

# **Section A**

## **Reader's Guide**

# Introduction to the Executive Budget

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The Reader's Guide is an introductory section of the Executive Budget that contains general information to help readers understand and use the contents of Governor Kasich's budget proposal for fiscal years 2016 and 2017. It contains the following informational sections:

- The State of Ohio: History, Governance, Demographics, and Economy
- State of Ohio organization chart;
- Glossary of key terms;
- Summary of the state's financial accounting method;
- Description of the process used to develop the state budget, including a budget calendar;
- Description and listing of state funds;
- Frequently asked questions about the budget; and
- Guide to reading and understanding the budget tables that are included in the summaries for each agency.

### Overview of the Executive Budget Book

The Executive Budget for fiscal years 2016 and 2017, as submitted to the General Assembly by Governor Kasich, consists of two separate documents. Book One, prepared by the Office of Budget and Management, contains detailed spending and revenue information, required by law, and summary information to help readers understand the policy and financial context of the Governor's proposals. Book Two, a report on the state's tax expenditures, is prepared by the Department of Taxation. This section focuses on the organization of Book One.

### Governor's Message

The first item in the Executive Budget is a letter from Governor Kasich to the people of Ohio and the General Assembly. Governor Kasich's letter provides an overview of his spending recommendations and outlines his goals and priorities for the fiscal years 2016-2017 biennium.

### Section A—Reader's Guide

The Reader's Guide section is intended to help the reader understand the Executive Budget document. The Guide provides demographic information about the state, a State of Ohio organization chart, a glossary of key terms, a summary of the state's financial accounting method, a description of the budget process, a listing and description of state funds, answers to frequently asked questions about the budget, and a guide to reading the tables.

### Section B—Economic Forecast and Income Estimates

This section contains information on the forecasts for the national and state economies for fiscal years 2016 and 2017. It describes the methods used to estimate future revenues and also contains a summary table of historical and estimated revenues and ending balances.

### Section C—Budget Overview

This section summarizes revenue estimates and spending recommendations for fiscal years 2016 and 2017. It contains information describing historical and estimated General Revenue Fund (GRF) balances, information describing the relationship between debt service spending and GRF revenues, and ending fund balances by budget fund group for each year of the biennium. It also contains information on the state's capital and tobacco budgets.

### Section D—Agency Budget Recommendations

This section contains historical and recommended spending information as well as narrative descriptions for all state agencies. The agencies appear in alphabetical order by the first key word in an agency's name. The narrative provides an overview of the particular agency's role, followed by the Governor's funding recommendations for each agency program series for fiscal years 2016 and 2017.

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## Introduction to the Executive Budget

Narratives for certain agencies may also include Appropriation Line Item (ALI) analyses, which could include one or more of the following:

- ALI Restructuring is provided for agencies that have changed their line item structures to accommodate a more accurate presentation of funding. With a new line item structure, it is difficult for the reader to understand how funding levels have changed over time. In order to illustrate changes in funding for new line items, estimated fiscal year 2015 amounts are converted from the current line item structure into the proposed line item structure. This is then compared to recommended funding levels for fiscal years 2016 and 2017.
- ALI Analysis is provided to explain significant budget changes such as ALIs that are proposed to end, be created, or have substantial increases or decreases in appropriation.

Each agency also has four main budget tables that provide historical and recommended spending information. The budget tables are described in more detail in the Guide to Reading the Budget Tables, which begins on page 21.

# The State of Ohio

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### History

Of Ohio's first inhabitants during the prehistoric era, the Adena (800 B.C. – 100 A.D.) were the first to farm Ohio, and the Hopewell (100 B.C. – 400 A.D.) built Ohio's mounds that can still be seen today. Marietta, established in 1788 by New England Revolutionary War veterans, was the first permanent white settlement in the state. Ohio was admitted to the union as the 17th state in 1803, and was the first state created from the Northwest Territory. Chillicothe was designated as the first capital of the new state until 1810, when the capital was moved to Zanesville. The capital was temporarily moved back to Chillicothe in 1812, and Columbus became the state's permanent capital in 1816.

Ohioans have played important roles in our nation's history. There have been eight presidents from Ohio, earning Ohio the nickname "the Mother of Presidents." Ohio is also the birthplace of world famous inventors, actors, athletes, authors, and astronauts. March 1, 2013, marked the 210th anniversary of statehood for Ohio, a state with many accomplishments, a rich history and culture, and a strong future.

### Governance

The state's first Constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present Constitution was modified by a state Constitutional Convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government—executive, legislative, and judicial.

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials—the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. Over 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with three judicial and five legislative agencies.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers—the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term limits: Senators are restricted to serving two four-year terms and Representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer in the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year. The legislature that convened in January 2015 is the state's 131<sup>st</sup> General Assembly.

Along with the establishment of the state governmental structure, the State Constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years—a biennium—which begins on July 1 of odd-numbered years and ends 24 months later on June 30. Within a biennium are two separate fiscal years, each beginning on July 1 and ending on June 30. The budget proposed by Governor Kasich in this document is for the two-year period beginning July 1, 2015 and ending June 30, 2017.

### Demographics

Ohio's population of approximately 11.6 million is the seventh largest in the nation and holds 3.6% of the total U.S. population. During the 1950s, Ohio gained 1.8 million residents and grew by 22%, compared to the national average of 19%. Since then, the rate of growth has slowed and from July 1, 2013 to July 1, 2014, Ohio's population estimates grew by 0.2%, while the nation's total population grew by 0.7%. Over this same time period, Ohio ranked 22<sup>nd</sup> in numeric growth and 39<sup>th</sup> in percentage change growth.

The geographic location of the majority of the population has been fairly consistent over the last several decades, with four out of five Ohioans living in a metropolitan area. As of 2013 estimates, just over half of all Ohioans live in the three largest metro areas of Cincinnati, Cleveland, and Columbus. Approximately one-third of Ohioans live in the four northeast Ohio metro areas of Akron, Canton, Cleveland, and Youngstown, while approximately one in four live in the southwestern metro areas of Cincinnati and Dayton.

In 2013, Ohio's per capita income was \$26,046, while its median household income was \$48,308. Ohio's unemployment rate as of November 2014 was 5.0%, compared with 7.2% one year ago. The national rate for November 2014 was 5.8%. The number of jobs in Ohio is expected to rise approximately 8.3% over the ten-year period from 2012-2022, which is a projected increase of more than 455,000 jobs.

**Figure A1: State of Ohio Demographic Information**

<b>TOTAL POPULATION 11,570,808</b>			
		Female	51.1%
		Male	48.9%
<b>Percent of State Population by Race and Hispanic Origin</b>		<b>Other Demographic Facts</b>	
White	83.2%	Population under 5 years	6.0%
African-American	12.5%	Population under 18 years	22.9%
Asian	1.9%	Population over 65 years	15.1%
Native American	0.3%	Homeownership rate	67.5%
Pacific Islander	>0.1%	Foreign born residents	4.0%
Two or More Races	2.0%	High school graduates	88.5%
Hispanic (may be of any race)	3.4%	Bachelor's degree or higher	25.2%
Total Minority*	19.5%	Veterans	7.5%
<small>* "Total Minority" is the total population minus white non-Hispanic or Latino                  Source: U.S. Census Bureau: State and County QuickFacts, revised December 4, 2014</small>			

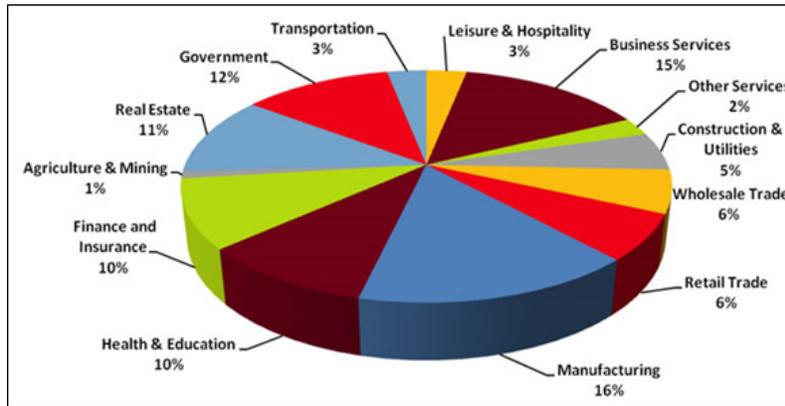
**Economy**

Ohio's gross domestic product was estimated at \$565.3 billion in 2013, which represents an increase of almost 3.1% compared to 2012 revised estimates and an increase of 37.1% compared to 2002. This makes Ohio the 7<sup>th</sup> largest state economy in the nation in 2013. Ohio ranks 4<sup>th</sup> in the nation in manufacturing gross domestic product, producing \$99.8 billion worth of goods in 2013. Because of its diverse population and its location, Ohio has become home to a variety of businesses and industries, including tourism, manufacturing, agriculture, and the service industry. Manufacturing is the largest of Ohio's major sectors, based on gross domestic product. The state's factories are among the nation's leading sources for the production of plastics, rubber, fabricated metals, and electrical equipment and appliances. The state's largest durable goods manufacturing industries are transportation equipment and fabricated metals. These two industries are closely identified with a number of nationally recognized firms with a major presence in Ohio, including General Electric, General Motors, Ford, Chrysler, Honda, AK Steel, ArcelorMittal, Timken, and Whirlpool. Ohio's service-producing sectors generate approximately 78% of the state's GDP. In 2013, Ohio was the 9<sup>th</sup> largest exporting state in the nation with \$50.5 billion in merchandise exports. This represents an increase of 3.9% from 2012, compared to a national increase of 2.1%. In 2013, the state's leading export commodities were machinery and motor vehicles. In total, Ohio firms shipped products to 211 countries.

Ohio is the headquarters for 25 members of the 2014 Fortune 500, including Cardinal Health, Kroger, Marathon Petroleum, Procter & Gamble, Nationwide Insurance, Macy's, Goodyear Tire and Rubber, Progressive, American Electric Power, FirstEnergy, Parker-Hannifin, L Brands, Sherwin-Williams, TravelCenters of America, Fifth Third Bancorp, Owens-Illinois, and Dana Holding Corporation. Ohio is home to the Cleveland Clinic, Ohio State University, Case Western Reserve University, Wright-Patterson Air Force Base, Battelle Memorial Institute, NASA's Lewis Research Center, leading hospitals, and a major operations center for J.P. Morgan Chase.

Ohio's companies are also technology intensive. Battelle has used federal government standards to identify over 28,000 establishments employing 820,000 people as Ohio's technology engine. Overall, Ohio has a 14% higher concentration of technology operations than the nation. In research, Ohio's educational institutions and private research facilities have core strengths in advanced manufacturing, biosciences, instruments and controls, power and propulsion, and information technology. The National Science Foundation identifies \$10.1 billion in R&D contracts in Ohio, ranking the state 13<sup>th</sup> nationally. Individuals in Ohio received over 3,177 patents ranking the state 11<sup>th</sup> nationally. Ohio State University, Case Western Reserve University, and the University of Cincinnati are major research institutions that receive over \$150 million annually in federal research grants. Combined with NASA Glenn, Battelle Institute, and Wright-Patterson Air Force Base, Ohio is a major center of emerging technologies.

Figure A2: Gross State Product by Sector



## Glossary of Key Terms

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**Agency Priority:** A broad goal toward which a state agency strives. Agency priorities tie to the Governor’s overall agenda. They also guide the objectives to be accomplished by the executive funding recommendations, as stated for each agency.

**Appropriation:** An authorization granted by the Ohio General Assembly to make expenditures and incur obligations for specific purposes. An appropriation limits the amount that may be spent for a given purpose in a given period of time. No appropriation may be made for a period longer than two years.

**Appropriation Line Item (ALI), or Line Item:** An ALI is a six-digit numeric code (in the format xxxyyy) used to identify and account for amounts appropriated for the activities of an agency. The first three digits identify the administering agency, division, or activity responsible for the specific purpose. The last three digits indicate the specific purpose.

**Balanced Budget:** A budget where expenditures do not exceed the amount of cash and revenue available within each fiscal year.

**Biennium:** A two-year period that begins July 1 and ends 24 months later on June 30.

**Budget:** A plan for the expenditure of funds to support an agency, program, or project.

**Budget Fund Group, or Fund Group:** The categories used to group similar funds for Ohio’s budgetary reporting purposes. Ohio’s funds are categorized according to their revenue sources and the purposes for which they are used.

**Budget in Brief:** The “Budget in Brief” is a document that often accompanies the Executive Budget. It highlights the spending priorities presented in the Governor’s budget recommendations to the General Assembly. It discusses the policy goals and budget proposals underlying the major program areas. The “Budget in Brief” gives special attention to the key policy initiatives in program areas such as children’s services, education, economic development, corrections, and natural resources. The document also summarizes expenditures and proposed funding for all agencies.

**Budget Request Limitation:** The Budget Request Limitation concept replaced the “core budget level” and “budget request cap” concepts from prior biennia. The Budget Request Limitation is imposed by fund and limits the amount of funding that an agency can request. For the fiscal year 2016-2017 budget process, the limitation for General Revenue Fund (GRF) requests was 100 percent of fiscal year 2015 adjusted appropriations, while non-GRF requests were unlimited.

**Budget Stabilization Fund:** A reserve balance account that receives transfers from the GRF. The balance in this fund is intended to stabilize budgets against cyclical changes in revenues and expenditures. This fund can carry a balance of up to five percent of prior-year GRF revenues.

**Capital Budget:** The budget for the acquisition or construction of major capital items—including land, buildings, structures, and equipment—completed in two-year periods beginning in odd-numbered fiscal years. Moneys for these projects are typically appropriated from funds whose revenue comes from bond sales.

**Capital Expenditure:** Funds spent by state agencies from capital budget appropriations for the acquisition of a long-term asset.

**Cash:** Actual balance of moneys available to support disbursements and appropriations. All state special revenue funds (revenue generated by the agency), federal special revenue funds, and bond funds must have an available cash balance to support disbursements. Agencies that receive a GRF appropriation are not required to monitor cash balances for disbursements.

**Custodial Accounts:** Some accounts are created “in the custody of the State Treasurer” but are not a part of the state treasury. These accounts are referred to as custodial accounts. A custodial account must have specific language that establishes it in the custody of the State Treasurer.

**Debt Service:** The payment of principal, interest, and associated costs on the state’s bonded indebtedness. Debt service appropriations are usually made to the agency on whose behalf the bonds were issued.

**Dedicated Purpose (DPF):** The Dedicated Purpose Budget Fund Group consists of funds that receive specific revenues for activities conducted in accordance with the law.

## Glossary of Key Terms

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[Most funds in this new budget fund group were formerly part of the General Services Budget Fund Group (GSF) or the State Special Revenue Budget Fund Group (SSR).]

**Encumbrance:** Reservation of appropriation authority typically representing purchase orders and contracts entered into by state agencies.

**Equipment:** Expenditures for durable goods such as computers, desks, chairs, or cars.

**Executive Budget:** Also known as the “Blue Book,” the Executive Budget provides the legislature and the public with the Governor’s funding recommendations for the next operating budget biennium. Proposed funding levels, historical spending patterns, and descriptive narratives are presented for each agency. It also includes information about the budget process, revenue sources and estimates, economic forecasts, capital improvements, state funds, and special program areas. The document is the executive’s financial plan for state government and is made available via the Office of Budget and Management (OBM) website.

**Expenditures:** Payments against appropriations that reduce the cash balance after legal requirements have been met. A fiscal year’s expenditures are payments actually made in that fiscal year, regardless of the state fiscal year in which the appropriations were reserved or encumbered for such payments.

**Expense Account Category:** A three-digit code used to categorize expenses as follows:

- **Personal Services (500):** Payroll, including fringe benefits;
- **Purchased Personal Services (510):** Purchased or contracted services (e.g. consultants);
- **Supplies & Maintenance (520):** Expendable goods and supplies such as utilities, gasoline, postage, paper, pens, repairs, and travel;
- **Equipment (530):** Durable goods such as computers, furniture, or vehicles;
- **Subsidies & Shared Revenue (550):** Distributions made to individuals, organizations, school districts, higher education facilities, or other local government units;
- **Goods & Services for Resale (560):** Goods or services purchased by one state agency to be sold or resold to another state agency or to the public;
- **Capital Items (570):** Significant fixed assets such as land and buildings;
- **Judgments, Settlements, & Bonds (590):** Payments on negotiated settlements, judgments rendered, and reparations awarded against the State of Ohio to individuals and companies;
- **Debt Service (591):** The payment of principal, interest, and associated costs on the state’s bonded indebtedness; and
- **Transfers & Non-Expense (595):** Cash disbursements and other transactions that reduce cash resources but are not an operating expense, such as transfers between funds and tax refunds.

**Federal Budget Fund Group (FED):** The Federal Budget Fund Group consists of funds that receive federal grants or awards. Expenditures from these funds are made in accordance with state and federal laws.

**Fiscal Year (FY):** A 12-month period used for fiscal planning purposes. The state fiscal year (SFY) begins July 1 and ends the following June 30. The federal fiscal year (FFY) begins October 1 and ends the following September 30.

**Full-Time Equivalent (FTE):** For budget development purposes, OBM uses this method of calculating personnel levels where one FTE works 2,080 hours per year. Part-time employees have an FTE value that is proportionally less than one.

**Fund:** A fund is a separate fiscal and accounting entity with a self-balancing set of accounts. A fund created in the state treasury usually has one or more appropriation items from which expenditures are made. If the fund has only one appropriation line item, the line item name often is the same as the fund name.

**Fund Balance:** The unencumbered cash remaining in a fund at the end of a specified time period, usually the end of the fiscal year.

## Glossary of Key Terms

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**General Revenue Fund (GRF):** The GRF is the primary operating fund of the state. This fund receives the unrestricted revenues of the state, primarily from such revenue sources as the personal income tax, the sales and use tax, the corporate franchise tax, and the public utilities excise tax. The fund also receives significant federal revenues that primarily support human services programs.

**Goal:** An achievement or result toward which a state agency program is directed. A statement of direction, purpose, or intent based on identified public needs. A goal is a broad statement of what a state agency expects to accomplish. It is more broadly defined than an objective, which aims toward achieving a goal. The Executive Budget highlights an agency's goals in the Agency Priorities section at the beginning of each agency's narrative.

**Internal Service Activity (ISA):** The Internal Service Activity Budget Fund Group consists of funds used for operations serving other funds or departments within the state.

[Most funds in the budget fund group were formerly part of the General Services Budget Fund Group (GSF).]

**Lapse:** Appropriations not encumbered or expended prior to their expiration.

**Line-Item Veto:** A provision that allows a Governor to veto components of the state budget approved by the legislature on a line-by-line basis.

**Maintenance:** Expenditures for expendable goods and supplies such as utilities, gasoline, postage, paper, pens, repairs, telephone service, and travel.

**Non-Recurring/One-Time Appropriation:** An appropriation made for a one-time item or project. Examples include capital or major equipment purchases, special studies, and information technology upgrades.

**Objective:** An aim toward which a state agency directs its effort to accomplish a stated agency priority. Something to be accomplished in specific, often measurable terms and that is achievable within a specific time frame. Objectives are more specific than goals and aim to achieve an agency's goals. The Executive Budget highlights an agency's objectives in the Executive Recommendation section in each agency's narrative.

**Ohio Administrative Knowledge System (OAKS):** An Enterprise Resource Planning system that integrates the functions of financial accounting, fixed assets, human resources, and budgeting. OAKS replaced the Central Accounting System, Fixed Assets Management System, the human resources system, and the budgeting system known as BUGS-E.

**Operating Budget:** The budget established for the operation of a state agency or program, typically based on legislative appropriation, and completed in two-year periods beginning with even-numbered fiscal years.

**Performance Measures:** Performance measures are used by a state agency to evaluate the effectiveness of its programs. They may indicate a level of agency activity or output or a level of outcomes experienced by an agency's customers. Each agency director is responsible for achieving the goals of the Governor's agenda through department performance, which is tracked through the development of key measures and targets and reporting on those results.

**Personal Services:** Expenditures for payroll, including fringe benefits.

**Program:** A program is a discrete activity within an agency's organization that is intended to provide a specific good or service in response to an identified social or individual need or problem. A number of programs can be grouped under each program series. An example of a program is the Public Defender Commission's Pro Bono Training Program that provides continuing legal education training programs to public defenders and private counsel who represent indigent persons in criminal and juvenile matters.

**Program Series:** A program series groups closely related programs into an overarching category that captures the state's efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. Most agencies are characterized by more than one program series. An example of a program series is the Department of Insurance's Investigation and Licensing Program Series that includes market conduct, licensing, and fraud and enforcement programs. The Executive Budget presents agency spending by program series.

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**Glossary of Key Terms**

Purchased Personal Services: Services for which state agencies contract such as consultants, physicians, and temporary services.

Reappropriation: Legislative action that provides for the renewal of a previous capital appropriation. Agencies sometimes are not able to spend what is in the current capital bill or the current capital reappropriations bill by the end of the biennium. However, they will continue to need the appropriation or a portion of it for projects designated in those bills that are not yet completed.

State Appropriation Limitation (SAL): An act passed in Senate Bill 321 of the 126th General Assembly that limits, with certain exceptions, GRF appropriation increases to 3.5% of prior fiscal year spending and allows for adjustments based on the consumer price index (CPI) and population growth.

Subsidy Account: An appropriation line item used to legally restrict appropriations and account for distributions for designated purposes. Such distributions are made to individuals, organizations on behalf of individuals, school districts, higher education facilities, local governmental units, or other recipients.

Tax Expenditure: Any tax provision that exempts in whole or in part certain persons, income, goods, services, or property from taxation. Tax expenditures represent a loss of tax revenue to state government for the purpose of encouraging certain activities or providing relief to taxpayers in designated circumstances in order to accomplish public policy goals. The Ohio Revised Code requires the Department of Taxation to prepare a tax expenditure report as a supplement to the Governor’s Executive Budget proposal.

Zero-Based Budgeting: A budgeting approach that requires agencies to justify all requested expenditures, instead of only expenditures above the funding level provided in the previous period. Senate Bill 321 of the 126th General Assembly included a provision requiring the use of zero-based budgeting principles in the budget preparation process.

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## **Basis of Budgeting**

### **Introduction**

The legislatively enacted budget plays a central role in the state's financial management system. The budget is a plan of financial operations that embodies an estimate of proposed expenditures for each fiscal year of the biennium.

The objective of budgetary control is to manage the state's finances within limitations set forth in its approved budget. Budgetary control allows the state to keep its expenditures within limitations of available appropriations and available revenues.

The state has designed its Ohio Administrative Knowledge System (OAKS) to ensure and demonstrate compliance with the budget. The appropriated budget is "integrated" into the accounting system. This means that the accounting system is specifically designed to provide ongoing and timely information on what is still available to be spent within established budget limitations.

The following discussion addresses specifics about the state's budgetary process and related policies, including the level of budgetary control, the basis of budgetary accounting, and the use of encumbrance accounting.

### **Budgetary Process**

As required by the Ohio Revised Code, the Governor submits the biennial operating and capital budgets to the General Assembly. The particular budget, which includes those funds of the state subject to appropriation pursuant to Ohio law, is comprised of all proposed expenditures for the state and of estimated revenues and borrowings for a biennium.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations. Line-item appropriations are typically established one to a fund except for the General Revenue Fund, for which agencies will often have multiple line-item appropriations associated with different agency initiatives. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The state's Controlling Board, comprised of six members of the General Assembly and the Director of the Office of Budget and Management (OBM) or a designee, can transfer or increase a line-item appropriation within the limitations set under Chapter 127 of the Ohio Revised Code. The Board has delegated the authority to the Director of OBM to transfer appropriations between existing operating expenditure/expense line-item appropriations within a state agency in amounts not to exceed a total of \$50,000 from each line-item appropriation within a fiscal year.

### **Budgetary Control**

The state maintains its legal level of budgetary control at the departmental line-item appropriation level. OAKS controls expenditures at this level. Therefore, at no time can expenditures exceed appropriations, and financial-related legal compliance is thus assured.

### **Basis of Accounting**

Ohio prepares its budget using the modified cash basis of accounting. Under this basis of accounting, the state recognizes revenues when cash is received and expenditures when paid. Furthermore, at the close of a fiscal year the state reserves cash sufficient to cover the payment of outstanding encumbrances and other obligations. For external financial reporting purposes, the state issues the Comprehensive Annual Financial Report (CAFR). This report is prepared in conformity with generally accepted accounting principles (GAAP). Because the state budgets on a modified cash basis of accounting, which differs from GAAP, the required reconciliation of the differences between the state's budgetary financial statements and its GAAP-basis financial statements is presented in the CAFR. This reconciliation identifies the basis differences in the recognition of accruals, deferred revenues, inter-fund transactions, and loan transactions, as well as the timing differences in the budgetary basis of accounting for encumbrances. On the budgetary financial statements, the state recognizes encumbrances as expenditures in the year encumbered, while on the GAAP-basis financial statements, the state recognizes expenditures when goods or services are received regardless of the year encumbered.

**Basis of Budgeting**

**Encumbrance Accounting**

Encumbrance accounting—under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations—is employed as an extension of formal budgetary integration in the state's accounting system. Outstanding encumbrances at the end of the fiscal year are recorded as reservations of fund balance for expenditure in subsequent years. Operating encumbrances are generally cancelled five months after the end of the fiscal year while capital encumbrances are generally cancelled two years after the biennial period for which they are appropriated. Unencumbered operating appropriations lapse at the end of each fiscal year.

For external reporting in its non-GAAP budgetary financial statements, the state also reports encumbrances as expenditures in the year when related purchase commitments are made.

## State of Ohio

### Budget Calendar

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From preparation of the Executive Budget through enactment of the appropriation bills, the following calendar is in place:

<b>June 2014</b>	The Office of Budget and Management (OBM) distributes guidelines to state agencies for preparation of the Executive Budget for fiscal years 2016 and 2017.
<b>September – November 2014</b>	All agencies' budget requests, prepared in the program series and program format, are due to OBM.
<b>September – December 2014</b>	OBM completes its review and analysis of agency requests. Agencies may be asked to provide additional information to assist in the development of recommendations.
<b>October 2014 – January 2015</b>	OBM prepares revenue estimates internally for the upcoming biennium.
<b>November 2014 – January 2015</b>	OBM evaluates agencies' budgets and makes recommendations on funding priorities to the Governor within established revenue projections.
<b>February 2015</b>	The first of the budget bills for the Department of Transportation, the Department of Public Safety, the Bureau of Workers' Compensation, and the Industrial Commission is introduced in the House of Representatives.
<b>February 2015</b>	Governor makes final decisions for the Executive Budget. The Executive Budget is published and presented to the General Assembly. OBM and the Legislative Service Commission prepare the main operating appropriations bill based on the Executive Budget document.
<b>February 2015</b>	The main operating budget bill is introduced in the House of Representatives.
<b>February – June 2015</b>	The House and Senate hold hearings and vote on the budget bills.
<b>June 2015</b>	The Conference Committee works out differences between the versions of the budget bill passed by the House and Senate. The House and Senate vote on the Conference Committee report. The Governor signs the appropriations bill, which takes effect July 1, 2015. If the budget bill is not signed by June 30, 2015, an interim budget must be enacted.

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### Introduction

Every two years, the Governor is required by state law to propose a new budget for state activities. The operating budget proposal must be submitted to the General Assembly not later than four weeks after its organization and is usually submitted to the legislature in early February of each odd-numbered year. In years when a new Governor is inaugurated, however, state law permits the budget proposal to be submitted to the legislature by March 15. More than a statutory requirement, however, the budget represents a statement of priorities. It sets a strategic policy direction for the activities of state government. Therefore, a detailed budget preparation process is necessary to generate information that will help the Governor and the General Assembly reach consensus regarding the priorities of the state and the most effective use of state resources. The process can be divided into the following steps:

- Development of the Governor's Executive Budget;
- Enactment by the legislature; and
- Gubernatorial approval and vetoes.

### Development of the Governor's Executive Budget

The Office of Budget and Management (OBM) is the executive agency charged with preparing the Governor's budget recommendations. In June 2014, OBM issued to all agencies the Operating Budget Guidance for Fiscal Years 2016 and 2017 that specified the format, content, and due dates for agency budget requests to OBM.

Agency budget submissions were subject to established limitations and due on September 17, 2014 for non-Cabinet agencies, October 10, 2014 for Cabinet agencies, and October 31, 2014 for legislative and judicial agencies and constitutional office holders. Once budget requests were received, OBM worked closely with agency representatives to gain a full understanding of the budget submission, agency circumstances, and needs.

In addition to reviewing the spending requests, OBM must assess and predict the availability of revenue to support the proposed state expenditures. In November 2014, a meeting of the Governor's Council of Economic Advisors was held to construct a consensus forecast of key economic indicators for the United States and Ohio. OBM and the Department of Taxation worked together to produce revenue estimates based on the consensus forecast. As revenue projections were finalized, the director of OBM worked closely with the Governor and his key advisors to ensure that this spending plan reflected the Governor's priorities.

### Enactment by the Legislature

Although the Governor is required to make budget recommendations, the authority to appropriate money rests with the legislature. The Governor's spending plan, along with any statutory and temporary law necessary to make it operational, is drafted into a bill. Separate budget bills are prepared for the Bureau of Workers' Compensation, the Industrial Commission, and the non-GRF portions of the budgets for the Departments of Transportation and Public Safety.

Traditionally, budget bills are introduced in the House of Representatives under the sponsorship of the chair of the House Finance and Appropriations Committee. Once introduced, the bill is referred to the House Finance and Appropriations Committee. The committee and its various subcommittees conduct extensive hearings, reviewing all aspects of agency budgets and law changes. The full committee concludes its work when it reports, after modifying the Governor's plan through substitutions and amendments, a bill with a favorable vote by a majority of the committee members. The bill is then considered before the full House of Representatives, where further amending may take place, until the bill is passed by a majority of the members.

Once passed by the House, the bill is sent to the Senate for consideration. It is referred to the Senate Finance Committee where, again, extensive hearings are held. The committee reports a modified bill, which then goes to the full Senate for further amending and passage.

Typically, differences exist between the House and Senate versions of the budget bill, thus requiring the appointment of a Conference Committee. The Conference Committee is comprised of three members of each chamber and is responsible for resolving the differences between the House and Senate versions of the bill. Once all differences are resolved, the committee prepares a report that it recommends to both chambers for final approval. Majority affirmative votes in each house are required to accept the report of the Conference Committee and enact the budget bill.

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**Budget Process**

**Gubernatorial Approval and Vetoes**

A bill usually becomes law upon signature of the Governor. In Ohio, the Governor is empowered to veto all or any item of an appropriations bill. Upon receipt of the bill passed by the legislature, the Governor conducts a thorough review of its contents and determines whether any items should be disapproved. Disapproved items are noted in the bill signed by the Governor, and the bill, along with the written objections, is returned to the legislature. The bill must be signed by July 1, the first day of the new fiscal year. The legislature is empowered by a three-fifths majority vote of each house to override any vetoed item.

**Capital Budgeting Process**

Apart from the operating budget process, Ohio also must budget for capital expenditures, such as the construction or rehabilitation of structures and the purchase of permanently affixed equipment. The capital bill is generally submitted every even-numbered year, while the operating bill is submitted in each odd-numbered year. The last capital budget, HB 497, was enacted April 1, 2014 for the fiscal years 2015-2016 biennium.

**Mid-Biennium Review Budgeting Process**

The Mid-Biennium Review (MBR), first implemented in 2012 and again in 2014, is a top-to-bottom analysis of state agency budgets, operations and programs. Initiated one year before Ohio's budget-setting process would traditionally begin, this process allows the Governor and the Governor's Cabinet to find savings in their operations for the second year of the biennium. Through the MBR, the Administration has the opportunity to propose a number of significant changes that reform outdated policies, end duplicated or inefficient programs, close tax loopholes, reduce bureaucracy and make the best use of new technologies.

Funds of the State

The state’s funds are organized into budget fund groups, which are categories used to group similar funds for budgetary reporting purposes. The funds are categorized according to their revenue sources and the purposes for which they are used. The budget fund group (BFG) concept is used in the Executive Budget to summarize history and recommendations for fiscal years 2012 to 2017 for each agency. The list below contains descriptions of all existing budget fund groups.

**Figure A4: The State’s Budget Fund Groups**

Budget Fund Group	Abbreviation
Bond Research & Development	BRD
Budget Stabilization	BSF
Capital Projects	CPF
Debt Service	DSF
Dedicated Purpose	DPF
Facilities Establishment	FCE
Federal	FED
Fiduciary	FID
General Revenue	GRF
Highway Operating	HOF
Highway Safety	HSF
Holding Account	HLD
Internal Services Activity	ISA
Revenue Distribution	RDF
State Lottery	SLF

The budget fund groups are described below.

**Bond Research and Development (BRD):** The Bond Research and Development Budget Fund Group consists of funds that receive state bond proceeds to fund research and development activities, pilot or demonstration projects, and related commercialization projects. Expenditures from this fund group consist of grants and loans for eligible projects undertaken by non-profit organizations, higher education institutions, political subdivisions, and private for-profit entities.

**Budget Stabilization (BSF):** The Budget Stabilization Budget Fund Group consists of the Budget Stabilization Fund that receives transfers from the General Revenue Fund or other funds as provided in law. The purpose of the Budget Stabilization Fund is to provide reserve funds for unexpected economic or other budgetary circumstances.

**Capital Projects (CPF):** The Capital Projects Budget Fund Group consists of funds that receive proceeds from general obligation and special obligation debt issuances, and the sale of revenue bonds. Expenditures are for capital improvements.

**Debt Service (DSF):** The Debt Service Budget Fund Group consists of several debt service funds that receive taxes, interest revenue, and transfers from authorized funds including the General Revenue Fund. Expenditures from these funds provide for payment of general long-term debt including principal, interest, and associated costs.

**Dedicated Purpose (DPF):** The Dedicated Purpose Budget Fund Group consists of funds that receive specific revenues for activities conducted in accordance with the law.

[Most funds in this new budget fund group were formerly part of the General Services Budget Fund Group (GSF) or the State Special Revenue Budget Fund Group (SSR).]

**Facilities Establishment (FCE):** The Facilities Establishment Budget Fund Group consists of funds that receive proceeds from the sale of revenue bonds that are used for loans and loan guarantees to assist businesses in building or expanding Ohio-based facilities. Funds that loan moneys also receive repayments of those loans.

**Federal (FED):** The Federal Budget Fund Group consists of funds that receive federal grants or awards. Expenditures from these funds are made in accordance with state and federal laws.

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**Funds of the State**

Fiduciary (FID): The Fiduciary Budget Fund Group consists of funds used to account for cash receipts held by the state as custodian or agent. Ultimately, this cash is distributed from these funds to individuals, corporations, private organizations, other state funds, or local governmental entities. This fund group also contains funds that receive direct payroll charges and interest that are expended on payments to state employees for accrued vacation, sick, and personal leave time as well as disability benefits.

General Revenue (GRF): The General Revenue Budget Fund Group consists of the General Revenue Fund that accounts for all financial resources except those required to be accounted for in another fund. Primary sources of revenue include personal income tax, the sales and use tax, commercial activity tax, and the public utilities tax as well as reimbursements from the federal government (which are not specifically directed to another fund) that primarily support human service programs. The law allows for broad discretion in the purposes for which the General Revenue Fund is used. For example, expenditures support education, health and human services, general government, and property tax relief.

Highway Operating (HOF): The Highway Operating Budget Fund Group consists of transportation-related funds that receive both federal and state motor fuel taxes, highway use taxes, and other related federal grants. Expenditures support primarily the construction and maintenance of the highway system.

Highway Safety (HSF): The Highway Safety Budget Fund Group consists of highway safety-related funds that receive federal grants, fees, and fines related to motor vehicles, and transfers from the Highway Operating Fund. Expenditures support motor vehicle safety and law enforcement programs.

Holding Account (HLD): The Holding Account Budget Fund Group consists of funds used to collect moneys for which the fund most appropriate for deposit is unknown or the moneys are not yet determined to be earned by the state. A holding account fund will retain moneys until the appropriate external party or other state fund is determined. In instances when moneys on deposit in these funds are determined not to be earned by the state, a refund disbursement is recorded.

Internal Service Activity (ISA): The Internal Service Activity Budget Fund Group consists of funds used for operations serving other funds or departments within the state.

[Most funds in the budget fund group were formerly part of the General Services Budget Fund Group (GSF).]

Revenue Distribution (RDF): The Revenue Distribution Budget Fund Group consists of funds that receive tax and fees for distribution by law to other state funds or local governmental entities.

State Lottery (SLF): The State Lottery Budget Fund Group consists of the funds used to operate the Ohio Lottery Commission and funds that receive lottery profits for the support of elementary, secondary, vocational, and special education programs. Primary sources of revenue are lottery ticket sales and license fees. Major expenditures consist of operating costs, commissions to agents, and payment of certain lottery prizes as well as supporting educational programs through the use of the net proceeds.

Funds of the State

State's Budget Fund Groups Crosswalk

New Structure: Budget Fund Groups	Current: Budget Fund Groups
Bond Research and Development	Coal Research and Development
Bond Research and Development	Third Frontier Research & Development
Budget Stabilization	Budget Stabilization
Capital Projects	Administrative Building
Capital Projects	Adult Correctional Building
Capital Projects	Advanced Energy
Capital Projects	Clean Ohio Conservation Program
Capital Projects	Clean Ohio Revitalization
Capital Projects	Cultural and Sports Facilities
Capital Projects	Higher Education Improvement
Capital Projects	Highway Capital Improvement
Capital Projects	Highway Safety Building
Capital Projects	Infrastructure Bank Obligations
Capital Projects	Job-Ready Site Development
Capital Projects	Juvenile Correctional Building
Capital Projects	Local Infrastructure Improvement
Capital Projects	Local Transportation Improvement
Capital Projects	Mental Health Facilities Improvement
Capital Projects	Ohio Parks and Natural Resources
Capital Projects	Parks and Recreation Improvement
Capital Projects	School Building Assistance
Capital Projects	Transportation Building
Debt Service	Debt Service
Debt Service	Persian Gulf
Dedicated Purpose	General Services
Dedicated Purpose	Liquor Control
Dedicated Purpose	Local Transportation Improvement
Dedicated Purpose	Office of Auditor of State
Dedicated Purpose	State Special Revenue
Dedicated Purpose	Tobacco Settlement
Dedicated Purpose	Underground Parking
Dedicated Purpose	Waterways Safety
Dedicated Purpose	Wildlife
Dedicated Purpose	Workers Compensation
*Education Improvement	*Education Improvement
Facilities Establishment	Facilities Establishment
Federal	Federal Special Revenue
Fiduciary	Accrued Leave Liability
Fiduciary	Agency
Fiduciary	Volunteer Firefighter Dependents
General Revenue	General Revenue
Highway Operating	Highway Operating
Highway Safety	Highway Safety
Holding Account	Holding Account Redistribution
Internal Service Activity	General Services
Revenue Distribution	Revenue Distribution
State Lottery	Lottery Profit Education
State Lottery	State Lottery
<b>15 active Budget Fund Groups</b>	<b>47 active Budget Fund Groups</b>

\*The Education Improvement fund and BFG are defunct but will be reclassified for purposes of tracking historical data.

### Frequently Asked Questions

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#### **What is the state budget?**

The state budget is an agreement between the legislative and executive branches of government on a spending plan for state government. It represents a statement of priorities for a two-year period. The state budget generally refers to the operating budget, not the capital budget. The capital budget directs the expenditure of funds for infrastructure and maintenance needs, such as buildings, parks, and historical sites.

#### **What is a biennial budget?**

Ohio prepares a biennial budget, which is a spending plan for a two-year period. Appropriations are made separately for the two fiscal years in a biennium. The state's fiscal year begins on July 1 and ends the following June 30. The Executive Budget shows recommended spending levels for fiscal year 2016 (July 1, 2015 to June 30, 2016) and fiscal year 2017 (July 1, 2016 to June 30, 2017).

#### **Where does the money for the budget come from?**

Revenue to support governmental operations comes from a variety of sources. The largest portion of this revenue is derived from the general unrestricted taxes imposed by the state. Ohio also receives money through special fees, the sale of goods and services, and from the federal government. More information as well as graphical depictions of the major sources of state revenues can be found in Section C under "Revenue Summaries."

#### **How does the state know how much money it will have to spend?**

The Office of Budget and Management, working with the Department of Taxation, prepares projections for state revenues. Projections are usually prepared in November preceding the issuance of the Executive Budget, and revenues are forecast for more than a 30-month period. Revenue estimates are updated throughout the process of enacting the budget as the state has more experience with actual receipts from different revenue sources. The Legislative Service Commission also prepares independent revenue estimates, which are compared to the administration's forecast. Consensus between the legislature and the executive must be built around the revenue assumptions that support the final version of the budget. Ultimately, no method of forecasting is 100 percent accurate so forecasts will always deviate from the actual performance of state revenue sources. Hopefully, however, this deviation ends up being small and manageable.

#### **What is the GRF?**

The GRF is the General Revenue Fund. It is the largest fund of the state and receives the majority of the state's tax receipts. Since there are few restrictions on how GRF dollars can be used, much of the focus of the budget process is on development of a spending plan for GRF resources. Federal dollars that reimburse the state for certain human services-related expenditures are also deposited into the GRF.

#### **How big is the budget?**

Many people think of the "size" of the budget in terms of the level of recommended spending from the GRF. Recommended spending from the GRF is \$35.30 billion in fiscal year 2016 and \$37.22 billion in fiscal year 2017. However, the true size of the budget is the amount appropriated from all funds. Appropriations from all operating funds total \$68.49 billion in fiscal year 2016 and \$70.18 billion in fiscal year 2017.

#### **How much is the budget growing?**

When compared to fiscal year 2015 estimated expenditures, GRF spending increases by 12.51 percent in fiscal year 2016 and then grows by 4.79 percent in fiscal year 2017, and the total budget for all funds grows by 1.97 percent in fiscal year 2016 and 2.47 percent in fiscal year 2017.

#### **Which agencies have the largest budgets?**

The agency with the largest budget in fiscal years 2016 and 2017 is the Department of Medicaid. Total recommended appropriations in fiscal year 2016 are \$24.53 billion, and total recommended appropriations in fiscal year 2017 are \$25.13 billion. Not only does the department have the largest total budget, it also has the largest GRF budget (\$17.93 billion in fiscal year 2016 and \$19.02 billion in fiscal year 2017) and the single largest line item in the GRF—line item 651525, Medicaid/Health Care Services (\$17.43 billion in fiscal year 2016 and \$18.50 billion in fiscal year 2017).

## Frequently Asked Questions

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Based on total funding, the agencies with the next largest budgets are as follows:

- Department of Education, with total appropriations of \$10.78 billion in fiscal year 2016 and \$11.13 billion in fiscal year 2017. GRF appropriations total \$7.70 billion in fiscal year 2016 and \$8.04 billion in fiscal year 2017.
- Department of Job and Family Services, with total funding of \$3.47 billion in fiscal year 2016 and \$3.46 billion in fiscal year 2017. Of this amount, \$818.24 million in fiscal year 2016 and \$821.16 million in fiscal year 2017 are from the GRF.
- Department of Transportation, which is primarily funded with state and federal motor fuel tax revenues and has total appropriations of \$2.89 billion in fiscal year 2016 and \$3.00 billion in fiscal year 2017.
- Department of Developmental Disabilities, which is recommended to receive total funding of \$2.78 billion in fiscal year 2016 and \$3.04 billion in fiscal year 2017. The GRF provides \$582.66 million in fiscal year 2016 and \$639.09 million in fiscal year 2017.
- Board of Regents, primarily funded from GRF, with total appropriations of \$2.43 billion in fiscal year 2016 and \$2.49 billion in fiscal year 2017.
- Department of Rehabilitation and Correction, with total funding of \$1.67 billion in fiscal year 2016 and \$1.72 billion in fiscal year 2016. Of this amount, \$1.59 billion in fiscal year 2016 and \$1.64 billion in fiscal year 2017 are from the GRF.

### How big is the budget deficit?

Ohio has no budget deficit. This question is usually asked by those who confuse the state budget with the federal budget. The Ohio Constitution prohibits the state from borrowing money to fund operating expenses. Therefore, the budget must be balanced.

### How big is the budget surplus?

The concept of a “surplus” is not one that is specifically defined. It is generally understood, however, to be funds that remain above and beyond any planned uses (including planned reserves and planned carryover balances). Typically a surplus is an unexpected result of higher-than-anticipated revenues or lower-than-anticipated spending. Amounts typically excluded from consideration as part of the surplus include one-half of one percent of GRF revenues (considered to be a necessary amount for a beginning carryover fund balance), amounts in the Budget Stabilization Fund up to 5% of GRF revenues, and funds needed to support appropriations made by the General Assembly. Based on statute, state budget surpluses cannot accumulate because the law requires that any “surplus” at the end of each fiscal year be deposited into the Income Tax Reduction Fund and returned to Ohio taxpayers.

### What is the Blue Book?

Years ago, the Executive Budget document was printed with a blue cover and, as a result, people began to call the document the “Blue Book.” Over the years, each Executive Budget has been presented with a blue cover, and it is now considered a tradition. Beginning with the Executive Budget for fiscal years 2004 and 2005, the Executive Budget was no longer published in hardcopy. The Executive Budget was made available on the OBM website and on CD-ROM. Beginning with the Executive Budget for fiscal years 2006 and 2007 the Executive Budget is only available on the OBM website:

<http://www.obm.ohio.gov/>.

### What is a program series and program?

A program series groups closely related programs into an overarching category that captures the state’s efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. Most agencies are characterized by more than one program series. An example of a program series is the Department of Insurance’s Investigation and Licensing Program Series that includes market conduct, licensing, and fraud and enforcement programs. The Executive Budget presents agency spending by program series.

A program is a discrete activity within an agency’s organization that is intended to provide a specific good or service in response to an identified social or individual need or problem. A varying number of programs can be grouped under each program series. An example of a program is the Public Defender Commission’s Pro Bono Training Program that provides continuing legal education training programs to public defenders and private counsel who provide representation to indigent persons in criminal and juvenile matters.

## Guide to Reading the Budget Tables

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The purpose of this section is to help the reader understand the tables included in the Executive Budget for each agency. Each agency has budget tables that contain the Governor's detailed spending plan for the fiscal years 2016-2017 biennium.

### What are Budget Tables?

Agencies have three types of budget tables: summaries of budget history and recommendations by budget fund group and expense account category, line item summaries for each program series, and a line item summary by budget fund group for the entire agency. The summary of budget history and recommendations table and the agency line item summary table by budget fund group all show spending history for fiscal years 2012, 2013, and 2014; estimated spending for fiscal year 2015 (since this fiscal year will not end until June 30, 2015); and the Governor's recommended spending for fiscal years 2016 and 2017. The line item summary tables for each program series show estimated spending for fiscal year 2015 and the Governor's recommended spending for fiscal years 2016 and 2017.

### Where are the Tables?

In Section D, the Executive Budget contains Governor Kasich's funding recommendations for each agency. The agencies appear in alphabetical order and each agency has its own section that begins with an overview narrative followed by the agency's summary of budget history and recommendations tables. Following the summary tables are narratives for each agency program series with the line item summary table for each. Finally, the agency line item summary table by budget fund group is at the end of each agency section.

### Summary of Budget History and Recommendations Tables

The two summaries of budget history and recommendations tables can be found following an agency's executive recommendation bullets. These summaries show actual agency spending in fiscal years 2012, 2013, and 2014; estimated spending in fiscal year 2015; and the Governor's recommended appropriations for fiscal years 2016 and 2017—first by budget fund group and then by expense account category. A diagram of these two tables appears on pages A-22 and A-23.

### Line Item Summary Tables

Agencies also have two types of line item summary tables—one for each program series with each program series narrative and the other for the entire agency by budget fund group at the end of the agency section. The program series type shows, by line item, estimated spending in fiscal year 2015 and the Governor's recommended appropriations for fiscal years 2016 and 2017. The budget fund group type shows, by line item, actual spending for fiscal years 2012, 2013, and 2014; estimated spending in fiscal year 2015; and the Governor's recommended appropriations for fiscal years 2016 and 2017. The line items listed on the agency-wide table are grouped and subtotaled by budget fund group. Totals for the program series and the agency tables appear at the bottom of each. Diagrams of these two tables appear on pages A-24 and A-26.

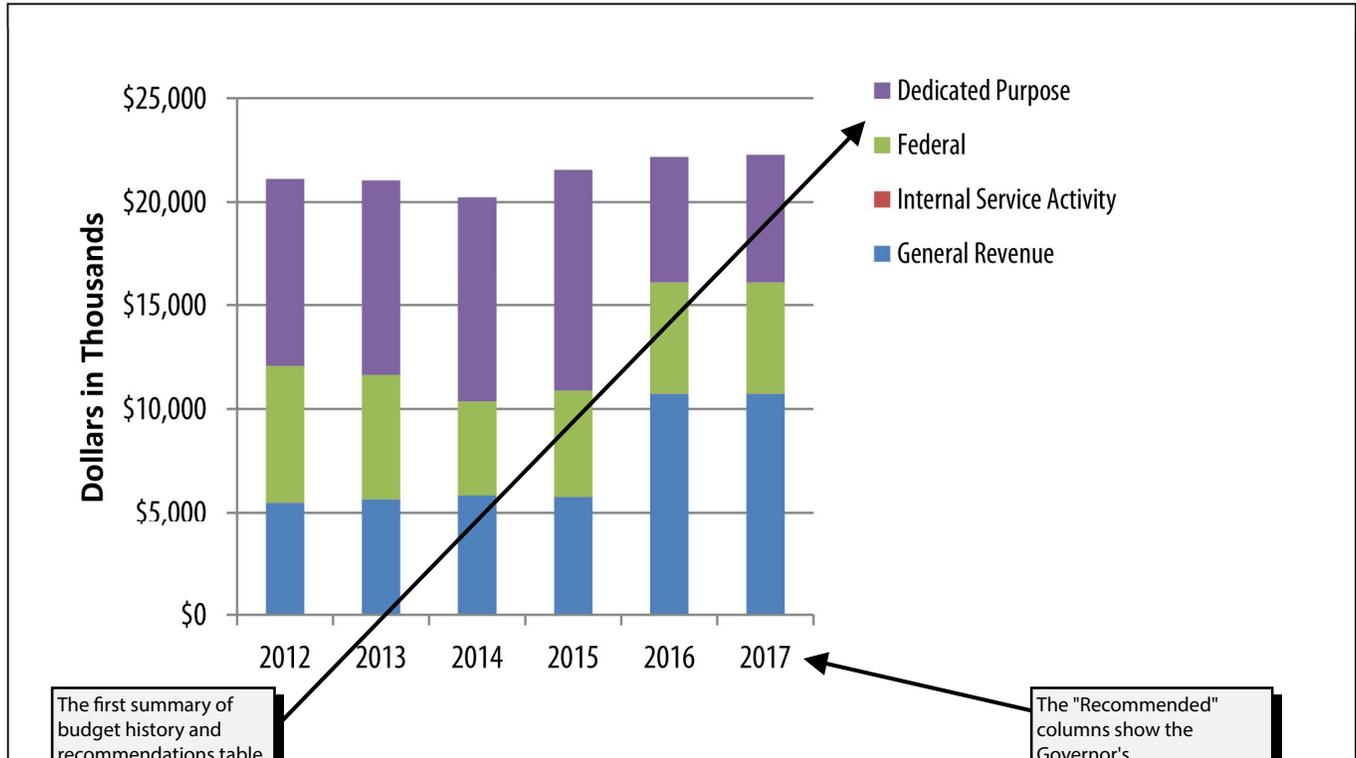
### Line Item Restructuring Analysis

Some agencies budget for significant changes in how ongoing programs will continue to be funded in the next biennium, which can cause multiple appropriation line items to have large spending changes compared to the current year. In these cases, agencies will have the line item restructuring analysis table that follows the program series descriptions. For only the funds and appropriation line items affected, this table shows current-year estimated costs as if the changes budgeted for the upcoming biennium were already in place. This gives a clearer picture of the continuity of program funding aside from the shifting amongst line items. A diagram of this table appears on page A-25.

## Guide to Reading the Budget Tables

The two **summaries of budget history and recommendations** tables immediately follow each agency's executive recommendation bullets. These tables show summary budget information for the agency by budget fund group and expense account category. The diagrams below use the State Library Board's summary of budget history and recommendations tables as an example.

**Budget Fund Group Information**

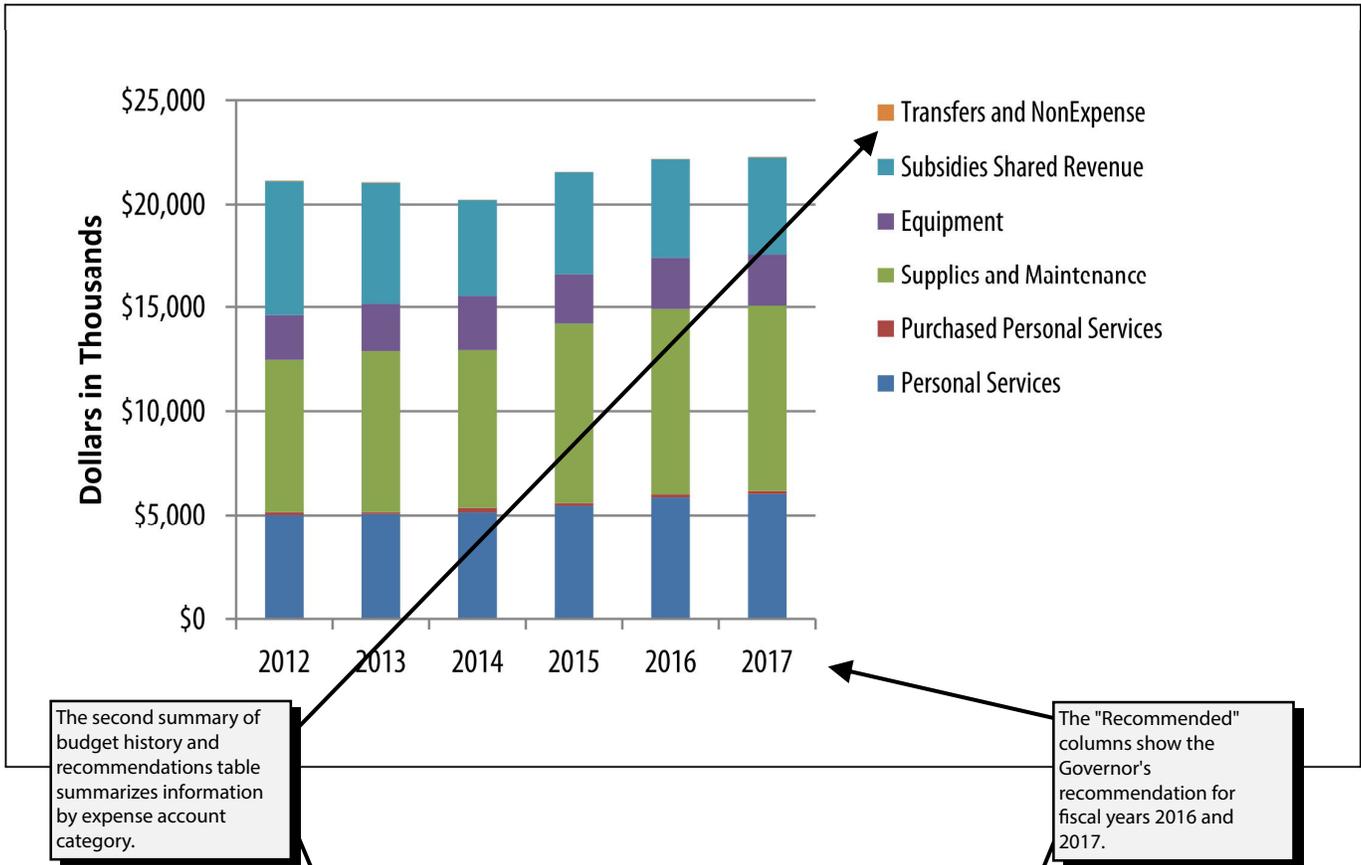


The first summary of budget history and recommendations table summarizes information by budget fund group.

The "Recommended" columns show the Governor's recommendation for fiscal years 2016 and 2017.

(in Thousands) Budget Fund Group	Actual			Est.	% Change	Recommended		FY 2017	%Change
	FY 2012	FY 2013	FY 2014	FY 2015	FY 14-15	FY 2016	% Change		
General Revenue	5,475	5,648	5,832	5,760	-1.2%	10,724	86.2%	10,724	0.0%
Internal Service Activity	17	0	0	8	0.0%	8	0.0%	8	0.0%
Federal	6,583	5,987	4,529	5,120	13.1%	5,350	4.5%	5,350	0.0%
Dedicated Purpose	9,050	9,415	9,868	10,660	8.0%	6,094	-42.8%	6,191	1.6%
<b>Total</b>	<b>21,125</b>	<b>21,049</b>	<b>20,229</b>	<b>21,549</b>	<b>6.5%</b>	<b>22,176</b>	<b>2.9%</b>	<b>22,273</b>	<b>0.4%</b>

Expense Account Category Information



The second summary of budget history and recommendations table summarizes information by expense account category.

The "Recommended" columns show the Governor's recommendation for fiscal years 2016 and 2017.

(in Thousands) Expense Account Category	Actual			Est.	% Change	Recommended			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 14-15	FY 2016	% Change	FY 2017	%Change
Personal Services	5,006	5,062	5,139	5,458	6.2%	5,863	7.4%	6,026	2.8%
Purchased Personal Services	156	88	222	131	-41.0%	142	8.6%	147	3.5%
Supplies and Maintenance	7,300	7,731	7,569	8,610	13.8%	8,887	3.2%	8,883	0.0%
Equipment	2,151	2,257	2,588	2,466	-4.7%	2,551	3.5%	2,557	0.2%
Subsidies Shared Revenue	6,512	5,910	4,702	4,881	3.8%	4,730	-3.1%	4,657	-1.6%
Transfers and Non-Expense	1	2	9	3	-72.5%	3	0.0%	3	0.0%
<b>Total</b>	<b>21,125</b>	<b>21,049</b>	<b>20,229</b>	<b>21,549</b>	<b>6.5%</b>	<b>22,176</b>	<b>2.9%</b>	<b>22,273</b>	<b>0.4%</b>

## Guide to Reading the Budget Tables

Following each program series narrative is a **line item summary for the program series**. Within each agency, funding is designated to programs within a program series. A **program series** groups closely related programs into an overarching category that captures the state’s efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. A **program** is a discrete activity within an agency’s organization that is intended to provide a specific good or service in response to an identified social or individual need or problem. The diagram below uses two of the State Library Board’s program series line item summary tables as an example.

Program series name

### Program Series 1: Library Services to Ohio Government (7800A)

Fund	ALI	ALI Name	Estimated		Recommended		
			FY 2015	FY 2016	% Change	FY 2017	% Change
GRF	350321	Operating Expenses	2,527,964	2,763,717	9.3%	2,806,278	1.5%
1390	350602	Services for State Agencies	8,000	8,000	0.0%	8,000	0.0%
3130	350601	LSTA Federal	203,200	0	-100.0%	0	0.0%
<b>Total for Library Services to Ohio Government</b>			<b>2,739,164</b>	<b>2,771,717</b>	<b>1.2%</b>	<b>2,814,278</b>	<b>1.5%</b>

One line item can fund multiple program series. Recommendations within program series add up to the line item summary table by budget fund group at the end of each agency section.

Total recommended funding for Program Series 1: Library Services to Ohio Government (7800A).

Program series name

### Program Series 2: Services to Ohio Library Communities (7810A)

Fund	ALI	ALI Name	Estimated		Recommended		
			FY 2015	FY 2016	% Change	FY 2017	% Change
GRF	350321	Operating Expenses	2,529,400	2,293,647	-9.3%	2,251,086	-1.9%
GRF	350400	Ohio Public Library Information Network	0	3,689,788	NA	3,689,788	0.0%
GRF	350401	Ohioana Rental Payments	120,114	120,114	0.0%	120,114	0.0%
3130	350601	LSTA Federal	1,973,659	2,511,400	27.2%	2,590,000	3.1%
4590	350603	Services for Libraries	3,696,368	3,803,503	2.9%	3,895,245	2.4%
4540	350604	Ohio Public Library Information Network	5,689,788	2,000,000	-64.8%	2,000,000	0.0%
<b>Total for Services to Ohio Library Communities</b>			<b>14,009,329</b>	<b>14,418,452</b>	<b>2.9%</b>	<b>14,546,233</b>	<b>0.9%</b>

Total recommended funding for Program Series 2: Service to Ohio Library Communities (7810A).

## Guide to Reading the Budget Tables

Agencies with significant changes in how ongoing programs will continue to be funded amongst line items have the **ALI Restructuring** table. This table shows current-year estimated costs by fund and appropriation line item as if the budgeted changes were already in place. The diagram below uses the Department of Administrative Services' line item restructuring analysis table as an example.

Line Item Restructuring Analysis

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2015	FY 2016	% Change	FY 2017	% Change
GRF	110908	Property Tax Reimbursements - Local	\$ 673,255,600	\$664,740,000	-1.3%	\$675,760,000	1.7%
GRF	200903	Property Tax Reimbursements - EDU	\$1,146,402,000	\$1,181,760,000	3.1%	\$1,201,340,000	1.7%
GRF	110907	Property Tax Replacement Phase Out - Local	\$132,300,000	\$65,942,450	-50.2%	\$40,188,766	-39.1%
GRF	200902	Property Tax Replacement Phase Out - EDU	\$510,000,000	\$360,873,101	-29.2%	\$249,760,497	-30.8%

Estimated spending for fiscal year 2011 is shown as if the shown as if the existed. This allows a direct, meaningful comparison with fiscal years 2016 and 2017.

Recommended funding for fiscal years 2016 and 2017 is when the restructuring will actually occur.

## Guide to Reading the Budget Tables

Each agency section ends with a **line item summary by budget fund group** that summarizes historical spending and recommended spending information for the entire agency by appropriation line item. The spending and recommendations are presented by fund and subtotaled by budget fund group. The diagram below uses the State Library Board’s line item summary table by budget fund group as an example.

The two “% Change” columns show the percent change between (1) the FY 2015 estimate and FY 2016 recommended columns and (2) the FY 2016 and FY 2017 recommended columns.

### Line Item Summary By Budget Fund Group

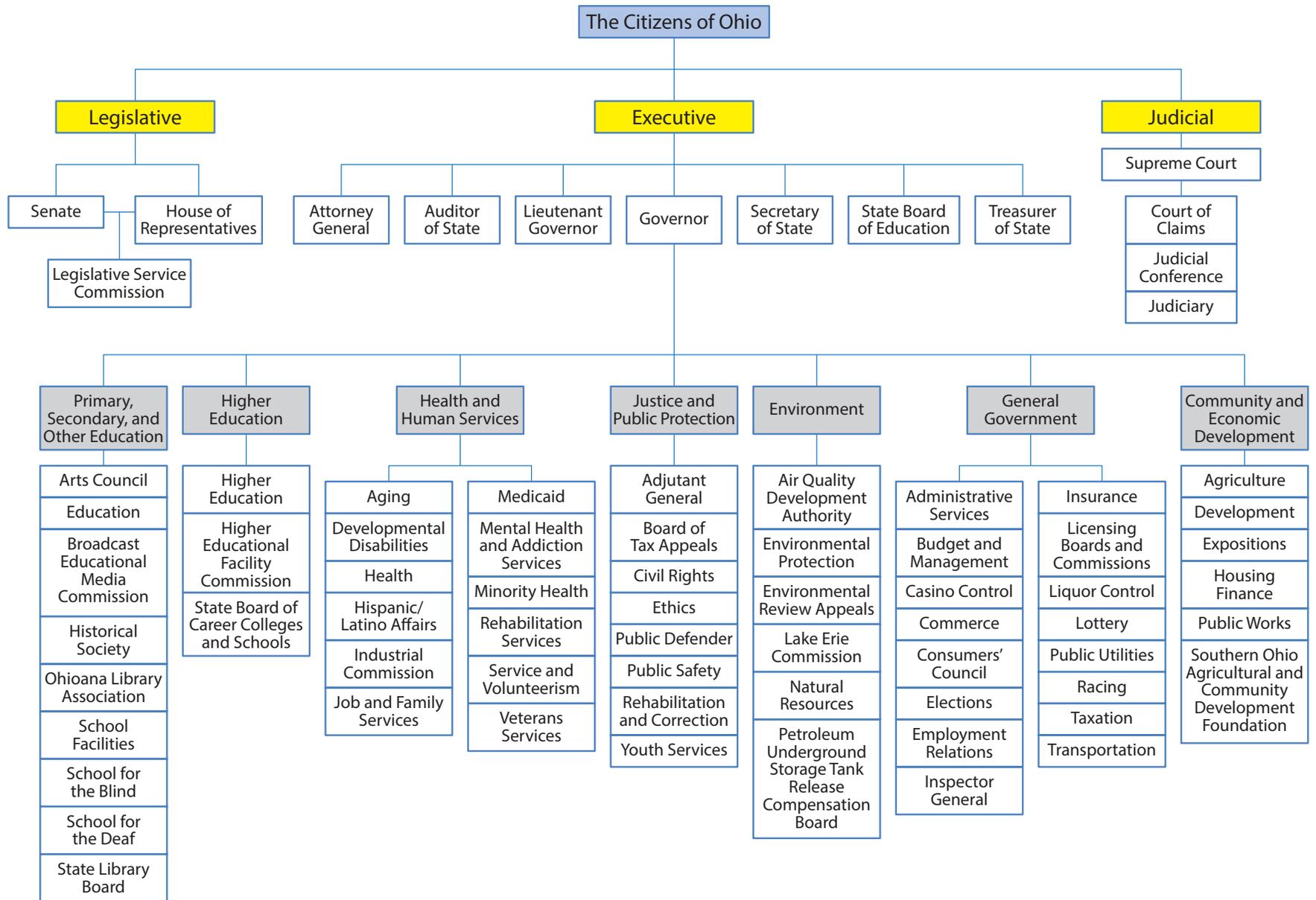
Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
GRF	350321	Operating Expenses	4,774,607	4,948,020	5,132,819	5,057,364	5,057,364	0.0%	5,057,364	0.0%
GRF	350400	Ohio Public Library Information Network	0	0	0	0	3,689,788	NA	3,689,788	0.0%
GRF	350401	Ohioana Rental Payments	117,721	117,135	117,135	120,114	120,114	0.0%	120,114	0.0%
GRF	350502	Regional Library Systems	582,469	582,469	582,469	582,469	582,469	0.0%	582,469	0.0%
GRF	350506	Library for the Blind	0	0	0	0	1,274,194	NA	1,274,194	0.0%
<b>Total General Revenue</b>			<b>5,474,797</b>	<b>5,647,624</b>	<b>5,832,423</b>	<b>5,759,947</b>	<b>10,723,929</b>	<b>86.2%</b>	<b>10,723,929</b>	<b>0.0%</b>
1390	350602	Services for State Agencies	16,819	0	0	8,000	8,000	0.0%	8,000	0.0%
<b>Total Internal Service Activity</b>			<b>16,819</b>	<b>0</b>	<b>0</b>	<b>8,000</b>	<b>8,000</b>	<b>0.0%</b>	<b>8,000</b>	<b>0.0%</b>
3130	350601	ISTA Federal	6,583,314	5,987,124	4,528,976	5,120,439	5,350,000	4.5%	5,350,000	0.0%
<b>Total Federal</b>			<b>6,583,314</b>	<b>5,987,124</b>	<b>4,528,976</b>	<b>5,120,439</b>	<b>5,350,000</b>	<b>4.5%</b>	<b>5,350,000</b>	<b>0.0%</b>
4590	350603	Services for Libraries	2,544,499	2,955,385	3,187,149	3,696,368	4,094,092	10.8%	4,190,834	2.4%
4540	350604	Ohio Public Library Information Network	5,228,354	5,185,161	5,406,373	5,689,788	2,000,000	-64.8%	2,000,000	0.0%
5GB0	350605	Library for the Blind	1,274,194	1,274,194	1,274,194	1,274,194	0	-100.0%	0	0.0%
5GG0	350606	Gates Foundation Grants	3,156	0	0	0	0	0.0%	0	0.0%
<b>Total Dedicated Purpose</b>			<b>9,050,203</b>	<b>9,414,740</b>	<b>9,867,716</b>	<b>10,660,350</b>	<b>6,094,092</b>	<b>-42.8%</b>	<b>6,190,834</b>	<b>1.6%</b>
<b>Grand Total State Library Board</b>			<b>21,125,133</b>	<b>21,049,488</b>	<b>20,229,115</b>	<b>21,548,736</b>	<b>22,176,021</b>	<b>24.1%</b>	<b>22,272,763</b>	<b>0.4%</b>

Subtotals are shown for each budget fund group.

Reductions appear as negative entries.

State of Ohio Organization Table

Figure A-3: State of Ohio Organization Table



Organization Table as proposed in fiscal years 2016-2017 Executive Budget