



Office of Budget and Management

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**Testimony on the FY 2018-2019 Executive Budget Recommendation for the
Office of Budget and Management before the
Senate Finance General Government and Agency Review Subcommittee
Timothy S. Keen, Director
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Chairman Jordan, Ranking Member O'Brien and members of the Senate Finance General Government and Agency Review Subcommittee, my name is Tim Keen and I am the director of the Office of Budget and Management (OBM). Thank you for the opportunity to present our fiscal years 2018 and 2019 biennial budget recommendation for your consideration.

BACKGROUND

I think that it might be useful to begin with a little background on OBM. While OBM is best-known to most Statehouse observers as the office that oversees the preparation of executive recommendations for operating and capital budgets as well as the implementation of these budgets enacted by the General Assembly, the scope of our operation that supports these functions might not be well-known. Essentially, OBM consists of the following programs:

- Under the direction of the governor, the **Budget Development** section provides budget preparation guidance to State agencies, boards, and commissions; analyzes submissions from those entities; and supports the governor in developing recommendations for the Executive Budget. The section also has a role in overseeing the implementation of the budget by administering fiscal controls on, and providing technical assistance to, budgeted entities.
- The role of the **Controlling Board** is to provide legislative oversight of various activities of the executive branch and to carry out responsibilities delegated to it by the legislature, an OBM representative chairs the board and provides related administrative support.

- The **Debt Management** section is responsible for managing existing state debt and proposed issuances of new state debt, and the division ensures that financial resources are available to meet the state's long-term capital and financial planning needs.
- **State Accounting** monitors and controls both the spending and revenue collection activities of state agencies and provides up-to-date accounting information for the State of Ohio. The division administers the Ohio Administrative Knowledge System (OAKS) Financial modules, which is the state's accounting system and oversees state spending to ensure that appropriations are not exceeded.
- **Financial Reporting** is primarily responsible for publishing the state's official Comprehensive Annual Financial Report (CAFR), which covers all funds of the state and includes basic financial statements and required supplementary information.
- The OBM director serves via a designee on the **Financial Planning and Supervision** commissions that are formed to oversee the finances of local governments and school districts that have been declared to be in a state of emergency by the Auditor of State.
- The **Office of Internal Audit** provides an independent and objective assurance and consulting activity to improve the state's risk management, internal controls and governance processes. The office specifically oversees the cabinet and several other agencies where the administrative head is appointed by the governor.
- **Ohio Shared Services** serves state agencies with standardized, consumer-centric solutions for a variety of back-office business transactions to allow agencies to focus on their core missions and thereby improve efficiencies and reduce costs.
- **Gubernatorial Transition** is funded in the fiscal year in which a new governor takes office to support the transition efforts and needs of the governor elect. Staff from the Department of Administrative Services and OBM work with the governor elect's staff to assist and facilitate the transition.

Additionally, the OBM budget funds the **Office of Health Transformation (OHT)** and the **Ohio Institute of Technology (OIT)**. OHT leads the Administration's efforts toward the long-term efficient administration of the Medicaid program to improve overall health system performance in Ohio. The OIT will focus on emerging technology industries that are critical to future job creation - biomedical, engineering, aerospace, and robotics - ensuring that Ohio's research activities are best aligned to advance our state.

FY 2018-2019 BUDGET RECOMMENDATION OVERVIEW

OBM's FY 2018-2019 biennial budget recommendation is summarized in the following table:

	FY 2017 Approp.	FY 2017 Estimate	Executive Recommendation	
			FY 2018	FY 2019
General Revenue Fund	\$ 4,995,643	\$ 4,995,643	\$ 5,745,643	\$ 5,970,643
State Non-GRF	\$ 24,078,954	\$ 20,826,994	\$ 22,980,558	\$ 23,568,954
Federal Special Revenue Fund	\$ 438,723	\$ 400,903	\$ 414,422	\$ 428,430
Total	\$ 29,513,320	\$ 26,223,540	\$ 29,140,623	\$ 29,968,027

In FY 2017 OBM intends to operate significantly below FY 2017 appropriations. The FY 2018 all funds total increases from the FY 2017 estimate by \$2.9 million or 11.1 percent to \$29.1 million. This increase assumes payroll vacancy lapses in the FY 2017 estimate (\$1.3 million), \$1.2 million in payroll and fringe increases and the addition of 8 positions (\$690K). FY 2019's total increases \$827K or 2.8 percent. This increase is mainly the result of payroll cost increases (\$903K) and the addition of the Gubernatorial Transition Program (\$225K). Managed vacancy savings of \$500,000 per year is assumed.

The House of Representatives reduced each of OBM's GRF line items by 1.5 percent in each year.

OPERATIONAL HIGHLIGHTS

In FY 2016, OBM launched *Ohio's Interactive Budget* website. This website is an open view of the state's accounting system (OAKS) that enables visitors to see how state money is spent, but also how revenue is generated and allocated via the state budget. Ohio's Interactive Budget website provides the public with access to six years of the financial and transactional data maintained in OAKS beginning in FY 2012. It provides unique graphics and easy to access popular searches, such as the highest paid companies and school foundation payments. A continual improvement process has been implemented to meet the general public's needs.

OBM is in the process of implementing four new OAKS FIN modules to provide new and improved services to agencies. They are Grants Management, Contract Management, Project Costing and Treasury Management. While these modules provide the functionality necessary for the integration of the Department of Transportation they also enhance the financial management of other agencies. For example, the Grants Management Module interfaces activities from the grantor, which may be the Federal government, to grantees and sub recipients allowing for improved tracking, compliance and cash management. It will replace several legacy grant management systems independently maintained by state agencies.

The FIN Source for Ohio is a significant offering to state agency fiscal and program staff. The FIN Source (Statewide Online User Resource for Comprehensive Education) is a single source repository of financial policies and procedures. It includes the *OAKS FIN Process Manual* that equips users with step-by-step procedures for OAKS FIN functions and transactions, and the *SAFE Policy Manual* (State Accounting Fiscal Essentials) that provides financial policy and guidance concerning revenue and expenditure transactions and the payment process.

Another significant customer service improvement is the implementation of the Financial Management Workgroup comprised of OBM staff and experienced financial managers from a wide spectrum of agencies. The workgroup provides a collaborative mechanism to drive fiscal improvements and innovation so that OBM is more responsive to agency needs. To date, the Financial Management Workgroup has identified 42 priorities, implemented five with 15 currently in process. As implemented these will improve enterprise fiscal controls and efficiencies.

As a central service agency, OBM strives to be a leader in enterprise-wide initiatives, both as a coordinator and as a participant. One OBM-led example is the Ohio Fiscal Academy, which OBM launched in Fiscal Year 2013 with a curriculum designed to increase the fiscal and budgetary literacy of Ohio's state government fiscal staff. It consists of coursework and real-world activities designed to increase fiscal awareness and aid in making fiscal decisions that impact taxpayer dollars and agency missions. To date 141 staff from more than 50 agencies have successfully completed the course work and 25 are currently enrolled.

CONCLUDING REMARKS

OBM always commits to the General Assembly to keep expenses as low as possible. Given our role as administrator of the state's budget and financial transactions we believe it imperative to lead by example. That is particularly evident in the Ohio Shared Services program where staffing levels are driven by transaction volume and technological efficiencies. We said in previous biennia that we would only hire as workload expands and/or can't be absorbed as we take on the responsibilities of more agencies, freeing them to direct resources to their core missions.

In total, OBM was budgeted for 256 positions in the enacted budget for FY 2017. After continuously evaluating our ability to create efficiencies, especially at Ohio Shared Services, we have reduced our workforce to a currently budgeted 231 positions in FY 2017. However, in the FY 2018-2019 biennial budget, we have identified the need for eight additional positions. Five positions are needed at Ohio Shared Services to accommodate an increase in accounts payable transactions expected from the integration of the Department of Transportation into OAKS FIN. Three new positions will lead the Governor's technological initiatives in the state. In total, OBM requests 239 positions in both years of the biennium - 17 positions less than the FY 2017 enacted budget.

This concludes my formal presentation of the Office of Budget and Management's biennial budget recommendation. I appreciate this opportunity to appear before you today, and I would be happy to answer any questions you may have now.