

**Office of Budget and Management's Fiscal Years 2020-21 Executive Budget Proposal**

**Presented to the Senate General Government & Agency Review Committee**

**by Kimberly Murnieks, Director, on May 15, 2019**

Good afternoon Chairman Schuring, Vice Chair Rulli, Ranking Member O'Brien and members of the Senate General Government and Agency Review Committee. I am happy to be with you this afternoon to discuss the Office of Budget and Management's budget request for the upcoming biennium.

The Office of Budget and Management (OBM) operates our state financial systems consistently with state and federal government laws and policies, and in accordance with government accounting standards. As the state's chief financial officer, I am focused on ensuring that state government works effectively and efficiently on behalf of the citizens of Ohio. OBM is a strategic and innovative fiscal and management partner to all state agencies, boards, and commissions.

We provide policy analysis, fiscal research and financial management services to the Governor and state agencies, helping to confirm the proper and responsible use of our resources. The agency develops budget requests, implements and monitors the state operating and capital budgets following enactment by the Ohio General Assembly, creates annual financial reports, administers the state's debt management and internal audit programs, and supports all agencies with shared services, reengineered business processes, and increased financial literacy. We plan and operate the Ohio Fiscal Academy, a nine-month certification program that combines real-world practicality with fiscal, operational, and theoretical topics like budget planning, forecasting, and procurement. Now in its 9<sup>th</sup> cohort over six years, the Academy has graduated 182 state fiscal professionals. OBM also serves our local governments and school districts that are experiencing fiscal difficulties by staffing Financial Planning and Supervision Commissions, sharing knowledge about fiscal management and controls and best practices with communities throughout the state.

This budget request will allow OBM to support the Governor's investments in Ohio's future by:

- Improving financial integrity and fiscal discipline throughout the state by making sure that fiscal resources are spent and monitored appropriately and legally;
- Creating innovative solutions to increase state government efficiency by processing similar services across agencies;
- Compiling, analyzing and reporting the financial transactions of the state, including publishing the Comprehensive Annual Financial Report and the Schedule of Federal Awards, in accordance with Generally Accepted Accounting Principles;

- Conducting internal audits to mitigate risk and identify opportunities for improvement in agencies; and
- Promoting transparency and understanding of state revenue and spending through continued support and development of the Ohio Interactive Budget website.

### **Office of Budget and Management Divisions**

Our biennial budget request for fiscal years 2020 and 2021 includes funding for the following eight programs:

- Budget Planning and Development, the OBM division that you may be most familiar with, develops and implements the state's operating and capital budgets, provides economic and revenue forecasting, and works with agencies to manage the state's financial resources and obligations.
- Controlling Board coordinates legislative oversight of certain operating and capital expenditures of state agencies and has approval authority over various other state fiscal activities. OBM provides staff and support for the Controlling Board to allow the legislature to address requested changes to agency appropriations after the biennial budget process and to provide specific oversight for purchases exceeding \$50,000.
- Debt Management oversees existing state debt, coordinates the issuance and sales of bonds, tracks debt service payments, projects future debt service needs, and informs bond rating agencies of the state's overall financial condition. OBM works closely with the Treasurer of State on the issuance and management of debt obligations to ensure that Ohio meets all federal and state requirements and that our taxpayer dollars are utilized as economically as possible.
- Accounting Operations administers all accounting activities of the state using the OAKS (Ohio Administrative Knowledge System) Financial module and processes related fiscal transactions on behalf of state agencies. This program also manages the state's payment card program, electronic data interchange, OAKS application support, and transaction monitoring.
- Financial Reporting publishes the Ohio Comprehensive Annual Financial Report and related reports and coordinates the annual statewide GAAP (Generally Accepted Accounting Principles) audit conducted by the Auditor of State. For all but two years since 1990, OBM has been recognized for achieving high standards in financial reporting through receipt of the Certificate of Achievement for Excellence in Financial Reporting. This award recognizes governments for reporting their financial condition beyond the minimum requirements in the spirit of transparency and full disclosure.
- Financial Planning and Supervision Commissions work in coordination with the Auditor of State and, in some cases, the Department of Education, to assist municipalities and school districts in fiscal emergency to assist and support their plans to overcome financial difficulties.

- Ohio Shared Services capitalizes on economies of scale by centralizing the processing of common financial transactions. Ohio Shared Services currently assists in the review and processing of vouchers and travel-related expenses. Shared Services also provides support to suppliers inquiring about the set-up of their accounts in OAKS, and manages a contact center that serves as the front-line call routing for various OAKS-related questions. These services allow agencies to focus on core programmatic missions rather than on the repetitive tasks not unique to their organization.
- Internal Audit provides independent and objective assurance and consulting to improve the state's risk management, internal controls and governance processes. The Office of Internal Audit conducts financial and information technology audits for 27 cabinet level agencies based on risk factors and provides internal controls, risk management, process efficiencies, system access controls, and data security recommendations.

### OBM's Executive Budget Recommendation

OBM is committed to providing each of these services with efficiency and transparency. OBM's budget consists of five budget line items, mostly in the General Revenue and Interagency Fund Groups.

Our **General Revenue Fund** budget request totals \$4.6 million in fiscal year 2020 (9.4 percent decrease from fiscal year 2019) and \$4.4 million in fiscal year 2021 (3.8 percent decrease from fiscal year 2020).

Fund	ALI	ALI Name	Estimated 2019	Requested FY 2020	Percent Change	Requested FY 2021	Percent Change
GRF	042321	Budget Development and Implementation	\$3,170,070	\$3,328,574	5%	\$3,389,364	1.8%
GRF	042416	Office of Health Transformation	\$390,577	\$0	-100%	\$0	0.0%
GRF	042425	Shared Services Development	\$1,285,250	\$1,285,250	0%	\$1,049,725	-18.3%
GRF	042435	Gubernatorial Transition	\$246,625	\$0	-100%	\$0	0.0%
<b>Total General Revenue</b>			<b>\$5,092,522</b>	<b>\$4,613,824</b>	<b>-9.4%</b>	<b>\$4,439,089</b>	<b>-3.8%</b>

GRF expenditures comprise only 16 percent of the OBM budget because the primary functions of OBM are in service to the other state agencies and are recovered through a charge-back. The GRF line items provide funding for activities that cannot be charged to federal funds based on federal cost allocation rules and guidelines. These rules prohibit using federal funds for preparing and submitting OBM's portion of the budget, facilitating the processing and payment of OBM's expenses, and developing applications to facilitate shared services offerings.

OBM's executive budget request also includes a recommendation to eliminate the Office of Health Transformation and is accompanied by language in the budget bill to eliminate references to the Office of Health Transformation in the Ohio Revised Code. It is no longer necessary to maintain a separate health transformation office and funding at OBM.

**Interagency Funds** provide for 84 percent of OBM's budget. The interagency line items provide for the review, analysis, and reporting of the state's financial activities, internal audit functions, and for the centralized operations at Ohio Shared Services.

Fund	ALI	ALI Name	Estimated 2019	Requested FY 2020	Percent Change	Requested FY 2021	Percent Change
1050	042603	Financial Management	\$16,241,565	\$17,106,380	5.3%	\$16,995,903	-0.6%
1050	042620	Shared Services Operating	\$7,493,986	\$6,744,587	-10.0%	\$6,543,051	-3.0%
<b>Total Internal Service Activity</b>			<b>\$23,735,551</b>	<b>\$23,850,967</b>	<b>0.5%</b>	<b>\$23,538,954</b>	<b>-1.3%</b>

As discussed earlier, Ohio Shared Services processes back-office administrative transactions for state agencies, lowering transaction costs and improving effectiveness across state government. Now approaching a decade in operation, the value and lessons learned through the implementation of shared services are being used to identify more creative, cost-effective solutions, and we are partnering with InnovateOhio and the Ohio Department of Administrative Services to further increase operational efficiencies throughout state government.

OBM's budget also includes a small \$30,000 per fiscal year **Fiduciary Fund** line item for Forgery Recovery that 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) and the Treasurer of State.

OBM's **All Funds** budget request totals \$28.5 million in fiscal year 2020, 2.7 percent less than fiscal year 2019, and \$28.0 million in fiscal year 2021, 1.7 percent less than fiscal year 2020.

All Funds	Estimated 2019	Requested FY 2020	Percent Change	Requested FY 2021	Percent Change
<b>Grand Total Office of Budget and Management</b>	<b>\$29,286,503</b>	<b>\$28,494,791</b>	<b>-2.7%</b>	<b>\$28,008,043</b>	<b>-1.7%</b>

As evidenced by this budget request, I am committed to keeping agency expenses low, living within our means, and leading by example. OBM will continuously evaluate ways to ensure staffing levels remain appropriate. While LSC's Redbook indicates that OBM employed 201 employees as of June 2018, OBM's staffing levels have trended down in recent fiscal years and our current staffing level stands at 190 employees. We will continue to identify efficiencies both within OBM and across state government. In short, OBM is focused on helping agencies achieve Governor DeWine's priorities, balancing the state's operating and capital budgets, improving management efficiencies within state government, and ensuring long-term economic growth for Ohio's future generations.

I appreciate the opportunity to appear before you today, and I would be happy to answer any questions that you have.