

### **Role and Overview**

The Office of Budget and Management (OBM) ensures that the financial operations of state government are handled in a manner consistent with state laws and policies. OBM develops budgets; monitors, processes, and reports on financial transactions; and reviews and coordinates the financial policies and activities of state agencies. OBM provides financial management services and financial information to the Governor, state agencies, the legislature, municipalities, school districts, and other interested parties.

OBM will implement two new operations—Ohio Shared Services (OSS) and the Internal Control and Audit Oversight section—beginning in fiscal year 2009 and continuing through the fiscal year 2010-2011 biennium. Starting with a few accounts payable functions, OSS will centralize an increasing number of common agency fiscal transactions. Internal Control and Audit Oversight implements the provisions of Am. Sub. H.B. 166 of the 127<sup>th</sup> Ohio General Assembly to ensure accounting controls in state agencies. These two programs will bill agencies for their services. Because of the state's finances due to the troubled economy, implementation of both initiatives has been scaled back from initial plans. Nonetheless, these two new functions will increase staffing by 127 positions and considerably increase OBM's biennial budget.

At the same time, OBM will reduce its payroll checkoff fee charged to state agencies by 15% in the upcoming biennium to provide some rate relief for reduced agency GRF budgets. This fee will drop further in the fiscal year 2012-2013 biennium as OSS moves out of development phase to direct agency charges for its transactional services.

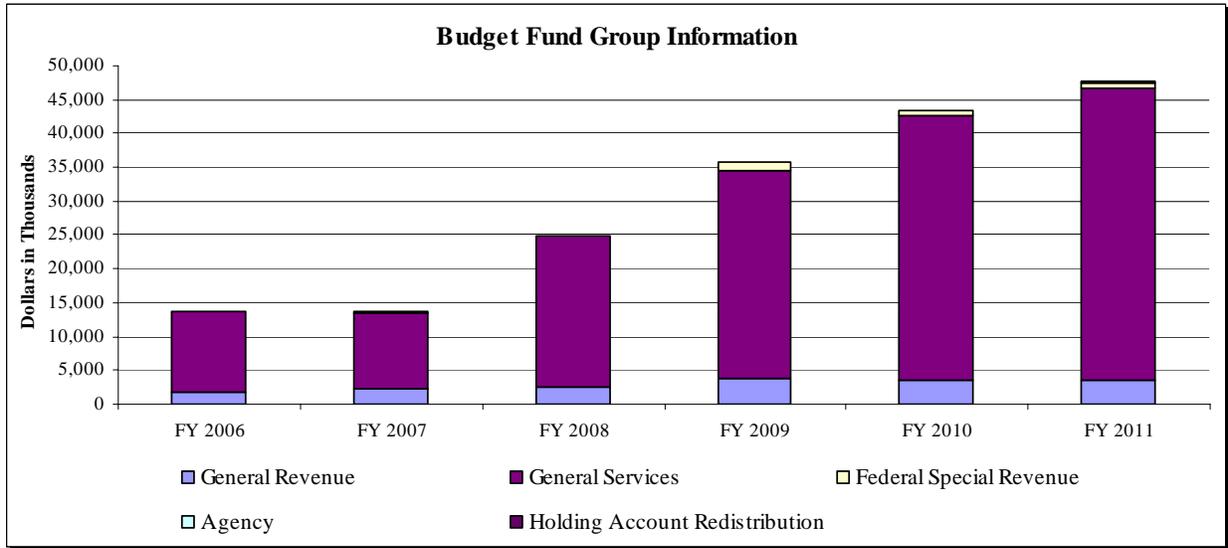
The director of OBM is appointed by the Governor. At the end of fiscal year 2009, the office will employ about 179 people and have an annual budget of approximately \$39.0 million. The sections within OBM deal with accounting, financial reporting, budgeting, shared services, coordinating the issuance of state debt, internal auditing of agencies, and administering the activities of the state Controlling Board.

Additional information regarding the Office of Budget and Management is available at <http://www.obm.ohio.gov/>.

### **Agency Priorities**

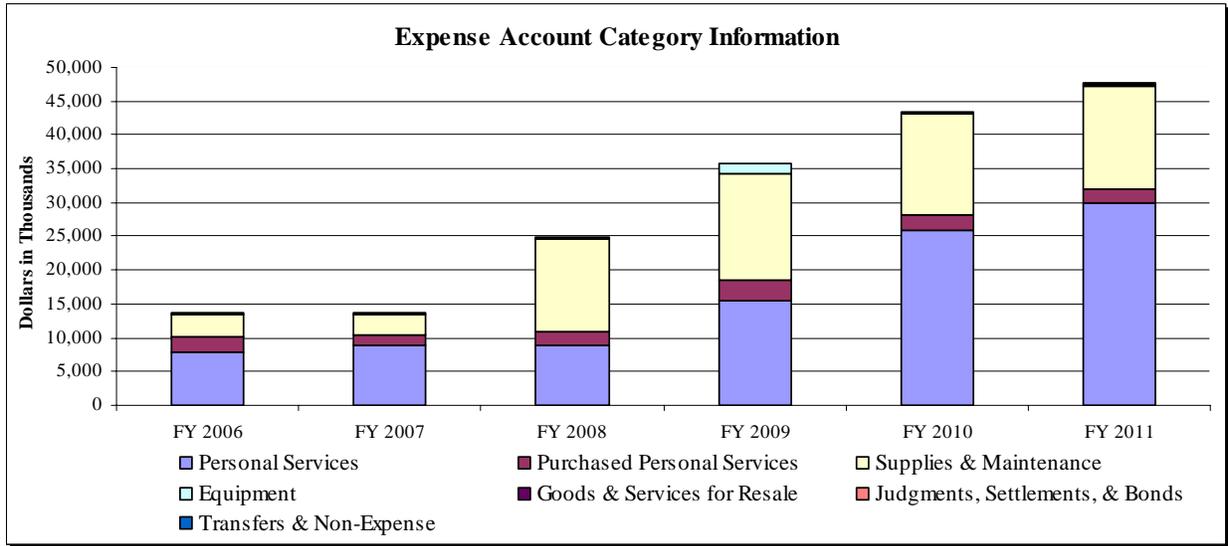
- Develop, implement, and monitor the state's operating and capital budgets.
- Review, process, and report the financial transactions of state agencies.
- Successfully implement Ohio Shared Services and the Internal Control and Audit Oversight programs.

**Summary of Budget History and Recommendations**



- OBM's General Services Budget Fund Group (GSF) budget increased in fiscal year 2008 due to the implementation of OAKS, the state's enterprise resource planning system. The agency's payroll checkoff charge pays a portion of OAKS operating costs. OBM's GSF budget continues to increase through fiscal year 2011 due to development and then implementation of OSS and Internal Control and Audit Oversight.

(In Thousands)	ACTUAL			EST. % CHANGE		RECOMMENDED % CHANGE			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	CHANGE	FY 2011	CHANGE
General Revenue	1,662	2,247	2,642	3,934	48.9	3,505	-10.9	3,505	0.0
General Services	11,964	11,323	22,310	30,482	36.6	39,190	28.6	43,306	10.5
Federal Special Revenue	0	0	0	1,323	100.0	735	-44.4	747	1.6
Agency	0	0	15	80	447.0	50	-37.5	50	0.0
Holding Account Redistribution	13	25	0	0	0.0	0	0.0	0	0.0
<b>TOTAL</b>	<b>13,640</b>	<b>13,594</b>	<b>24,967</b>	<b>35,818</b>	<b>43.5</b>	<b>43,480</b>	<b>21.4</b>	<b>47,608</b>	<b>9.5</b>



- OBM's Personal Services expenses become a larger portion of total expenditures beginning in fiscal year 2009 because of the implementation of OSS and Internal Control and Audit Oversight.

(In Thousands) EXPENSE ACCOUNT CATEGORY	ACTUAL			% EST. CHANGE		RECOMMENDED			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	% CHANGE	FY 2011	% CHANGE
Personal Services	7,812	8,917	8,773	15,528	77.0	25,857	66.5	29,872	15.5
Purchased Personal Services	2,283	1,457	2,073	3,001	44.8	2,319	-22.7	2,061	-11.1
Supplies & Maintenance	3,346	2,975	13,718	15,780	15.0	14,937	-5.3	15,324	2.6
Equipment	184	220	388	1,429	268.8	317	-77.8	301	-4.9
Goods & Services for Resale	1	1	0	0	-100.0	0	0.0	0	0.0
Judgments, Settlements, & Bonds	13	25	0	80	100.0	0	-100.0	0	0.0
Transfers & Non-Expense	0	0	15	0	-100.0	50	100.0	50	0.0
<b>TOTAL</b>	<b>13,640</b>	<b>13,594</b>	<b>24,967</b>	<b>35,818</b>	<b>43.5</b>	<b>43,480</b>	<b>21.4</b>	<b>47,608</b>	<b>9.5</b>

**PROGRAM SERIES 01: Budget Development and Implementation Services**

This program series oversees the state's financial resources by preparing the operating and capital budgets, coordinating state Controlling Board activities, and managing state debt.

**Program 01.01: Budget Development**

This program evaluates agencies' budget requests and prepares the Governor's operating and capital budget recommendations for submission to the General Assembly. Once budgets are enacted, this program oversees agencies' allotment planning and monitors agencies' spending to ensure it is done in accordance with state law and does not exceed appropriations. This program also prepares economic forecasts and revenue estimates and issues a monthly financial report to the Governor.

**The Executive Recommendation will fund the following objectives:**

- Fund the evaluation, implementation, and monitoring of state agencies' operating and capital budgets;
- Support preparation of economic forecasts and revenue estimates and issuance of a monthly report analyzing economic trends, state General Revenue Fund (GRF) revenues, and GRF spending;
- Fund the National Association of State Budget Officers' (NASBO) annual membership dues;

- Support a portion of the agency’s internal administrative costs; and
- Fund preparation of the Governor’s operating and capital budget recommendations.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042321	Budget Development & Implement	1,646,367	1,593,920
GRF	GRF	042410	National Association Dues	30,448	31,361
GSF	1050	042603	State Accounting	1,642,198	1,740,730
<b>TOTAL FOR PROGRAM</b>				<b>3,319,013</b>	<b>3,366,011</b>

**Program 01.02: Controlling Board**

This program coordinates legislative oversight over certain capital and operating expenditures by state agencies and has approval authority over various other state fiscal activities. OBM employees serve as President and Executive Secretary to the Controlling Board and provide administrative support and oversight.

**The Executive Recommendation will fund the following objectives:**

- Fund the administrative functions of the Controlling Board.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042321	Budget Development & Implement	285,841	284,925
<b>TOTAL FOR PROGRAM</b>				<b>285,841</b>	<b>284,925</b>

**Program 01.03: Debt Management**

This program coordinates the bond sales of all state bond issuers, reviews certain bond documents to ensure they are complete and accurate, keeps track of all debt service payments, projects future state debt service needs, and informs bond rating agencies of the state's debt and overall financial situation. This program also provides administrative support to the Ohio Public Facilities Commission, which is one of the state entities authorized to issue debt.

**The Executive Recommendation will fund the following objectives:**

- Support management of the state’s indebtedness including: coordinating all state bond issuances, reviewing certain bond documents, tracking current debt service payments and projecting future payments, and interacting with bond rating agencies; and
- Fund the administrative functions of the Ohio Public Facilities commission.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042321	Budget Development & Implement	361,237	373,473
<b>TOTAL FOR PROGRAM</b>				<b>361,237</b>	<b>373,473</b>

**PROGRAM SERIES 02: Financial Accounting Services**

This program series manages the state's accounting operations, publishes the state's financial reports, and includes the new internal audit operation.

**Program 02.01: Accounting Operations and Processing**

This program administers the state's appropriation accounting system and certifies the budget and cash capabilities of the state to make payments. The program exercises control over spending to ensure appropriations are not exceeded; reviews all fiscal transactions to ensure compliance with laws, rules, policies, and procedures; maintains the state's vendor database; and manages the payment writing function. This program also supports OBM's information technology needs.

**The Executive Recommendation will fund the following objectives:**

- Fund State Accounting functions including appropriations management, maintaining and controlling spending within legally established appropriations, maintaining the state's vendor database, and calculating and distributing investment earnings;
- Provide assistance to state fiscal personnel through training programs and help desk activities;
- Complete a monthly reconciliation between the state's accounting system and the Treasurer of State;
- Support all management information services needs of OBM, including network administration, database management, programming, and business continuity and disaster recovery planning;
- Issue warrants and electronic funds transfers to state employees, vendors, taxpayers, and other recipients of state payments; and
- Support a portion of the Ohio Administrative Knowledge System (OAKS) and the agency's internal administrative costs.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042413	Payment Issuance (AUD)	446,968	457,545
GSF	1050	042603	State Accounting	18,795,496	19,417,067
AGY	5EH0	042604	Forgery Recovery	50,000	50,000
<b>TOTAL FOR PROGRAM</b>				<b>19,292,464</b>	<b>19,924,612</b>

**Program 02.02: Electronic Commerce**

This program manages the state's payment card, electronic data interchange, and electronic revenue programs to facilitate electronic payment for certain goods and services or electronic receipt and processing of revenue. This program also prepares and files the Statewide Cost Allocation Plan (SWCAP) annually with the federal government.

**The Executive Recommendation will fund the following objectives:**

- Support management of the state payment card, electronic data interchange, and electronic revenue programs to facilitate efficient financial transactions for selected goods and services and revenue collection; and
- Fund preparation of the annual SWCAP report.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GSF	1050	042603	State Accounting	735,112	773,936
<b>TOTAL FOR PROGRAM</b>				<b>735,112</b>	<b>773,936</b>

**Program 02.03: Financial Reporting**

This program compiles and publishes the State of Ohio's *Comprehensive Annual Financial Report (CAFR)*, which is prepared in conformity with Generally Accepted Accounting Principles (GAAP). This program also compiles the state's Schedule of Federal Awards and coordinates the annual statewide GAAP audit conducted by the Auditor of State.

**The Executive Recommendation will fund the following objectives:**

- Fund preparation and publication of the *Ohio CAFR* and the *Ohio Budgetary Financial Report*; and
- Support compilation of the state's Schedule of Expenditures of Federal Awards, as required under the federal Single Audit Act, and the coordination of agency corrective action plans.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042412	Audit of Auditor of State	44,528	46,309
GSF	1050	042603	State Accounting	1,256,519	1,315,222
<b>TOTAL FOR PROGRAM</b>				<b>1,301,047</b>	<b>1,361,531</b>

**Program 02.04: Internal Control and Audit Oversight**

This new program was authorized by Am. Sub. H.B. 166 of the 127<sup>th</sup> Ohio General Assembly to ensure accounting controls exist to provide reasonable assurance of accountable government. This program offers an independent, objective assurance of and consulting activity to systematically evaluate and improve state agencies' risk management, internal controls, and governance processes. The program complements the Auditor of State financial reporting functions and state agency internal audit functions focusing on management objectives and compliance standards.

**The Executive Recommendation will fund the following objectives:**

- Fund implementation of the Office of Internal Audit including the addition of 48 auditors and support staff and a comprehensive audit management program;
- Fund a statewide risk assessment to prioritize audit processes and the evaluation of agency risk management, control, and governance processes; and
- Fund the internal audit and evaluation of eight cabinet agencies in fiscal year 2010 and 21 cabinet agencies in fiscal year 2011.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GSF	1050	042603	State Accounting	6,033,000	6,562,000
<b>TOTAL FOR PROGRAM</b>				<b>6,033,000</b>	<b>6,562,000</b>

**PROGRAM SERIES 03: Governmental Services**

This program series provides financial management services to other governmental entities and coordinates ongoing OAKS improvements and expansions, in coordination with other agencies.

**Program 03.01: Financial Planning and Supervision Commissions**

This program assists municipalities and school districts in fiscal emergency to develop plans to overcome their financial difficulties. The OBM Director or designee serves as a member of each financial planning and supervision commission established upon the occurrence or declaration of a fiscal emergency.

**The Executive Recommendation will fund the following objectives:**

- Fund staffing required by Chapters 118 and 3316 of the Ohio Revised Code regarding the declaration of fiscal emergencies in units of local government and school districts.

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FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042321	Budget Development & Implement	118,901	98,487
<b>TOTAL FOR PROGRAM</b>				<b>118,901</b>	<b>98,487</b>

**Program 03.02: Ohio Administrative Knowledge System**

This program, in conjunction with other partnering agencies, implements on-going improvements and expansions of the OAKS enterprise resource planning system. This OAKS program is currently implementing Ohio Shared Services, which will initially offer state agencies an alternative and efficient centralized accounts payable service to improve vendor payments and save state resources. Research and development of future statewide cost saving opportunities are ongoing.

**The Executive Recommendation will fund the following objectives:**

- Support implementation of the Ohio Shared Services Center to provide consolidated and automated accounts payable services to more than 25 state agencies by the end of fiscal year 2011;
- Add 98 customer service representatives to process nearly 700,000 vouchers annually and coordinate vendor management and client relations;
- Transfer the OAKS General Ledger Functional team to the Shared Services Center to improve the support and coordination of shared services activities; and
- Support a project implementation team to further leverage enterprise resource planning system technology and implement new statewide cost saving services to state agencies.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GSF	1050	042603	State Accounting	8,569,651	11,397,105
GSF	5N40	042602	OAKS Project Implementation	2,100,000	2,100,000
<b>TOTAL FOR PROGRAM</b>				<b>10,669,651</b>	<b>13,497,105</b>

**Program 03.03: Executive Medicaid Management Administration**

The Executive Medicaid Management Administration (EMMA) Program coordinates and harmonizes Medicaid policies across all of the state's Medicaid recipient agencies to ensure efficient and cost-effective delivery of federal and state grants and subsidies. The work EMMA will undertake in the fiscal year 2010-2011 biennium will be a first step in removing policy, operational, and technological barriers to achieving a Medicaid program that is efficient, cost-effective, and consumer-friendly.

**The Executive Recommendation will fund the following objectives:**

- Support design and implementation of a comprehensive and coordinated statewide Medicaid management structure to improve the delivery of state and federal Medicaid services.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042416	Medicaid Agency Transition	571,028	369,298
GSF	5Z80	042608	Executive Medicaid Admn	57,751	0
FED	3CM0	042606	Medicaid Transition - Fed	734,979	747,098
<b>TOTAL FOR PROGRAM</b>				<b>1,363,758</b>	<b>1,116,396</b>

**Program 03.04: Gubernatorial Transition**

This program provides resources to the new gubernatorial administration that could take office during fiscal year 2011. The program is funded every four years and provides payroll, offices, information technology, and basic office supplies needed for a smooth administration transition.

**The Executive Recommendation will fund the following objectives:**

- Fund a possible gubernatorial transition in fiscal year 2011 including payroll, office rent, and office and computing equipment.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	042435	Gubernatorial Transition	0	250,000
<b>TOTAL FOR PROGRAM</b>				<b>0</b>	<b>250,000</b>

**LINE ITEM SUMMARY - Office of Budget and Management**

FUND	ALI	ALI NAME	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 RECOMMENDED	% CHANGE	FY 2011 RECOMMENDED	% CHANGE
GRF	042321	Budget Development & Implement	1,578,963	1,892,410	2,079,806	2,078,881	2,412,346	16.0	2,350,805	-2.6
GRF	042409	Commission Closures	0	0	9,091	0	0	.0	0	.0
GRF	042410	National Association Dues	27,089	27,900	28,700	29,561	30,448	3.0	31,361	3.0
GRF	042412	Audit of Auditor of State	55,900	67,747	47,128	41,625	44,528	7.0	46,309	4.0
GRF	042413	Payment Issuance (AUD)	0	0	477,452	625,000	446,968	-28.5	457,545	2.4
GRF	042416	Medicaid Agency Transition	0	25,535	0	1,158,475	571,028	-50.7	369,298	-35.3
GRF	042435	Gubernatorial Transition	0	233,154	0	0	0	.0	250,000	.0
<b>TOTAL General Revenue</b>			<b>1,661,952</b>	<b>2,246,746</b>	<b>2,642,177</b>	<b>3,933,542</b>	<b>3,505,318</b>	<b>-10.9</b>	<b>3,505,318</b>	<b>0.0</b>
1050	042321	Budget Development & Implement	0	0	60,392	0	0	.0	0	.0
1050	042603	State Accounting	8,845,315	9,320,760	20,836,561	28,349,495	37,031,976	30.6	41,206,060	11.3
5N40	042602	Oaks Project Implementation	3,119,113	2,001,790	1,259,953	2,132,168	2,100,000	-1.5	2,100,000	0.0
5Z80	042608	Executive Medicaid Admn	0	0	153,254	0	57,751	.0	0	-100.0
<b>TOTAL General Services</b>			<b>11,964,427</b>	<b>11,322,551</b>	<b>22,310,160</b>	<b>30,481,663</b>	<b>39,189,727</b>	<b>28.6</b>	<b>43,306,060</b>	<b>10.5</b>
3CM0	042606	Medicaid Agency Transition-Fed	0	0	0	1,322,999	734,979	-44.4	747,098	1.6
<b>TOTAL Federal Special Revenue</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>1,322,999</b>	<b>734,979</b>	<b>-44.4</b>	<b>747,098</b>	<b>1.6</b>
5EH0	042604	Forgery Recovery	0	0	14,624	80,000	50,000	-37.5	50,000	0.0
<b>TOTAL Agency</b>			<b>0</b>	<b>0</b>	<b>14,624</b>	<b>80,000</b>	<b>50,000</b>	<b>-37.5</b>	<b>50,000</b>	<b>0.0</b>
R006	070604	Continuous Receipts	13,306	24,973	0	0	0	.0	0	.0
<b>TOTAL Holding Account Redistribution</b>			<b>13,306</b>	<b>24,973</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>.0</b>	<b>0</b>	<b>.0</b>
<b>TOTAL Office of Budget and Management</b>			<b>13,639,685</b>	<b>13,594,269</b>	<b>24,966,961</b>	<b>35,818,204</b>	<b>43,480,024</b>	<b>21.4</b>	<b>47,608,476</b>	<b>9.5</b>