase in provider franchise fee revenue for each fiscal year;
  - A $1 increase in nursing facility and ICF/IID per Medicaid day payment rates.

- A detailed explanation of how the Governor's Medicaid budget recommendations satisfy the law requiring the Medicaid Director to implement cost savings reforms to the Medicaid program;[26]
- The most recent Medicaid cost containment report;[27]
- Any other information the OBM or Medicaid directors deem to be useful to facilitate a better understanding of the Governor's Medicaid budget recommendations.

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

Health and Human Services Reserve Fund

(Section 516.20)

The bill requires the OBM Director to transfer $600 million cash from the Health and Human Services (HHS) Reserve Fund to the BSF, on or shortly after July 1, 2023. Additionally, during FYs 2024 and 2025, if the Medicaid Director determines that there are insufficient funds to pay the state's Medicaid program obligations, the Director may request the Controlling Board to approve a cash transfer from the HHS Fund to the GRF, specifically to item 651525 (the primary Medicaid appropriation item), to fund the needed increase, up to $600 million total over the biennium.

Routine support services for boards and commissions

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

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

Fraud analysis

(Section 701.70)

The bill requires OBM, with help from DAS, to establish and coordinate a statewide assessment of financial fraud and financial crimes in state programs, specifically including those under the jurisdiction of the Department of Taxation, the Bureau of Workers' Compensation, and the Department of Job and Family Services. OBM must establish and coordinate an effort to implement a statewide initiative to identify and recover state funds from private sector banking institutions and digital payment networks that hold funds associated with fraudulent

[26] R.C. 5162.70.

[27] R.C. 5162.131, not in the bill.

disbursements. Additionally, the bill requires OBM to coordinate an effort to prevent state funds from being dispersed fraudulently by utilizing banking institution financial crime data with the state agency fraud analytics.

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

OBM reporting requirements

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

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

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

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

Appropriation report to General Assembly

(Repealed R.C. 126.231)

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

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

Annual comprehensive financial reports

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

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

The bill also changes the name of a report the Ohio Turnpike and Infrastructure Commission must issue from a "comprehensive annual financial report" to an "annual comprehensive financial report." Under current law, the report must outline the complete operating and financial statement covering the Commission's operations and funding of any turnpike projects and infrastructure projects for each year.