



Office of Budget and Management

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Director

Testimony on the FY 2012-2013 Executive Budget Recommendation for the Office of Budget and Management before the Senate Finance Committee

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Chairman Widener, Vice Chair Jones, Ranking Member Skindell and members of the Senate Finance Committee, my name is Chris Whistler, and I am the assistant director of the Office of Budget and Management (OBM). It is a long tradition that the assistant director provides OBM's budget testimony. Therefore, on behalf of Director Keen, thank you for the opportunity to present our FY 2012 and 2013 biennial budget recommendation for your consideration.

BACKGROUND

I think that it might be useful to begin with a little background on OBM. While OBM is best-known to most Statehouse observers as the office that oversees the preparation of executive recommendations for operating and capital budgets as well the implementation of these budgets as enacted by the General Assembly, the scope of our operation that supports these functions might not be well-known. Essentially, OBM consists of the following eight programs:

- Under the direction of the governor, the **Budget Development** section provides budget preparation guidance to State agencies, boards, and commissions; analyzes submissions from those entities; and supports the governor in developing recommendations for the Executive Budget. The section also has a role in overseeing the implementation of the budget by administering fiscal controls on, and providing technical assistance to, budgeted entities.
- Whereas the role of the **Controlling Board** is to provide legislative oversight of various activities of the executive branch and to carry out responsibilities delegated to it by the legislature, an OBM representative chairs the board and provides related administrative support.
- The **Debt Management** section is responsible for managing existing state debt and proposed issuances of new state debt, and the division ensures that financial resources are available to meet the state's long-term capital and financial planning needs.

- **State Accounting** monitors and controls both the spending and revenue collection activities of state agencies and provides up-to-date accounting information for the State of Ohio. The division reconciles the cash balance of the Ohio Administrative Knowledge System (OAKS), which is the state’s accounting system, with the Treasurer of State’s records and oversees state spending to ensure that appropriations are not exceeded.
- **Financial Reporting** is primarily responsible for publishing the state’s official Comprehensive Annual Financial Report (CAFR), which covers all funds of the state and includes basic financial statements and required supplementary information.
- OBM has traditionally assigned one full-time employee to cover the **Financial Planning and Supervision** commissions that are formed to oversee the finances of local governments and school districts that have been declared to be in a state of emergency by the Auditor of State.
- Additionally, there are two other divisions that are largely externally-facing – **Ohio Shared Services** and the **Office of Internal Audit**. Both were created over the last few years. I will discuss each of these later in my testimony.

I would also note that the Office of Health Transformation is funded through OBM, which I will also discuss later.

FY 2012-2013 BUDGET RECOMMENDATION OVERVIEW

OBM’s FY 2012-2013 biennial budget recommendation is summarized in the following table:

	FY 2011 Estimate	Executive Recommendation	
		FY 2012	FY 2013
General Revenue Fund	\$ 2,806,845	\$ 2,668,310	\$ 2,378,166
State Non-GRF	\$ 21,782,983	\$ 23,382,982	\$ 23,365,831
Federal Special Revenue Fund	\$ 153,369	\$ 384,037	\$ 145,500
Total	\$ 24,743,197	\$ 26,435,329	\$ 25,889,497

In terms of GRF funding, the amounts in the table represent a 4.9 percent decrease from FY 2011 estimates to FY 2012 and then an additional 10.9 percent decrease in FY 2013. The All Funds Total increases by 6.8% in FY 2012 and then decreases by 2.1 percent in FY 2013.

From my summary of our programs within the office, it is clear that OBM is a people-driven agency, with payroll expenses representing about 80 percent of the budget. We currently have 270 budgeted FTEs, which includes part-time staff. Approximately 45

percent of those positions are within the Shared Services and Internal Audit areas that were newly created in recent years.

From a staffing standpoint, the recommended budget essentially reduces the number of funded positions by a net of eleven to 259. It then allows for an investment of up to twelve additional non-GRF positions in Shared Services in order to generate cost-savings for other agencies, which would result in up to 271 budgeted FTEs, or an increase of one over the biennium.

As I previously noted, there are a few areas in the budget that warrant specific mention.

OFFICE OF HEALTH TRANSFORMATION

The OBM budget funds the Office of Health Transformation (OHT) which, from a budget perspective, essentially replaces the Executive Medicaid Management Administration (EMMA) that was funded from OBM's budget during the last several years. Unlike the permanent EMMA, OHT is a temporary entity. Because OHT will complete its work in FY 2012, the budget recommendation eliminates OHT in FY 2013, which will result in four fewer employees.

SHARED SERVICES CENTER

The Ohio Shared Services Center (OSS) provides consolidated management of business activities for accounts payables, travel and expense reimbursements, vendor management, and contact center assistance. This is a relatively new function at OBM that currently serves eight agencies.

The budget recommendation assumes further expansion of this function in order to provide cost-savings opportunities to state agencies. The contact center will provide first level assistance to OAKS users, state travelers and our vendor partners. The budget recommendation assumes an investment of up to twelve additional positions in order to accommodate expected increases in the number of transactions from integrating additional agencies. The positions are funded out of a non-GRF account that is supported by direct agency charges; so the positions will not be filled unless they are necessary to meet demand. It should be noted that one planned improvement in the upcoming biennium that will lessen the need for additional staff is the implementation of optical character recognition technology at OSS to automate an estimated ten percent of accounts payables transactions.

OFFICE OF INTERNAL AUDIT

HB 166 of the 127th General Assembly authorized the creation and implementation of the Office of Internal Audit (OIA) to improve the internal controls and operational processes of state agencies. The OIA administers the internal control architecture of 21 cabinet agencies and coordinates reviews, process analysis and information technology

audits with the Auditor of State, agency internal control staff and the Inspector General to ensure proper coverage of risks and minimal duplication of efforts.

Each year, the Office of Internal Audits, under the direction of the independent State Audit Committee, creates an annual audit plan based on enterprise financial risk assessments, agency process risks and past review cycles to direct their resources and focus. In fiscal years 2010 and 2011 the OIA directed considerable resources establishing internal controls and process reviews of Federal ARRA Funds. In the FY 2012-2013 biennium, OIA can focus resources toward regular agency internal control and process reviews. Five positions that are currently budgeted but unfilled are eliminated in the budget recommendation.

BUDGET STRUCTURE CHANGES

I also want to make you aware of some minor changes we are proposing to OBM's GRF appropriation line item structure. The Executive Recommendation merges the former National Association Dues line item (042410) and the Audit of Auditor of State line item (042412) into our main GRF operating Budget Development line item (042321). The National Association Dues pays for the state's membership in the National Association of State Budget Officers. We do not readily know what our dues will be each year and the merging provides flexibility to fulfill our membership responsibility. The Audit of Auditor of State ALI is also relatively small and we hope to achieve more competitive proposals by not legislatively posting a number that bidders can target.

CONCLUDING REMARKS

This concludes my formal presentation of the Office of Budget and Management's biennial budget recommendation. I appreciate this opportunity to appear before you today, and I would be happy to answer any questions you may have at this time.