



December 19, 2008

TO: Directors of All Departments, Agencies, Boards & Commissions

FROM: J. Pari Sabety, Director
Office of Budget and Management

CC: Agency Fiscal Officers

SUBJECT: Budget Directive # 10 – **Process to Reduce Authorized Expenditures**

On December 18, 2008, the Office of Budget and Management, per Budget Directive # 9, determined an additional projected shortfall in tax receipts of \$640 million for FY 2009, with the anticipation of increased federal assistance in FY 2009 in the amount of \$362.9 million. In accordance with ORC 126.05 and Executive Order 2008-01S, “Implementing Expenditure Reductions and Spending Control Strategies Necessary to Maintain a Balanced Budget,” this directive provides further instructions to exercise and maintain supervision and control over the State’s expenditures and to assure that the State’s budget remains in balance for FY 2009.

Through Executive Order 2008-01S, the Governor directed state agencies to implement spending reduction plans to ensure that the State maintains a balanced budget. Additional action must be taken to reduce expenditures. This reduction may cause a current or projected deficiency in funding necessary to maintain current or projected levels of staffing and operations within your agency. While the Governor recognizes and values the dedication of all state employees, these budget reductions should be developed to achieve the minimum possible impact on services for the citizens of Ohio. While we understand that the more comprehensive nature of this strategy will impose new burdens on local governments and local service providers, we are hopeful that, as they implement budget reductions, they will also be mindful of the paramount importance of assuring services for the citizens of Ohio in these difficult times.

Calculation of Agency GRF Budget Reductions

After taking into account an assumption for forthcoming federal assistance and a use of additional non-GRF cash in FY 09, an aggregate reduction of \$180.5 million must be applied to agencies’ GRF expenditures. OBM calculated the agency-specific GRF reductions based on the following:

- The base for analysis was the FY 2009 adjusted expenditure level for each GRF line item as of October 1, 2008 as established in Directive 8.
- Line items exempted from the calculation are as follows:
 - Debt service;
 - Tax relief;

- ODJFS Medicaid/Health Care (line items 600525 and 600526) However, GRF Medicaid spending in ODJFS will be adjusted to reflect anticipated enhanced federal medical assistance percentage (FMAP), additional cost containment and the liquidation of balances in non-GRF funds;
 - Line items related to Education Foundation Funding (line items 200-502, 200-521, 200-540, 200-545, and 200-550);
 - Specific line items within the Board of Regents related to tuition affordability (235-408, 235-451, 235-501, 235-503, 235-514, 235-520, 235-530, 235-563, and 235-909);
 - Department of Rehabilitation & Correction and the Department of Youth Services;
 - Department of Veterans' Services;
 - Ballot advertising costs and mandate assistance;
 - Ohio Department of Job and Family Services line items for Medicare Part D, TANF and Child Care maintenance of effort, and Disability Financial Assistance;
 - Expositions line item for Junior Fair Subsidy;
 - Department of Veterans' Services;
 - Line items for mandate assistance and ballot advertising costs;
 - Commission on Dispute Resolution;
 - Civil Rights Commission;
 - Board of Tax Appeals;
 - Department of Taxation;
 - Environmental Board of Review;
 - Elections Commission;
 - Employee Relations Board;
 - Ethics Commission;
 - Office of Inspector General;
 - State Library of Ohio;
 - School for the Deaf;
 - School for the Blind;
 - Personnel Board of Review; and
 - Legislative and judicial agencies.
- For all other agencies, an across-the-board 5.75% reduction was applied to all GRF line items. The resulting agency-specific reduction amounts are listed in Appendix A.

While each agency's aggregate reduction amount is non-negotiable, agencies have until Monday, December 29th at 5PM to make proposed revisions to line items. A separate memo containing logistics will be issued to agency directors and fiscal officers today.

If an agency does not propose changes across line items to meet their target by 5PM on December 29th, OBM will reduce expenditures in the across-the-board manner as described above.

These expenditure reductions will be effective January 1, 2009.

Agency Planning

It is recognized that these are very difficult circumstances that require careful planning. OBM stands ready to assist agencies as agencies contemplate next steps in order to manage through the balance of the fiscal year. Please contact your OBM budget analyst if you would like to discuss any specifics of this budget directive.

APPENDIX A

Agency	FY 2009 Revised Base	5.75% Additional Cut to Agencies, with highlighted ALIs held harmless
Department of Alcohol and Drug Addiction Services	\$41,082,854	\$2,362,264
Adjutant General	\$12,322,427	\$708,540
Cultural Facilities Commission	\$37,623,270	\$9,647
Department of Aging	\$184,685,433	\$10,619,412
Attorney General	\$53,124,120	\$3,054,637
Department of Agriculture	\$17,007,265	\$977,918
Air Quality Development	\$8,697,499	\$29,037
Arts Commission	\$10,680,536	\$614,131
Auditor	\$31,786,337	\$1,827,714
Board of Regents	\$2,831,229,090	\$24,855,890
Board of Tax Appeals	\$1,955,548	\$0
Commission on Dispute Resolution	\$416,243	\$0
Controlling Board	\$904,875	\$0
Civil Rights Commission	\$5,758,727	\$0
Court of Claims	\$2,841,441	\$0
Department of Commerce	\$2,031,107	\$116,789
Capital Square Review and Advisory Board	\$2,988,790	\$171,855
Department of Administrative Services	\$169,257,217	\$1,016,482
Department of Development	\$116,289,638	\$4,803,190
Department of Mental Health	\$542,983,668	\$30,042,552
Department of Mental Retardation	\$359,395,752	\$19,486,247
Department of Natural Resources	\$120,949,906	\$4,360,197
Department of Health	\$81,516,861	\$4,687,220
Department of Transportation	\$20,776,836	\$1,194,668
Department of Public Safety	\$4,696,243	\$270,034
Department of Rehabilitation and Correction	\$1,519,026,876	\$0
Department of Veterans Services	\$31,704,454	\$0
Department of Youth Services	\$263,885,566	\$0
Environmental Review Appeals Commission	\$463,868	\$0
Department of Education	\$7,866,866,344	\$30,413,274
Elections Commission	\$423,975	\$0
Employment Relations Board	\$3,184,946	\$0
Etech Ohio	\$22,823,558	\$1,312,355
Ethics Commission	\$1,780,138	\$0
Exposition Commission	\$400,000	\$0
Governor	\$3,654,718	\$193,011

Inspector General	\$1,232,133	\$0
Judicial Conference	\$1,015,281	\$0
Joint Committee on Agency Rule Review	\$403,000	\$0
JFS – Medicaid*	\$9,559,405,593	\$332,471,838
JFS - Non Medicaid	\$906,136,795	\$31,381,710
Joint Legislative Ethics Committee	\$550,000	\$0
Supreme Court	\$138,917,912	\$0
State Library	\$10,390,096	\$0
Legal Rights Services	\$419,471	\$24,120
Legislative Service Commission	\$20,500,530	\$0
Minority Health Commission	\$2,209,885	\$127,068
Office of Budget and Management	\$4,173,519	\$239,977
Ohio Historical Society	\$13,500,547	\$776,281
Ohioana Library Association	\$180,975	\$10,406
Ohio School for the Blind	\$7,703,155	\$0
Ohio School for the Deaf	\$9,722,909	\$0
Personnel Board of Review	\$1,144,565	\$0
Public Defender	\$35,527,862	\$2,042,852
Public Works Commission	\$208,475,500	\$0
House of Representatives	\$20,574,568	\$0
Rehabilitation Services Commission	\$23,049,157	\$1,325,327
Senate	\$11,778,439	\$0
School Facilities Commission	\$339,648,300	\$0
Southern Ohio Agricultural Development	\$6,848,117	\$393,767
Secretary of State	\$5,702,118	\$327,872
Hispanic/Latino Affairs Commission	\$604,381	\$34,752
Department of Taxation	\$572,225,579	\$0
Treasurer of State	\$30,842,564	\$565,545
Veterans' Organizations	\$1,712,673	\$98,479
Total Medicaid Changes		\$332,471,838
Total Agency Changes		\$180,475,218

* Increased cost avoidance above the current estimate will result from third party liability activities and other program savings. This will reduce total program spending by \$21.33 million. Note that this is the only net funding reduction to the ODJFS Medicaid program.

Non-GRF Medicaid spending will be increased to offset GRF spending. Non-GRF funds are available because of increased collections from third party liability, prescription drug rebates, nursing home and managed care franchise fees. A total of \$93 million (state share) is available from these sources. We had planned to use these sources to offset GRF spending in FY 2010; however, we now expect that projected enhanced FMAP from the federal stimulus legislation will continue for at least 15 months, so enhanced FMAP is now expected to offset the need that these non-GRF funds would have otherwise supported in FY 2010. Taking the effects of federal reimbursement into account, this change reduces total GRF spending by \$311.1 million and increases non-GRF spending by the same amount in FY 2009.

Additional federal revenue is deposited into the GRF as a result of federal stimulus legislation that would increase in the federal Medicaid match rate by 6% beginning January 1, 2009. This change increases GRF federal revenue by a net of \$131.9 million (total increase is \$297.4 million less loss of GRF revenue due to options one and two by \$165.5 million).