As Introduced

136th General Assembly
Regular Session
2025-2026

H. B. No. 645

Representative Dovilla

To amend sections 107.03, 126.02, 126.13, and 126.27 and to enact section 126.025 of the Revised Code to require the use of zero-based budgeting in the development of the state budget every ten years.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 107.03, 126.02, 126.13, and 126.27 be amended and section 126.025 of the Revised Code be enacted to read as follows:

Sec. 107.03. (A) As used in this section~~, "transportation~~:

(1) "Transportation budget" means the biennial budget that primarily includes the following:

(1) Motor fuel excise tax-related appropriations for the department of transportation, public works commission, and department of development;

(2) Other appropriations that pertain to transportation and infrastructure related to transportation.

(3) "Zero-based budgeting" has the same meaning as in section 126.025 of the Revised Code.

(B) The governor shall submit a transportation budget to

the general assembly not later than four weeks after the general assembly's organization.

(C) The governor shall submit to the general assembly, not later than four weeks after its organization, a state budget containing a complete financial plan for the ensuing fiscal biennium, excluding items of revenue and expenditure described in section 126.022 of the Revised Code. However, in years of a new governor's inauguration, this budget shall be submitted not later than the fifteenth day of March.

(D) In years of a new governor's inauguration, only the new governor shall submit a budget to the general assembly. In addition to other things required by law, each of the governor's budgets shall contain:

(1) A general budget summary by function and agency setting forth the proposed total expenses from each and all funds and the anticipated resources for meeting such expenses; such resources to include any available balances in the several funds at the beginning of the biennium and a classification by totals of all revenue receipts estimated to accrue during the biennium under existing law and proposed legislation.

(2) A detailed statement showing the amounts recommended to be appropriated from each fund for each fiscal year of the biennium for current expenses, including, but not limited to, personal services, supplies and materials, equipment, subsidies and revenue distribution, merchandise for resale, transfers, and nonexpense disbursements, obligations, interest on debt, and retirement of debt, and for the biennium for capital outlay, to the respective departments, offices, institutions, as defined in section 121.01 of the Revised Code, and all other public purposes; and, in comparative form, the actual expenses by

source of funds during each fiscal year of the previous two bienniums for each such purpose. No alterations shall be made in the requests for the legislative and judicial branches of the state filed with the director of budget and management under section 126.02 of the Revised Code. If any amount of federal money is recommended to be appropriated or has been expended for a purpose for which state money also is recommended to be appropriated or has been expended, the amounts of federal money and state money involved shall be separately identified.

(3) A detailed estimate of the revenue receipts in each fund from each source under existing laws during each year of the biennium; and, in comparative form, actual revenue receipts in each fund from each source for each year of the two previous bienniums;

(4) The estimated cash balance in each fund at the beginning of the biennium covered by the budget; the estimated liabilities outstanding against each such balance; and the estimated net balance remaining and available for new appropriations;

(5) A detailed estimate of the additional revenue receipts in each fund from each source under proposed legislation, if enacted, during each year of the biennium;

(6) The most recent report prepared by the department of taxation under section 5703.48 of the Revised Code, which shall be submitted to the general assembly as an appendix to the governor's budget;

(7) The most recent TANF spending plan prepared by the department of job and family services under section 5101.806 of the Revised Code, which shall be submitted to the general

assembly as an appendix to the governor's budget;

(8) The medicaid caseload and expenditure forecast report prepared by the office of budget and management, in consultation with the department of medicaid, under section 126.021 of the Revised Code. The report shall be submitted to the general assembly as a supplemental budget document to provide an in-depth analysis of the governor's budget recommendations for the medicaid budget as a whole and for each of the major medicaid appropriation items. The report shall clearly distinguish a proposed policy change from continuing law or administrative policy and indicate whether the data used throughout the report is proposed, estimated, or actual data for the current or proposed budget biennium. At a minimum, the report shall delineate a part-to-whole mapping of the state and federal shares of the general revenue fund appropriation item 651525, medicaid health care services, or any other equivalent general revenue fund appropriation item, by eligibility group and subgroup, service delivery system, delivery system, medicaid provider, and program.

(E) Starting for the general assembly convening in 2027 and for the general assembly convening every ten years thereafter, the budget submissions from the governor shall be based on zero-based budgeting principles.

Sec. 126.02. (A) The director of budget and management shall prepare and submit to the governor, biennially, not later than the first day of January preceding the convening of the general assembly, state budget estimates of revenues and expenditures for each state fund and budget estimates for each state agency, except such estimates as are required under section 126.022 of the Revised Code. The budget estimates for

each state agency for which direct appropriations are proposed shall include the following details:

~~(A)~~ (1) Estimates of the operating budget;

~~(B)~~ (2) Estimates of the subsidy appropriations necessary, delineated by a distinct subsidy program;

~~(C)~~ (3) Estimates for special purposes, delineated by a distinct special purpose program;

~~(D)~~ (4) Estimates of appropriations necessary from each fund in reasonable detail to allow for adequate planning and oversight of programs and activities.

(B) In the preparation of state revenue and expenditure estimates and in accordance with section 126.025 of the Revised Code, the director of budget and management shall, not later than the fifteenth day of September in the year preceding the first regular session of the general assembly, distribute to all affected state agencies the forms necessary for the preparation of budget requests, which shall be in the form prescribed by the director in consultation with the legislative service commission to procure information concerning the revenues and expenditures for the preceding and current bienniums, an estimate of the revenues and expenditures of the current fiscal year, and an estimate of the revenues and proposed expenditures for the respective agencies for the two succeeding fiscal years for which appropriations have to be made. Each such agency shall, not later than the first day of November, file with the director its estimate of revenues and proposed expenditures for the succeeding biennium.

Each such agency shall, not later than the first day of December, file with the chairperson of the finance committees of

the senate and house of representatives and the legislative service commission a duplicate copy of such budget request.

The budget request shall be accompanied by a statement in writing giving facts and explanation of reasons for the items requested. The director and the legislative service commission may make further inquiry and investigation as to any item desired. The director may approve, disapprove, or alter the requests, excepting those for the legislative and judicial branches of the state. The requests as revised by the director constitute the state budget estimates of revenues and expenditures which the director is required to submit to the governor.

~~The director shall determine a method to incorporate the principles of zero-based budgeting into the forms prescribed in this section.~~

Sec. 126.025. (A) As used in this section, "zero-based budgeting" is a method of calculating a budget that starts at zero and justifies all requested or proposed appropriations based on the purposes of the expenditures without reference to the prior year appropriations.

(B) Starting with the general assembly convening in 2027 and for the general assembly convening every ten years thereafter, when carrying out duties under section 126.02 of the Revised Code:

(1) The director of budget and management shall do both of the following:

(a) Prepare and submit the required budget estimates to the governor, based on zero-based budgeting;

(b) Prepare and distribute to agencies budget request

forms requiring the agencies to prepare their estimates using zero-based budgeting.

(2) Each agency shall prepare its estimate of revenues and expenditures based on zero-based budgeting principles.

Sec. 126.13. As soon as practical after the enactment of any act containing appropriations for current expenses, the director of budget and management shall designate which programs or activities receiving appropriations for current expenses in the act shall be subject to performance reviews. The director shall notify in writing the head of each affected agency of the designations, the requirement to prepare a separate program performance report for each designated program or activity, and the information to be included in the report. The director shall not designate for performance review any program or activity assigned to the attorney general, auditor of state, secretary of state, treasurer of state, or agencies of the legislative or judicial branches. The director may remove the designation from a program or activity by notifying the head of the affected agency in writing of such removal. Appropriations for capital expenses are not subject to this section.

For each designated program or activity, the affected agency shall prepare a separate program performance report containing the information required by the director and submit the report as part of the agency's budget request under ~~division (D) of~~ section 126.02 of the Revised Code by the dates required in that section or as otherwise required by the director. If an agency fails to submit a program performance report for a designated program or activity or if, in the judgment of the director, the report submitted does not contain the information required, the director shall disapprove the agency's budget

request for the designated program or activity in the state budget estimate submitted to the governor under section 126.02 of the Revised Code. The governor, in ~~his~~ a budget submission to the general assembly under section 107.03 of the Revised Code, shall not recommend any appropriation for the program or activity and shall explain the reason for not recommending an appropriation.

Sec. 126.27. Each state agency for which direct appropriations are proposed shall, not later than the first day of December in each year that a new governor is elected, file with the governor-elect its budget estimates. The estimates shall include the details set forth in divisions ~~(A)~~(A)(1) to ~~(D)~~(4) of section 126.02 of the Revised Code.

Section 2. That existing sections 107.03, 126.02, 126.13, and 126.27 of the Revised Code are hereby repealed.