

LSC Greenbook

Analysis of the Enacted Budget

Office of Budget and Management

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ATTACHMENT:

Budget Spreadsheet By Line Item

Office of Budget and Management

- Total budget of \$57.3 million over the biennium
- GRF funding represents 16.7% of biennium budget
- Ohio Shared Services continues to be the agency's largest program, comprising over one-third of agency funding

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. As of the end of June 2015, OBM had 205 full-time filled positions.

Appropriation Overview

Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$3,471,997	\$4,796,898	38.2%	\$4,796,898	0.0%
Internal Service Activity	\$20,148,640	\$23,375,916	16.0%	\$23,375,916	0.0%
Fiduciary	\$26,831	\$40,000	49.1%	\$40,000	0.0%
Federal	\$269,744	\$430,000	59.4%	\$438,723	2.0%
TOTAL	\$23,917,212	\$28,642,814	19.8%	\$28,651,537	<0.1%

*FY 2015 figures represent actual expenditures.

The budget appropriates \$28.6 million for OBM in FY 2016, a 19.8% increase compared to FY 2015 spending of \$23.9 million. FY 2017 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 budget over the biennium. The next largest source of funding for OBM comes from the GRF, which represents 16.7% of the biennium budget.

Funding Distribution

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 budget according to major functions handled by OBM. These categories coincide with the line item groupings found in the "**Analysis of Enacted Budget**" section within this document.

Functional Category	FY 2015	FY 2016	FY 2017	Percent of Budget
Financial Accounting	\$21.2	\$24.8	\$24.8	86.6%
Budget Development & Implementation	\$2.1	\$3.0	\$2.9	10.3%
Office of Health Transformation	\$0.6	\$0.9	\$0.9	3.0%
TOTAL	\$23.9	\$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 Enacted Budget**" 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.

Table 3. FY 2016-FY 2017 Budget by Program (\$ in millions)				
Program	FY 2015	FY 2016 Allocation	FY 2017 Allocation	Percent of Budget
Ohio Shared Services	\$8.4	\$10.1	\$10.2	35.4%
Accounting Operations and Processing	\$6.2	\$6.9	\$6.6	23.6%
Budget Development and Implementation	\$3.4	\$4.3	\$4.3	15.1%
Internal Audit	\$3.4	\$4.1	\$4.2	14.5%
Financial Reporting	\$1.2	\$1.3	\$1.3	4.6%
Office of Health Transformation	\$0.6	\$0.9	\$0.9	3.0%
Debt Management	\$0.3	\$0.5	\$0.5	1.8%
Controlling Board	\$0.2	\$0.3	\$0.3	1.2%
Financial Planning and Supervision Commissions	\$0.1	\$0.2	\$0.3	0.9%
TOTAL	\$23.9	\$28.6	\$28.7	100%

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

Vetoed Provisions

Health Services Providers Cost Estimates

The Governor vetoed a provision that established the Health Services Cost Estimate Study Committee under the Office of Health Transformation and required the Committee to study the impact and feasibility of requiring health services providers to provide, upon request by a consumer, estimates of the consumer's out of pocket costs for common products, procedures, and services for the purpose of cost comparison. The Committee was required to make a report of its findings by December 31, 2015. Similar provisions are enacted in the Bureau of Workers' Compensation budget act, H.B. 52 of the 131st General Assembly.

Controlling Board Authority

The Governor also vetoed a provision in the budget that prohibited the Controlling Board from authorizing expenditures of unanticipated revenue received by the state if the revenue exceeds the lesser of 10% of the amount appropriated for the specific or related purpose or item for that fiscal year or \$10 million. Further, the provision prohibited the Controlling Board from creating additional funds to receive unanticipated revenue in an appropriation act for the biennium in which the new revenues are received if the revenue exceeds \$10 million.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the 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 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 in the budget. 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 Enacted Budget			
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).

Appropriations 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. 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	FY 2016 Allocation	FY 2017 Allocation
Accounting Operations and Processing	\$6.2	\$6.8	\$6.6
Internal Audit	\$3.3	\$4.1	\$4.2
Budget Development and Implementation	\$2.1	\$2.5	\$2.5
Financial Reporting	\$1.2	\$1.3	\$1.3
TOTAL	\$12.8	\$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 the 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.

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. 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.

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.

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.

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.

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.

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.

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.

Appropriations 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 and supervision commissions and the audit of the Auditor of State. Details concerning these programs are provided below.

Program	FY 2015	FY 2016 Allocation	FY 2017 Allocation
Budget Development and Implementation	\$1.4	\$1.9	\$1.8
Debt Management	\$0.3	\$0.5	\$0.5
Controlling Board	\$0.2	\$0.3	\$0.3
Financial Planning and Supervision Commissions	\$0.1	\$0.2	\$0.3
Internal Audit	<\$0.1	<\$0.1	<\$0.1
TOTAL	\$2.1	\$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 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 5 through 7). 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.

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.

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.

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 22 active municipal commissions and five active school district commissions.

Internal Audit

A very small portion of this line item, roughly \$40,000 each fiscal year, supports the costs associated with the audit of the Auditor of State, as required by the budget. OBM categorizes this activity under the Internal Audit Program, the principal functions of which are supported by Fund 1050 line item 042603, Financial Management.

Category 3: Office of Health Transformation

Appropriations 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 (042416 and 042606)

These line items support the Office of Health Transformation (OHT). 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.

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FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
OBM Office of Budget and Management								
GRF	042321	Budget Development and Implementation	\$ 2,401,377	\$ 2,075,245	\$ 2,981,898	43.69%	\$ 2,933,175	-1.63%
GRF	042409	Commission Closures	\$ 157,277	\$ 4,632	\$ 0	-100.00%	\$ 0	N/A
GRF	042416	Office of Health Transformation	\$ 293,348	\$ 327,195	\$ 430,000	31.42%	\$ 438,723	2.03%
GRF	042425	Shared Services Development	\$ 1,240,756	\$ 1,064,925	\$ 1,385,000	30.06%	\$ 1,425,000	2.89%
General Revenue Fund Total			\$ 4,092,758	\$ 3,471,997	\$ 4,796,898	38.16%	\$ 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	\$ 12,810,900	\$ 14,676,746	14.56%	\$ 14,593,851	-0.56%
1050	042620	Shared Services Operating	\$ 7,206,283	\$ 7,337,740	\$ 8,699,170	18.55%	\$ 8,782,065	0.95%
Internal Service Activity Fund Group Total			\$ 20,126,040	\$ 20,148,640	\$ 23,375,916	16.02%	\$ 23,375,916	0.00%
5EH0	042604	Forgery Recovery	\$ 15,100	\$ 26,831	\$ 40,000	49.08%	\$ 40,000	0.00%
Fiduciary Fund Group Total			\$ 15,100	\$ 26,831	\$ 40,000	49.08%	\$ 40,000	0.00%
3CM0	042606	Office of Health Transformation - Federal	\$ 240,527	\$ 269,744	\$ 430,000	59.41%	\$ 438,723	2.03%
Federal Fund Group Total			\$ 240,527	\$ 269,744	\$ 430,000	59.41%	\$ 438,723	2.03%
Office of Budget and Management Total			\$ 24,474,768	\$ 23,917,212	\$ 28,642,814	19.76%	\$ 28,651,537	0.03%