

Redbook

LBO Analysis of Executive Budget Proposal

Office of Budget and Management

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Attachment:

Appropriation Spreadsheet

LBO Redbook

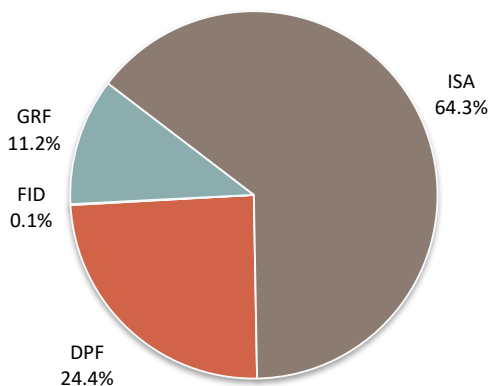
Office of Budget and Management

Quick look...

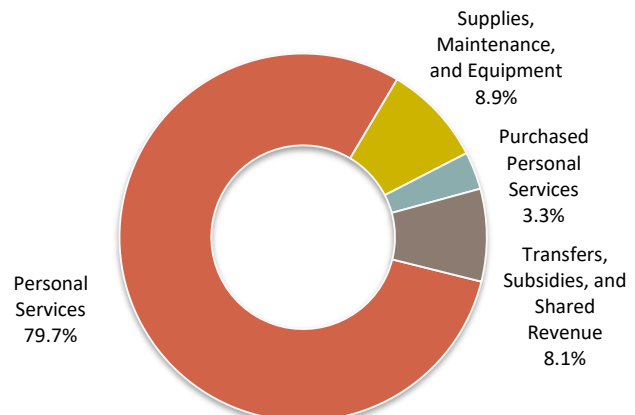
- The Office of Budget and Management (OBM) provides financial management and policy analysis to help ensure responsible use of state resources.
- OBM employed a total of 174 employees as of June 2020, and one additional funded position was vacant as of that date.
- The executive budget recommends \$45.4 million for FY 2022 and \$28.4 million for FY 2023.
 - OBM received federal Coronavirus Relief Fund appropriations to distribute to counties, Medicaid providers, hospitals, state agencies, and others in FY 2020 and FY 2021. The budget provides another \$18 million in FY 2022 from this funding source.
 - The executive budget recommends consolidating two GRF line items beginning in FY 2022.

Fund Group	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
General Revenue (GRF)	\$4,058,623	\$4,128,353	\$4,128,353	\$4,128,353
Dedicated Purpose (DPF)	\$384,919,945	\$1,427,713,776	\$18,000,000	\$0
Internal Service Activity (ISA)	\$20,319,941	\$23,538,954	\$23,230,000	\$24,250,000
Fiduciary (FID)	\$12,652	\$30,000	\$30,000	\$30,000
Total	\$409,311,162	\$1,455,411,083	\$45,388,353	\$28,408,353
% change	--	255.6%	-96.9%	-37.4%
<i>GRF % change</i>	--	<i>1.7%</i>	<i>0.0%</i>	<i>0.0%</i>

**Chart 1: OBM Budget by Fund Group
FY 2022-FY 2023 Biennium**



**Chart 2: OBM Budget by Expense Category
FY 2022-FY 2023 Biennium**



Biennial total: \$73.8 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.

OBM collaborated with the State Treasurer's Office and the Department of Administrative Services to create a new financial transparency website, the *Ohio Checkbook*. This website combines the local financial data from the previous *Ohio Checkbook* website and the state financial data from the *Ohio Interactive Budget* website to create a single, one-stop resource for those interested in state and local government spending. The site provides a detailed view of the state's revenue sources, as well as how money is allocated via the state budget. Recent improvements to the system include the addition of fund balances, as well as improved transaction descriptions.

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.

OBM also runs the Ohio Fiscal Academy, an education program committed to promoting the consistent application of fiscal theory and practice across all state agencies. The program, now in its eighth year, has certified 230 participants on the basis of their financial management and budgeting skills. The Ohio Fiscal Academy's upcoming program offering will be entirely virtual and begin in March 2021.

Appropriation summary

FY 2022 recommended funding for OBM, totaling \$45.4 million, is \$1.41 billion (-96.9%) less than FY 2021 estimated spending. Recommended state-funded appropriations would decline by \$0.3 million (1.1%); 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. Recommended total funding in FY 2023, \$28.4 million, is \$17.0 million (37.4%) lower than the FY 2022 recommended total, with all of the funding decrease attributed to the absence of line items for COVID-19 response.

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 2022-FY 2023 budget proposal

General Revenue Fund Group

Proposed Consolidation

The executive budget recommends the consolidation of two GRF line items beginning in FY 2022. GRF item 042321, Budget Development and Implementation, would be combined with GRF item 042425, Shared Services Development. The outcome would not affect funding levels as the recommended appropriation for the consolidated line item would equal estimated total GRF expenditures for FY 2021. However, the name of item 042321 would be changed to “Operating Expenses” in order to reflect the broader nature of this continuing line item. The other line item, 042425, would be discontinued because it does not have a recommended appropriation.

Operating Expenses (ALI 042321)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
GRF ALI 042321, Budget Development and Implementation					
\$3,042,783	\$3,000,851	\$3,043,100	\$3,328,628	\$4,128,353	\$4,128,353
% change	-1.4%	1.4%	9.4%	24.0%	0.0%
GRF ALI 042425, Shared Services Development					
\$905,688	\$770,022	\$1,015,524	\$799,725	\$0	\$0
% change	-15.0%	31.9%	-21.3%	-100.0%	N/A

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.

Due to the proposed consolidation, this Operating Expenses line item will fund 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.

Accordingly, the majority of this line item 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.

Dedicated Purpose Fund Group

COVID Response Costs – Multiple Agencies (ALI 042621)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
5CV1 ALI 042621, COVID Response Costs – Multiple Agencies					
\$0	\$0	\$34,919,945	\$33,000,000	\$18,000,000	\$0
% change	N/A	N/A	-5.5%	-45.5%	-100.0%

This line item reimburses eligible coronavirus response expenses by state agencies not receiving stand-alone appropriations for that purpose. The CARES Act distributed federal money to the Coronavirus Relief Fund (Fund 5CV1). The amounts can only be used to cover expenses that: (1) are necessary expenditures incurred due to the COVID-19 public health emergency, (2) were not accounted for in the state budget most recently approved as of March 27, 2020, and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. OBM reviews submitted agency documentation of coronavirus-related expenses and approves amounts to reimburse agencies. Although the CARES Act funds were originally supposed to be used by December 30, 2020, the U.S. Congress extended the deadline by one year in the Consolidated Appropriations Act, 2021.

Internal Service Activity Fund Group

Financial Management (ALI 042603)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
1050 ALI 042603, Financial Management					
\$14,799,079	\$15,170,639	\$14,911,437	\$16,995,903	\$16,500,000	\$17,200,000
% change	2.5%	-1.7%	14.0%	-2.9%	4.2%

OBM provides financial, budgeting, and audit services to other state agencies. This line item 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 decreases by \$0.5 million (2.9%) from FY 2021 to FY 2022, which OBM attributes to "not refilling positions as they were vacated." The recommended appropriation for FY 2023 increases \$0.7 million (4.2%) due to "payroll and budgeted information technology updates." About 82% of this line item is used to pay for personal services, and 13% for supplies and maintenance.

Shared Services Operating (ALI 042620)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
1050 ALI 042620, Shared Services Operating					
\$5,768,160	\$5,602,907	\$5,408,504	\$6,543,051	\$6,730,000	\$7,050,000
% change	-2.9%	-3.5%	21.0%	2.9%	4.8%

This line item pays 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.

Federal guidelines require projects to be fully operational before the costs can be recovered through the Statewide Cost Allocation Plan. Therefore, costs associated with development and agency integration of new services were funded in the past by GRF line item 042425, Shared Services Development, the item proposed for consolidation into GRF item 042321, Operating Expenses. This ISA line item splits OSS payroll and other operating costs with the GRF item. According to OBM, the increased appropriation relative to FY 2021 "reflects the possibility of moving OSS payroll and other operating costs from GRF to Fund 1050 to accommodate potential GRF reductions."

Fiduciary Fund Group

Forgery Recovery (ALI 042604)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
5EH0 ALI 042604, Forgery Recovery					
\$28,891	\$18,519	\$12,652	\$30,000	\$30,000	\$30,000
% change	-35.9%	-31.7%	137.1%	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)¹ 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/lb

¹ 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 2022 - FY 2023 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			FY 2020	OBM Estimate FY 2021	Introduced FY 2022	FY 2021 to FY 2022 % Change	Introduced FY 2023	FY 2022 to FY 2023 % Change
Report For: Main Operating Appropriations Bill			Version: As Introduced					
OBM Office of Budget and Management								
GRF	042321	Operating Expenses	\$ 3,043,100	\$ 3,328,628	\$ 4,128,353	24.03%	\$ 4,128,353	0.00%
GRF	042425	Shared Services Development	\$ 1,015,524	\$ 799,725	\$ 0	N/A	\$ 0	N/A
General Revenue Fund Total			\$ 4,058,623	\$ 4,128,353	\$ 4,128,353	0.00%	\$ 4,128,353	0.00%
5CV1	042501	Coronavirus Relief-Local Government	\$ 350,000,000	\$ 175,000,000	\$ 0	N/A	\$ 0	N/A
5CV1	042502	Provider Relief - Skilled Nursing Facilities	\$ 0	\$ 182,169,262	\$ 0	N/A	\$ 0	N/A
5CV1	042503	Provider Relief - Infection Control	\$ 0	\$ 25,000,000	\$ 0	N/A	\$ 0	N/A
5CV1	042504	Provider Relief - Longterm Care and Behavioral Health	\$ 0	\$ 157,044,514	\$ 0	N/A	\$ 0	N/A
5CV1	042505	Provider Relief - Rural Hospitals	\$ 0	\$ 124,000,000	\$ 0	N/A	\$ 0	N/A
5CV1	042506	Provider Relief - Behavioral Health	\$ 0	\$ 45,000,000	\$ 0	N/A	\$ 0	N/A
5CV1	042507	COVID Safety - Public Libraries	\$ 0	\$ 18,300,000	\$ 0	N/A	\$ 0	N/A
5CV1	042508	COVID Safety - Veterans Posts	\$ 0	\$ 3,000,000	\$ 0	N/A	\$ 0	N/A
5CV1	042515	Provider Relief - Adult Day Care/Senior Centers	\$ 0	\$ 15,200,000	\$ 0	N/A	\$ 0	N/A
5CV1	042621	COVID Response Costs - Multiple Agencies	\$ 34,919,945	\$ 33,000,000	\$ 18,000,000	-45.45%	\$ 0	-100.00%
5CV1	042623	Coronavirus Relief - Local Distribution	\$ 0	\$ 650,000,000	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 384,919,945	\$ 1,427,713,776	\$ 18,000,000	-98.74%	\$ 0	-100.00%
1050	042603	Financial Management	\$ 14,911,437	\$ 16,995,903	\$ 16,500,000	-2.92%	\$ 17,200,000	4.24%
1050	042620	Shared Services Operating	\$ 5,408,504	\$ 6,543,051	\$ 6,730,000	2.86%	\$ 7,050,000	4.75%
Internal Service Activity Fund Group Total			\$ 20,319,941	\$ 23,538,954	\$ 23,230,000	-1.31%	\$ 24,250,000	4.39%
5EHO	042604	Forgery Recovery	\$ 12,652	\$ 30,000	\$ 30,000	0.00%	\$ 30,000	0.00%
Fiduciary Fund Group Total			\$ 12,652	\$ 30,000	\$ 30,000	0.00%	\$ 30,000	0.00%
Office of Budget and Management Total			\$ 409,311,162	\$ 1,455,411,083	\$ 45,388,353	-96.88%	\$ 28,408,353	-37.41%