OFFICE OF BUDGET AND MANAGEMENT

State appropriation limitations (VETOED)

- Would have modified, starting July 1, 2027, how the state appropriation limitations (SAL) are calculated by requiring the inclusion of certain non-GRF appropriations in the SAL calculation (VETOED).
- Would have eliminated the SAL alternative growth factor related to population growth and inflation (VETOED).
- Would have eliminated the General Assembly's authority to exceed the SAL in response to an emergency proclamation by the Governor (VETOED).
- Would have required the Governor to itemize all non-GRF appropriation line items that are subject to the SAL as part of the Governor's biennial budget submissions (VETOED).

Impact of federal grant suspension

- States that if the federal government reduces or suspends any federal program that provides funding for a corresponding state program, that state program may be reduced or suspended.

OBM support services

- Requires OBM to perform routine support services for the New African Immigrants Commission.
- Authorizes OBM to perform routine support services for any board or commission upon request.

Targeted Addiction Assistance Fund

- Creates the Targeted Addiction Assistance Fund to receive all funding awarded to the state to address the effects of the opioid crisis.
- Specifies that, beginning January 15, 2027, any money received under the settlement agreement in *State of Ohio v. McKesson Corp.* must be certified by the Attorney General and sent to OBM for deposit in the fund.
- Requires the OBM Director to notify the Speaker of the House, Senate President, and the chairpersons of the House and Senate Finance Committees when money is deposited into the fund.

Fund interest to GRF (PARTIALLY VETOED)

- Redirects the interest earned by various funds to the GRF (PARTIALLY VETOED).

State Land Royalty Fund

- Revises the requirements and procedures regarding the transfer of money derived from oil and gas leases on state land from the existing State Land Royalty Fund (SLRF) to individual funds administered by state agencies.
- Creates three funds for such transfers for DNR, the Division of Wildlife in DNR, and ODOT, but retains the current law authority for any other state agency to designate a fund for oil and gas lease deposits.

Centralized reporting system for state grants (VETOED)

- Would have required the OBM Director to establish and administer a centralized reporting system for state grant recipient financial status reports (VETOED).

Computer data center tax exemption application

- Removes the OBM Director as one of the officials who receives, forwarded by the tax credit authority, copies of an application for a complete or partial tax exemption from a taxpayer who proposes a capital improvement project for an eligible computer data center.

State appropriation limitations (VETOED)

(R.C. 107.032, 107.033, 107.034, repealed, 107.035, 131.56, 131.57, and 131.58; Section 701.60)

SAL calculation

The Governor vetoed provisions that would have changed how the state appropriation limitations (SAL) are calculated starting in FY 2028 (starting July 1, 2027). Under continuing law, the Governor must include the SAL as part of the executive budget proposal at the beginning of each new General Assembly. The act also explicitly would have directed the Governor to take the 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 lsc.ohio.gov.

Non-GRF appropriations to be included in SAL calculation

The act would have included in the meaning of "aggregate GRF appropriations" any appropriations made indirectly from any non-GRF fund that is supported by cash transfers from the GRF. This would likely have resulted 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 act would have stipulated that any tax revenue credited to the GRF during FYs 2026 and 2027 would be a GRF tax source funding GRF appropriations for the succeeding fiscal year even if the tax revenue is later credited to a non-GRF account.

SAL growth factor

The act would have revised the growth factor for calculating the SAL. It retained the SAL growth factor at 3.5%, but eliminated the alternative growth factor based on inflation and population growth. Under continuing 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).

Elimination of SAL exception for emergency proclamation

The act also would have eliminated, beginning in FY 2028, an exception permitting the General Assembly to exceed the SAL if the excess appropriations are made in response to a Governor's emergency proclamation and the appropriations are used for that emergency.

List of non-GRF appropriation items subject to SAL

Finally, the act would have required the Governor to identify in the executive budget proposal all non-GRF appropriation line items (ALIs) that were subject to the SAL for the current fiscal year. If the Governor decided to continue funding any of those non-GRF line items, the Governor would have been required, to the greatest extent possible, to propose funding for those non-GRF line items from the GRF for each respective fiscal year of the biennium covered by that budget. Also, as part of the proposal, the Governor would have been required to include a table listing any remaining non-GRF ALIs that are subject to the SAL for the current fiscal year and for each respective fiscal year of the biennium covered by that budget.

Impact of federal grant suspension

(R.C. 126.10)

The act states that, notwithstanding any law to the contrary, if the federal government reduces or suspends any federal program that provides federal funds for any corresponding state program, that state program may be reduced or suspended. The act does not specify who makes the determination to reduce or suspend the program. The reduction or suspension includes any contract, agreement, memorandum of understanding, or any other covenant entered into by the state that is dependent on federal funding.

The act defines a state program as any program, initiative, or service administered or overseen by an agency, which includes any board, department, division, commission, bureau, society, council, or public institution of higher education, but does not include the General Assembly, the Controlling Board, the Adjutant General, or any court.

OBM support services

(R.C. 126.42)

The act requires the Office of Budget and Management (OBM) to provide routine support services for the New African Immigrants Commission, in addition to the 16 other boards that

must receive these services under continuing law. Also, the act authorizes OBM to perform routine support services for any board or commission upon request. Former law permitted OBM to perform the services for only professional or occupational licensing boards or commissions.

Under continuing law, routine support services include tasks such as preparing and processing payroll, maintaining ledgers of accounts and balances, and routine human resources and personnel services.

Targeted Addiction Assistance Fund

(R.C. 126.67)

The act creates the Targeted Addiction Assistance Fund in the state treasury, to consist of all money awarded to the state by court order that is intended to address the effects of the opioid crisis. Beginning January 15, 2027, any money received under the settlement agreement in *State of Ohio v. McKesson Corp*[21] must be certified by the Attorney General and sent to OBM for deposit in the fund. The OBM Director must notify the Speaker of the House, Senate President, and the chairpersons of the House and Senate Finance Committees when money is deposited into the fund.

Fund interest to GRF (PARTIALLY VETOED)

(R.C. 105.41, 122.14, 122.6510, 122.6511, 122.6512, 126.24, 126.60, 126.62, 131.43, 2108.34, 3701.841, 5168.25, and 5753.031; Section 503.140)

The act redirects interest earnings from the following funds to the GRF. The Governor vetoed some of the transfers, which are noted in parentheses:

- Budget Stabilization Fund;
- Roadwork Development Fund;
- Brownfields Revolving Loan Fund (VETOED);
- Brownfield Remediation Fund;
- Building Demolition and Site Revitalization Fund;
- OAKS Support Organization Fund (VETOED);
- H2Ohio Fund;
- All Ohio Future Fund;
- Facilities Establishment Fund (VETOED);
- Second Chance Trust Fund;
- Tobacco Use Prevention Fund (VETOED);

[21] Case No. CVH20180055, C.P. Madison Co., settlement agreement of October 7, 2021.

- Lottery Profits Education Fund;
- State Liquor Regulatory Fund;
- Hospital Assessment Fund (VETOED); and
- Sports Gaming Profits Education Fund (VETOED).

Additionally, the act requires OBM to direct the investment earnings of the following funds to the GRF by July 15, 2025:

- Capitol Square Improvement Fund;
- Health Care/Medicaid Support and Recoveries Fund (VETOED); and
- Ohio Workforce Incumbent Job Training Fund.

For the vetoed provisions above, the funds will continue to retain their interest as a result of the Governor's vetoes.

State Land Royalty Fund

(R.C. 131.50)

The act revises the requirements and procedures regarding money transferred from the State Land Royalty Fund (SLRF). The SLRF contains the proceeds of oil and gas leases entered into by state agencies. The act moves from the Treasurer of State to OBM the responsibility to transfer funds from the SLRF. It also creates three new funds that must be used for deposits intended for DNR, the Division of Wildlife in DNR, and ODOT – the Natural Resources Land Royalty Fund, the Wildlife Land Royalty Fund, and the Transportation Land Royalty Fund. For every other state agency, the act retains the authority for each state agency to designate a fund for oil and gas lease deposits.

Under prior law, money in the SLRF derived from DNR lands had to be transferred to funds administered by divisions in DNR after consultation with the DNR Director. Money in the SLRF derived from ODOT lands had to be transferred to a fund designated by the agency.

Centralized reporting system for state grants (VETOED)

(R.C. 126.17)

The Governor vetoed a provision that would have required the OBM Director to establish and administer a centralized reporting system to receive financial status reports submitted by state grant recipients. It would have required the Director to adopt rules to set forth the information to be included in the financial status reports, the frequency at which reports must be submitted, and guidelines for determining direct and indirect costs.

The financial status reports would have been required to include all the following:

- An accounting of the expenditure of grant funds by a state grant recipient, separately identifying any amount spent by a vendor and items purchased to directly benefit the public, and the amount of indirect costs;

- A project progress report;
- Confirmation that the state grant recipient complies with applicable laws or regulations.

A state agency that issued a grant would have been required to inform a grant recipient of these requirements and provide the name and contact information of each recipient, the amount of the grant, and other project-identifying information to the Director.

Computer data center tax exemption application

(R.C. 122.175(C))

The act removes the OBM Director as one of the officials who receives, forwarded by the tax credit authority, copies of an application for a complete or partial tax exemption from a taxpayer who proposes a capital improvement project for a computer data center. Under continuing law, the Tax Commissioner and Director of Development receive copies of the application and review it to determine the economic impact that the proposed data center would have on Ohio and political subdivisions.