OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 645
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 645's Bill Analysis

Version: As Passed by the House

Primary Sponsor: Rep. Dovilla

Local Impact Statement Procedure Required: No

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Highlights

- The bill's requirement may increase administrative costs to the Office of Budget and Management (OBM) and other state agencies.
- The bill has no direct fiscal effect on local governments.

Detailed Analysis

Zero-based budgeting requirement

Starting for the General Assembly convening in 2029, the bill requires that budget submissions from the Governor for executive branch agencies selected according to the procedures specified in the bill must be based on zero-based budgeting (ZBB) principles. The bill prescribes a method to implement ZBB.

The bill requires the Office of Budget and Management (OBM) to incorporate ZBB into the instructions and forms it distributes to selected state agencies during the applicable budget cycle. During those years, selected agencies must prepare their biennial budget request using ZBB principles. OBM must prepare and submit the selected agencies' budget estimates to the Governor using ZBB, and OBM must issue budget request forms that require agencies to develop their estimates with ZBB. Each selected agency must prepare its revenue and expenditure estimates using ZBB.

Zero-based budgeting defined and agency selection

The bill defines "zero-based budgeting" as a method that starts at zero and requires justification for "all requested or proposed appropriations based on the purposes of the expenditures without reference to the prior year appropriations." The bill directs that ZBB begins

with the General Assembly convening in 2029 and continues in each General Assembly thereafter for agencies chosen through the selection process described below.

By June 30 of each even-numbered year, the Finance Committee Chair, starting with the House Chair and alternating each General Assembly, selects at least one-third of state agencies to submit ZBB budget requests and may add agencies at discretion. The Chair provides written notice of the selections to the Senate President, House Speaker, and the directors of LSC and OBM. Elected officials; the General Assembly, including legislative agencies; and the Supreme Court, including judicial agencies, are excluded from selection.

Fiscal effect

The bill does not directly change state revenues or appropriations. Typically, the state uses an incremental budget approach, where agencies begin with their prior-year appropriations and request adjustments. In contrast, ZBB requires agencies to build their budgets from scratch, providing justification for each program and expenditure. This method is more resource intensive but may provide a more detailed review of agency operations. Thus, requiring OBM and state agencies to prepare a zero-based budget may increase OBM's and other state agencies' administrative workload during budgeting cycles. These costs are assumed to be manageable within existing staffing and resources. The bill has no direct fiscal effect on local governments.

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