

Redbook

LBO Analysis of Executive Budget Proposal

Office of Budget and Management

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LBO Redbook

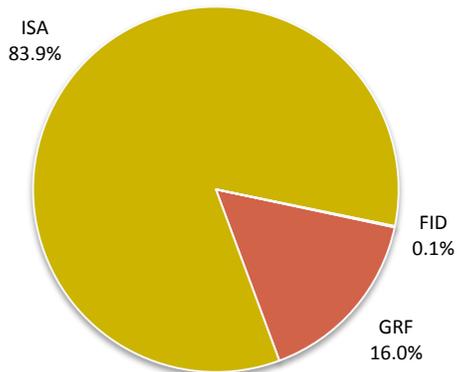
Office of Budget and Management

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 201 employees as of June 2018, and 38 additional funded positions were vacant as of that date.
- The executive budget recommends \$28.5 million for FY 2020 and \$28.0 million for FY 2021.
 - The budget eliminates the Office of Health Transformation, reducing agency expenditures by \$0.5 million per year, of which half is from GRF sources.
 - OBM levies charges on state agencies for a variety of transactions, and two such assessments, for Internal Audit and Travel & Expense Reimbursement, are expected to increase in the upcoming biennium to recover projected costs.

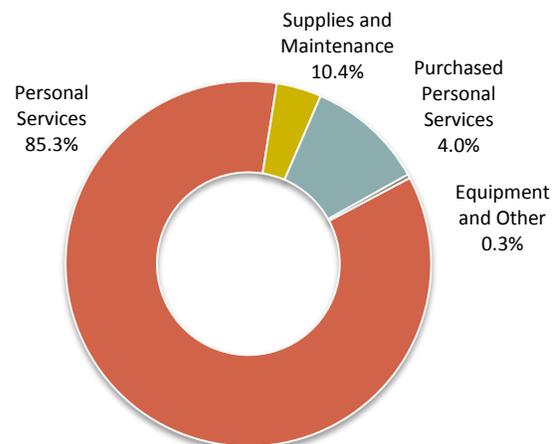
Fund Group	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
General Revenue	\$4,239,673	\$5,092,522	\$4,613,824	\$4,439,089
Internal Service Activity	\$20,567,239	\$23,735,551	\$23,850,967	\$23,538,954
Federal	\$248,312	\$428,430	\$0	\$0
Fiduciary	\$28,891	\$30,000	\$30,000	\$30,000
Total	\$25,084,115	\$29,286,503	\$28,494,791	\$28,008,043
% change	--	16.8%	-2.7%	-1.7%
GRF % change	--	20.1%	-9.4%	-3.8%

**Chart 1: OBM Budget by Fund Group
FY 2020-FY 2021 Biennium**



Biennial total: \$56.5 million

**Chart 2: OBM Budget by Expense Category
FY 2020-FY 2021 Biennium**



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 serves Ohio's citizens directly through *Ohio's Interactive Budget* website. 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.

Accounting Operations and Processing is currently heading a task force aimed at improving grant management by allowing state enterprises to track grant awards and coordinate with each other. In addition, Ohio Shared Services recently implemented the Voucher On-line Transactions (VOLT) process system. VOLT significantly increased accounts payable automation and improved the speed of voucher processing. Other improvements were made to streamline accounts receivable, as well as to improve indicator tracking and reporting systems.

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 sixth year, has certified 182 participants on the basis of their financial management and budgeting skills. The Ohio Fiscal Academy's upcoming program offering will occur next fall.

Appropriation summary

FY 2020 recommended funding for OBM, totaling \$28.5 million, is \$0.8 million (2.7%) less than FY 2019 estimated spending. Recommended state-funded appropriations would decline by \$0.4 million (1.3%); the decrease in overall funding is largely due to the discontinuation of two line items supporting the Office of Health Transformation. Additionally, FY 2019 GRF expenditures reflected more than \$0.2 million in costs for the Gubernatorial Transition, but no such costs are budgeted in the upcoming biennium. Recommended total funding in FY 2021, \$28.0 million, is \$0.5 million (1.7%) lower than the FY 2020 recommended total, with all of the funding decrease recommended in the state-funded line items.

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 2020-FY 2021 budget proposal

General Revenue Fund Group

Budget Development and Implementation (ALI 042321)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 042321, Budget Development and Implementation					
\$2,550,274	\$2,816,140	\$3,042,783	\$3,170,070	\$3,328,574	\$3,389,364
% change	10.4%	8.0%	4.2%	5.0%	1.8%

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.

Accordingly, the majority of this line item is used for wages and compensation. In the upcoming biennium, 88.4% of expenditures are anticipated for personal services, and another 4.7% for purchased personal services, of which the latter contributes to OBM's forecasting and debt management efforts. At the time of its budget submission, the agency remarked that its biennial budget request "maintains OBM's current strategic course and allows flexibility for the next administration."

Shared Services Development (ALI 042425)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 042425, Shared Services Development					
\$1,012,189	\$1,187,796	\$905,688	\$1,285,250	\$1,285,250	\$1,049,725
% change	17.3%	-23.8%	41.9%	0.0%	-18.3%

This line item 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 line item primarily funds employees working on incomplete projects, which differentiates them from employees compensated by ISA line item 042620, Shared Services Operating.

Internal Service Activity Fund Group

Financial Management (ALI 042603)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
1050 ALI 042603, Financial Management					
\$12,575,120	\$13,643,284	\$14,799,079	\$16,241,565	\$17,106,380	\$16,995,903
% change	8.5%	8.5%	9.7%	5.3%	-0.6%

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.

Shared Services Operating (ALI 042620)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
1050 ALI 042620, Shared Services Operating					
\$6,585,449	\$5,901,318	\$5,768,160	\$7,493,986	\$6,744,587	\$6,543,051
% change	-10.4%	-2.3%	29.9%	-10.0%	-3.0%

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 pre-collections activities. 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, thus costs associated with development and agency integration of new services are funded by GRF line item 042425, Shared Services Development.

OSS may get additional functions, programs, and services in the future if these prospective activities are transferred to OBM from other state agencies. Section 701.10 of the executive budget bill requires OBM and DAS to jointly review agency functions and programs with the purpose of identifying areas for consolidation. This evaluation will occur no later than January 1, 2020, and the provision authorizes OBM to make necessary budget changes to reflect the consolidated programs.

Fiduciary Fund Group

Forgery Recovery (ALI 042604)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5EH0 ALI 042604, Forgery Recovery					
\$8,870	\$37,634	\$28,891	\$30,000	\$30,000	\$30,000
% change	324.3%	-23.2%	3.8%	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 2020 - FY 2021 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			FY 2018	Estimate FY 2019	Introduced FY 2020	FY 2019 to FY 2020 % Change	Introduced FY 2021	FY 2020 to FY 2021 % Change
			Report For: Main Operating Appropriations Bill			Version: As Introduced		
OBM Office of Budget and Management								
GRF	042321	Budget Development and Implementation	\$ 3,042,783	\$ 3,170,070	\$ 3,328,574	5.00%	\$ 3,389,364	1.83%
GRF	042416	Office of Health Transformation	\$ 291,202	\$ 390,577	\$ 0	-100.00%	\$ 0	N/A
GRF	042425	Shared Services Development	\$ 905,688	\$ 1,285,250	\$ 1,285,250	0.00%	\$ 1,049,725	-18.33%
GRF	042435	Gubernatorial Transition	\$ 0	\$ 246,625	\$ 0	-100.00%	\$ 0	N/A
General Revenue Fund Total			\$ 4,239,673	\$ 5,092,522	\$ 4,613,824	-9.40%	\$ 4,439,089	-3.79%
1050	042603	Financial Management	\$ 14,799,079	\$ 16,241,565	\$ 17,106,380	5.32%	\$ 16,995,903	-0.65%
1050	042620	Shared Services Operating	\$ 5,768,160	\$ 7,493,986	\$ 6,744,587	-10.00%	\$ 6,543,051	-2.99%
Internal Service Activity Fund Group Total			\$ 20,567,239	\$ 23,735,551	\$ 23,850,967	0.49%	\$ 23,538,954	-1.31%
5EH0	042604	Forgery Recovery	\$ 28,891	\$ 30,000	\$ 30,000	0.00%	\$ 30,000	0.00%
Fiduciary Fund Group Total			\$ 28,891	\$ 30,000	\$ 30,000	0.00%	\$ 30,000	0.00%
3CM0	042606	Office of Health Transformation - Federal	\$ 248,312	\$ 428,430	\$ 0	-100.00%	\$ 0	N/A
Federal Fund Group Total			\$ 248,312	\$ 428,430	\$ 0	-100.00%	\$ 0	N/A
Office of Budget and Management Total			\$ 25,084,115	\$ 29,286,503	\$ 28,494,791	-2.70%	\$ 28,008,043	-1.71%