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## Chapter 8

# The Ohio Budget Process

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Review and Advisory Board



Senate Finance Hearing Room



House Finance Hearing Room

## State Treasury Revenue and Expenditures

Legislators consider hundreds of bills during a typical biennial session of the General Assembly, but no legislation is more important to the operation of state government than the bills that compose the state budget. It is through the enactment of these bills that the General Assembly is able to allocate the state's financial resources among the thousands of competing spending priorities.

Involvement in the budget process by the General Assembly is mandated by the Ohio Constitution, primarily by Article II, Section 22, which states:

*No money shall be drawn from the state treasury, except in pursuance of a specific appropriation, made by law; and no appropriation shall be made for a longer period than two years.*

Since a specific appropriation made by law is required in order to spend state money, the General Assembly, as the law-making branch of government, is an essential participant in spending decisions.

The state budget is normally in effect for a period of two fiscal years, although the Constitution permits appropriations for shorter periods. The state fiscal year begins on July 1 and runs through June 30 of the following year. For example, fiscal year 2023 runs from July 1, 2022, through June 30, 2023. The new budget must be adopted before spending authority under the old budget expires.

From the perspective of the legislature, work on the budget occurs primarily in the first six months of the biennial session of the General Assembly. This work entails the introduction, hearing, and enactment of:

1. The main operating appropriations bill, which provides funding for most state agencies, the legislature, and the judiciary;

2. The transportation appropriations bill for programs funded with motor vehicle fuel taxes and registration fees (primarily in the departments of Transportation and Public Safety); and
3. Appropriations bills for the Bureau of Workers' Compensation and the Industrial Commission, agencies that are funded by public and private sector employers.

In the second year of a biennium, two other important appropriations bills are generally enacted. One, known as the capital appropriations bill, appropriates money for projects involving the acquisition, construction, equipping, or renovation of buildings and other facilities of agencies other than the Department of Transportation. (The Department of Transportation's capital appropriations are normally included in the transportation appropriations bill.) The second, known as the capital reappropriations bill, reappropriates any amounts of the original appropriations for such projects that have not yet been obligated or expended and that are still needed for the projects. This is a common occurrence, since construction projects frequently take longer to complete than the two-year life of an appropriation.

Frequently, the capital appropriations bill or capital reappropriations bill also includes supplemental operating appropriations and corrections of provisions enacted in earlier appropriations acts. Additionally, the General Assembly may enact other supplemental appropriations bills during a biennial session should there be a need to do so.

### **General Revenue Fund**

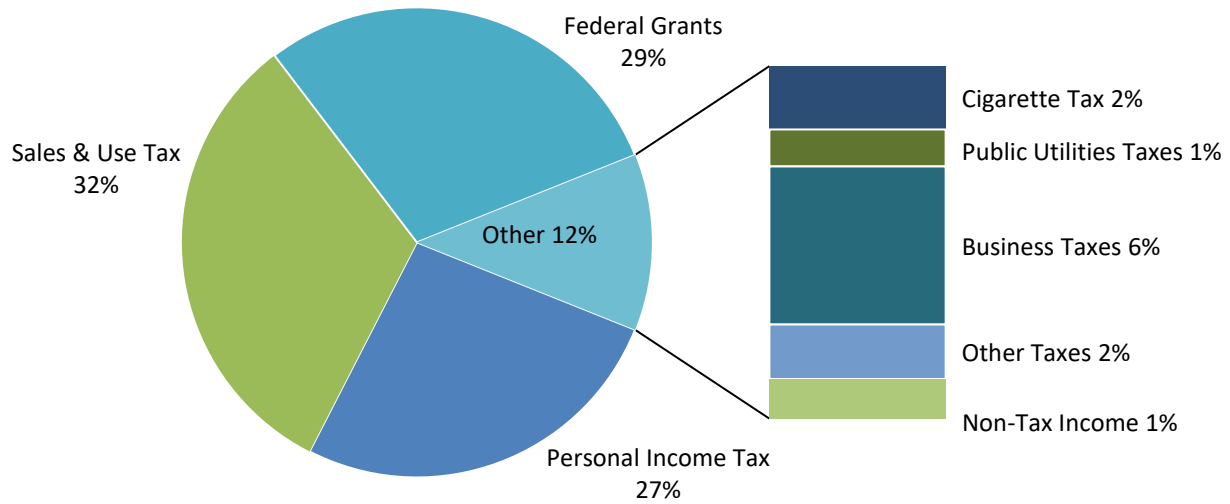
During the budget process, the General Assembly primarily focuses on estimated revenues for and proposed appropriations from the General Revenue Fund (GRF). The GRF is the largest state fund from which all major state agencies receive financing. Moneys in the GRF are available for expenditure for any lawful public purpose specified by the General Assembly in its discretion.

The two charts on the next page summarize the sources of revenue deposited in the GRF and the expenditures made from the GRF in fiscal year 2022. As shown in the first chart, federal grants made up 29% of GRF revenue in that fiscal year. These grants were primarily reimbursements for the federal share of Medicaid expenditures made from the GRF. Nonfederal (state-source) revenue made up the remaining 71% of total GRF revenue. State-source revenue mainly consisted of the sales and use tax (32% of total GRF revenue), the personal income tax (27%), and other smaller taxes (12%).

Program expenditures in fiscal year 2022 from the GRF, shown in the second chart, are dominated by Medicaid (48%). A large part of GRF Medicaid spending is supported by federal grants (70%). Primary and secondary education for that period was the second largest GRF spending area at 27%.

### Sources of Revenue for the GRF

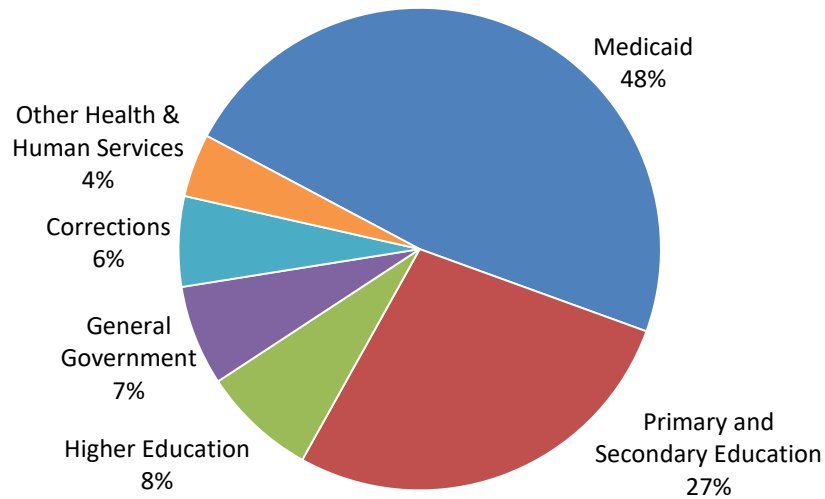
Total = \$40.60 billion in FY 2022 (Excluding Transfers)



- Public Utilities Taxes: Public Utility Excise Tax, Kilowatt Hour Tax, and Natural Gas Distribution (Mcf) Tax
- Business Taxes: Commercial Activity Tax, Corporate Franchise Tax, Financial Institutions Tax, and Petroleum Activity Tax
- Other Taxes: Domestic & Foreign Insurance Taxes, Alcoholic Beverage Tax, Liquor Gallonage Tax, Estate Tax, and Business & Property Taxes
- Non-Tax Income: Earnings on investments and various charges, including licenses and fees

### Expenditures by Program from the GRF

Total = \$35.76 billion in FY 2022



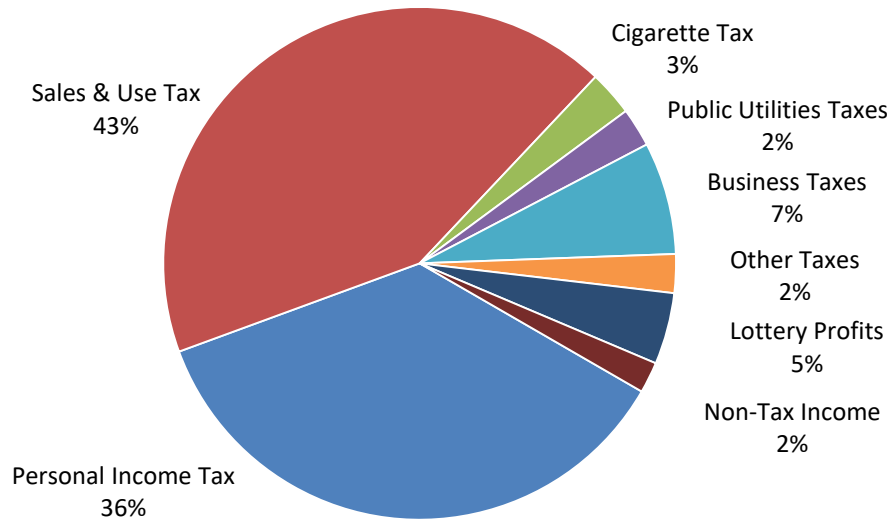
## General State Tax Revenues and Lottery Profits

While the majority of general state tax revenues are deposited into the GRF, a small percentage goes to the Local Government Fund (LGF) and the Public Library Fund (PLF). Moneys in these funds are distributed to local governments and public libraries to support their operations. Another source of state revenue, lottery profits, is used in conjunction with the GRF. Lottery profits are constitutionally earmarked for primary and secondary education.

The chart below summarizes, for fiscal year 2022, the state sources of revenue deposited in the GRF, LGF, and PLF, as well as revenue from lottery profits. As shown in the first chart, the sales and use tax made up 43% of the total, and the personal income tax made up 36%.

### State Sources of Revenue for the GRF, LGF, PLF, and Lottery Profits

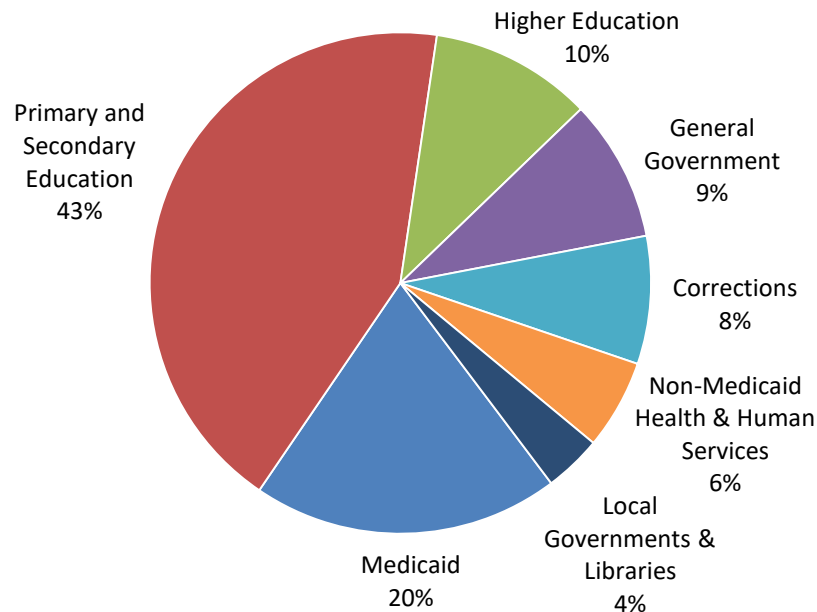
Total = \$31.15 billion in FY 2022



The chart on the following page summarizes, for fiscal year 2022, expenditures by program from the state sources of revenue deposited in the GRF, LGF, and PLF, as well as revenue from lottery profits. As shown in the chart, primary and secondary education is the largest spending program at 43% in fiscal year 2022, followed by Medicaid at 20%. While Medicaid has consistently been the largest spending program of the total state and federal GRF (shown in the second chart on the previous page in the General Revenue Fund section), primary and secondary education has traditionally dominated in the expenditures of general state tax revenues and lottery profits.

## Expenditures by Program from the State-Source GRF, LGF, PLF, and Lottery Profits

Total = \$26.21 billion in FY 2022



### Budget Requirements to Consider

As part of its responsibility to enact a budget for the operation of Ohio's state government, the General Assembly must consider the requirements that the budget be balanced and meet certain appropriation limitations.

#### Balanced Budget Requirements

No one statute or section of the Ohio Constitution explicitly states that Ohio must keep its budget in balance. However, there are several provisions that, when read together, make it clear that the state may not spend more money than is available. The following directives in the Constitution and the Revised Code ensure that Ohio keeps its budget balanced by:

- Limiting the state's ability to incur debt (Article VIII, Sections 1 through 3);
- Requiring the General Assembly to provide for raising revenue sufficient to defray state expenses each year (Article XII, Section 4);
- Permitting money in the state treasury to be spent only pursuant to an appropriation made by law (Article II, Section 22);
- Limiting the duration of appropriations to two years (Article II, Section 22); and
- Requiring the Governor to curtail spending in the event of insufficient revenue (Revised Code section 126.05).

If appropriations bills that set forth a balanced budget are not enacted and approved by the Governor in time to become effective on or shortly after July 1 of the new fiscal biennium, an "interim" appropriations bill is necessary to provide for continued funding on an emergency basis.

## **State Appropriation Limitation**

In addition to the constitutional budget limitations, the Revised Code requires the Governor to include a state appropriation limitation as part of the Governor’s executive budget proposal submitted at the beginning of each new General Assembly. The spending the Governor proposes in the executive budget cannot exceed each year’s limitation. The law generally prohibits the General Assembly from exceeding the limitation when making aggregate GRF appropriations for each fiscal year of the biennium covered by that budget. Generally, the limitation is increased by 3.5% each year, and every fourth fiscal year – it is recalculated based on the prior year’s aggregate GRF appropriations rather than the prior year’s appropriation limitation.

The General Assembly may exceed the limitation for a fiscal year under either of two circumstances, as follows:

- Excess appropriations may be made in response to the Governor’s proclamation of an emergency concerning such things as an act of God, a pandemic disease, or terrorist attacks. The excess amounts may be used only for that emergency. Any appropriations made in response to an emergency proclamation are not included as aggregate GRF appropriations for purposes of determining the limitation for successive years; or
- By an affirmative vote of  $\frac{2}{3}$  of the members of each house, the General Assembly may make excess appropriations through a bill that identifies the purpose of the appropriations and complies with other requirements stated in the law.

## **The Budget Process**

Although all are considered part of the budget process, the operating appropriations bills and the capital appropriations bill follow different timetables.

### **Operating Appropriations Bills**

In the case of the operating appropriations bills, the process begins in the middle of each even-numbered year.

### **Executive Branch Process**

The Office of Budget and Management (OBM) initiates the process by submitting to agencies receiving appropriated funds detailed instructions on the process and formats they are to follow in preparing their budget requests, as well as the date by which the requests must be submitted to OBM.

After receiving an agency’s budget request, OBM reviews the request and holds meetings and budget hearings with the agency as needed. OBM then works with the Governor and his or her staff to formulate preliminary budget recommendations. By law, budget requests of the legislative and judicial branches are exempt from approval, disapproval, or modification by OBM and the Governor during this process. Ultimately, all of the recommended appropriations, including those for the legislature and judiciary, are published in the executive budget document. Also published in the document is a report on “tax expenditures” – revenue not available to the

GRF because of deductions, exemptions, and credits in tax laws. This part of the document is prepared by the Department of Taxation.

The Governor must present the executive budget to the General Assembly within four weeks after its organization early in January of every odd-numbered year. However, in years in which a new Governor takes office, the main operating budget may be presented as late as March 15. The transportation budget proposal must be submitted to the General Assembly within four weeks of its organization, even if the Governor is new.

### **Legislative Branch Process**

The staff of the Legislative Service Commission (LSC) drafts the Governor's proposed budget in the form of legislation.

#### ***House***

By tradition, the bills are introduced in the House of Representatives. House committee hearings on the main operating appropriations bill are conducted by the full Finance Committee and by its standing subcommittees. Near the end of the hearing process, the chairperson of the committee hearing the bill usually instructs LSC to draft a substitute bill that makes changes to the bill as introduced. Many of the changes to the bill are based on recommendations of the subcommittees. The substitute bill is then considered and amended in full committee, reported, and sent to the House floor for third consideration.

The committee process in the House for the transportation operating appropriations bill is handled in a similar manner as the main operating appropriations bill. However, in recent General Assemblies, the operating appropriations bills for the Bureau of Workers' Compensation and the Industrial Commission have been referred to and heard by the House committees with jurisdiction over the respective subject matters and thereafter re-referred to the Finance Committee for examination.

#### ***Senate***

After the House passes the operating appropriations bills, they are introduced in the Senate. The transportation operating appropriations bill and the appropriations bills for the Bureau of Workers' Compensation and the Industrial Commission are usually referred to the Senate committees with jurisdiction over the respective subject matters. Due to the limited amount of time available, the Senate Finance Committee and its subcommittees ordinarily begin their hearings on the main operating appropriations bill while the bill is still in the House Committee. At some point, LSC staff are instructed to draft substitute bills to incorporate the changes the Senate would like included to the House-passed versions of the bills. The substitute bills are considered and amended in full committee and then passed by the Senate.

#### ***Conference Committee***

Since it is unusual for the House to concur in the Senate amendments to the main operating appropriations bill, the bill is normally sent to a committee of conference. Conference committee meetings usually take place over a period of at least two weeks, after which the conference committee prepares a committee report to submit to the House and Senate.



### ***Governor’s Action***

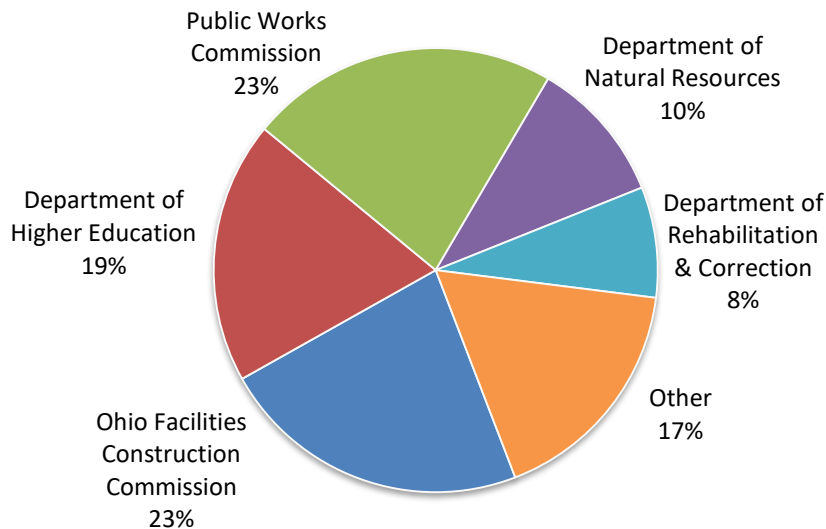
If both houses agree to the conference committee report, the act is quickly enrolled so that it can be reviewed by the appropriate executive agencies and signed by the Governor. Since the Constitution empowers the Governor to veto any item in an act making an appropriation, approval of the act is usually accompanied by the Governor’s line-item veto (disapproval of specific items in the act). The Governor sets forth the reasons for vetoing these items in a written veto message. The General Assembly can override a line-item veto by a  $\frac{3}{5}$  majority vote of each house.

### **Capital Appropriations Bill**

The process of enacting a biennial capital appropriations bill is simpler and shorter than the one for enacting the operating appropriations bills. It also occurs within the context of another activity – the preparation of the state’s six-year Capital Improvements Plan. This plan is updated biennially by OBM on the basis of recommendations it receives from affected state agencies. The process usually begins in the late summer of each odd-numbered year. At that time, OBM distributes guidelines to the agencies for the preparation of both the Capital Budget and the six-year Capital Improvements Plan. As with the operating appropriations bills, OBM reviews the agencies’ submissions and sends its preliminary recommendations to the Governor. When final decisions have been made, the Governor’s recommendations are drafted as a bill by LSC staff. Unlike the months-long process of considering the operating appropriations bills, the process of considering the capital appropriations bill usually concludes within a matter of weeks. The chart below illustrates expenditures made from capital appropriations for fiscal year 2022.

#### **Expenditures Made from Capital Appropriations by Agency**

**Total = \$1.08 billion in FY 2022**



Note: This chart excludes capital expenditures made from operating appropriations, such as state and federal funding for highway construction and maintenance.



## Understanding Appropriations Bills

### Operating Appropriations

The operating appropriations bills usually contain both line-item appropriations and language appropriations.

#### Excerpt of Line-Item Appropriations from H.B. 110, 134<sup>th</sup> General Assembly

##### SECTION 325.10. LIB STATE LIBRARY BOARD

Fund	Appropriation Line Item (ALI)	ALI Title	FY 2022	FY 2023
General Revenue Fund				
GRF	350321	Operating Expenses	\$4,293,122	\$4,293,122
GRF	350401	Ohioana Library Association	\$305,000	\$305,000
GRF	350502	Regional Library Systems	\$480,000	\$480,000
TOTAL GRF General Revenue Fund			\$5,078,122	\$5,078,122
Dedicated Purpose Fund Group				
4590	350603	Services for Libraries	\$4,252,887	\$4,252,887
4S40	350604	Ohio Public Library Information Network	\$5,696,898	\$5,696,898
5GB0	350605	Library for the Blind	\$1,274,194	\$1,274,194
TOTAL DPF Dedicated Purpose Fund Group			\$11,223,979	\$11,223,979
Internal Service Activity Fund				
1390	350602	Services for State Agencies	\$8,000	\$8,000
TOTAL ISA Internal Service Activity Fund Group			\$8,000	\$8,000
Federal Fund Group				
3130	350601	LSTA Federal	\$5,366,565	\$5,366,565
TOTAL FED Federal Fund Group			\$5,366,565	\$5,366,565
TOTAL ALL BUDGET FUND GROUPS			\$21,676,666	\$21,676,666

## Line-Item Appropriations

The example on the previous page is an excerpt from Section 325.10 of H.B. 110 of the 134<sup>th</sup> General Assembly. Section 325.10 contains line-item appropriations to the State Library Board, which provides library and information services to various entities in Ohio. The appropriations are made from money credited to six different funds (see the first column in the table below), each of which is identified by an abbreviation of its fund name or by its fund number. OBM classifies all state funds into fund groups including, in the State Library Board example, the General Revenue Fund Group, Dedicated Purpose Fund Group, Internal Service Activity Fund Group, and Federal Fund Group. The largest of the fund groups contains only one fund – the GRF.

Following the fund column is the appropriation line item (ALI) column. The first ALI in the appropriations section for the State Library Board is “350321.” The first three numerals of the ALI (“350”) denote the agency or division of the agency to which money is being appropriated. The last three numerals of the ALI denote the object of expenditure. These numerals indicate specific types of accounts listed in the state’s chart of accounts. The ALI title column describes the type of expenditure. In this example, the ALI “350321” describes “Operating Expenses.” An appropriation may be spent only for the object of expenditure indicated unless the Controlling Board subsequently agrees to transfer all or part of the amount from one account of the agency to another account of the same agency.

To the right of the ALI title are the amounts appropriated for the first and second fiscal years of the biennium. Appropriations made for a specific fiscal year may be expended to pay liabilities incurred in that fiscal year only, unless an exception to this provision is provided by law. One exception, enacted every biennium, is for the largest line-item appropriation in the main operating appropriations bill, the “Medicaid/Health Care Services” appropriation to the Department of Medicaid. Another exception allows for payment of liabilities that were incurred in a prior fiscal year but had not been paid at the close of that fiscal year.

Accounts are numbered as follows:

- “100” are for personal services (including agency payroll);
- “200” are for maintenance;
- “300” are for equipment. A “321” appropriation may be spent on personal services, maintenance, or equipment in whatever proportions the agency decides;
- “400” are for special purpose accounts. Money appropriated from a special purpose account may be spent only for the purpose indicated;
- “500” are for subsidies. In general, money from a “500” account is distributed as a subsidy and not used for operating costs of the state agency that distributes the subsidy; and
- “600” are for special revenue funds. Money that is credited to a special revenue fund usually comes from a narrow range of sources, such as specific taxes or fees, and often is restricted by statute to be used for specified purposes related to those sources.

## **Earmarking and Intent Language**

Following the line-item appropriations, there may be intent or earmarking language. This language is included in the bill when the General Assembly sees a need to qualify or elaborate upon the spending being authorized in a line-item appropriation. Intent language may express the General Assembly's intent for the use of the entire appropriation such as this example in Section 325.20 of H.B. 110 of the 134<sup>th</sup> General Assembly:

### REGIONAL LIBRARY SYSTEMS

*The foregoing appropriation item 350502, Regional Library Systems, shall be used to support regional library systems eligible for funding under sections 3375.83 and 3375.90 of the Revised Code.*

Earmarking sets aside part of an appropriation for a specific purpose. Earmarks may be mandatory or permissive and may be for an exact amount, a maximum amount ("up to"), or a minimum amount ("not less than"). The following are illustrations from Sections 265.90 and 291.20 of H.B. 110 of the 134<sup>th</sup> General Assembly:

### SECTION 265.90. STUDENT ASSESSMENT

*Of the foregoing appropriation item 200437, Student Assessment, up to \$2,760,000 in each fiscal year may be used to support the state's early learning assessment work and the assessments required under section 3301.0715 of the Revised Code.*

### SECTION 291.20. MOTHERS AND CHILDREN SAFETY NET SERVICES

*Of the foregoing appropriation item 440416, Mothers and Children Safety Net Services, up to \$200,000 in each fiscal year may be used to assist families with hearing-impaired children under twenty-one years of age in purchasing hearing aids and hearing assistive technology.*

## **Language Appropriations**

Not every appropriation is drafted in the form of a line item. In circumstances in which it is impossible to estimate the full amount of spending to be authorized, an appropriation may instead take the form of a statement of the amount that is necessary to accomplish the purpose. Section 503.40 of H.B. 110 of the 134<sup>th</sup> General Assembly is a language appropriation:

### Section 503.40. RE-ISSUANCE OF VOIDED WARRANTS

*In order to provide funds for the reissuance of voided warrants under section 126.37 of the Revised Code, there is hereby appropriated, out of moneys in the state treasury from the fund credited as provided in section 126.37 of the Revised Code, that amount sufficient to pay such warrants when approved by the Office of Budget and Management.*

## Capital Appropriations

Capital appropriations are formatted differently from operating appropriations. Among the most obvious differences are the ALIs, the first character of which is the letter “C” followed by three numerals denoting the agency or division of the agency to which money is being appropriated. Another difference is the ALI title, for which the object of appropriation is always a capital project. A third difference is the period for which the appropriation is made – the entire biennium, rather than each fiscal year of the biennium. An example of capital appropriations can be found below.

### Excerpt from Capital Appropriations Bill H.B. 687, Section 221.10, 134<sup>th</sup> General Assembly

#### MHA DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

Appropriation Line Item (ALI)	Capital Project	Appropriation for Capital Biennium
Mental Health Facilities Improvement Fund (Fund 7033)		
C58001	Community Assistance Projects	\$50,380,139
C58007	Infrastructure Renovations	\$36,739,422
C58048	Community Resiliency Projects	\$5,000,000
TOTAL Mental Health Facilities Improvement Fund		\$92,119,561
TOTAL ALL FUNDS		\$92,119,561

Some capital improvements are financed directly by appropriations from the GRF or some other state fund that is credited with revenue from taxes or fees. However, most capital improvements are financed from funds that are credited with bond proceeds. For example, Section 221.20 of H.B. 687 of the 134<sup>th</sup> General Assembly provides:

*Section 221.20. The Treasurer of State is hereby authorized to issue and sell in accordance with Section 2i of Article VIII, Ohio Constitution, and Chapter 154. of the Revised Code, particularly section 154.20 and other applicable sections of the Revised Code, original obligations in an aggregate principal amount not to exceed \$75,700,000 in addition to the original issuance*

*of obligations heretofore authorized by prior acts of the General Assembly. These authorized obligations shall be issued, subject to applicable constitutional and statutory limitations, as needed to provide sufficient moneys to the credit of the Mental Health Facilities Improvement Fund (Fund 7033) to pay costs of capital facilities as defined in section 154.01 of the Revised Code for mental health and addiction and developmental disability purposes.*

Principal and interest on the bonds are then paid from amounts appropriated from the GRF. For example, Section 337.30 of H.B. 110 of the 134<sup>th</sup> General Assembly provides for principal and interest payments on debt incurred under past capital appropriations acts:

#### MENTAL HEALTH FACILITIES LEASE RENTAL BOND PAYMENTS

*The foregoing appropriation item 336415, Mental Health Facilities Lease Rental Bond Payments, shall be used to meet all payments during the period from July 1, 2021, through June 30, 2023, by the Department of Mental Health and Addiction Services pursuant to leases and agreements made under section 154.20 of the Revised Code. These appropriations are the source of funds pledged for bond service charges on obligations issued pursuant to Chapter 154. of the Revised Code.*

## **Budget Support Documents**

LSC staff produce special support documents to assist the members of the General Assembly in the analysis of the state’s major appropriations bills. All are available at the Budget Central link on the LSC website: [lsc.ohio.gov](http://lsc.ohio.gov).

### **Redbooks and Greenbooks**

In the case of the main operating appropriations bill, LSC’s Legislative Budget Office (LBO) staff produce “Redbooks” (named for their red covers), each of which analyzes a specific portion of the “As Introduced” version of the bill. As mentioned earlier, this version comprises the Governor’s budget recommendations. A Redbook is prepared for each agency. It starts with a “quick look” summary of the agency and its recommended appropriations, including, for larger agencies, charts showing the sources and the uses of those appropriations. Redbooks also include an overview of the agency and its programs and a detailed analysis of funding recommendations, including new law provisions, line-item descriptions, and appropriation recommendations.

LBO staff also prepare Greenbooks. While Redbooks are the analyses of the executive budget proposal and are produced at the beginning of the budget process, Greenbooks are analyses of the enacted version of agency budgets and are produced following enactment of the operating budgets.

### **Comparison Document**

A significant resource of budget information, especially for decision-making purposes, is the Comparison Document (or “compare doc”). With the exception of its “As Introduced” version, which just describes the executive recommendations contained in the bill, this document compares the current version of the budget bill, provision by provision, with prior versions of the

bill. This comparison includes an estimate of each provision’s fiscal effect but does not include line-item appropriations which are detailed in the appropriation spreadsheet. The compare doc is organized by agency. A special compare doc that lists only the matters of difference between the “As Introduced,” “As Passed by the House,” and “As Passed by the Senate” versions of the bill is prepared for conference committee deliberations.

### **Appropriation Spreadsheet**

The appropriation spreadsheet lists agency appropriations for all fund groups and appropriation amounts by appropriation line item for each version of operating appropriations bills. The spreadsheet includes appropriations for each year of the biennium for which the budget decisions are deliberated and two to five years of historical expenditure data depending on the version of the budget.

### **Catalog of Budget Line Items**

LBO staff publish the [Catalog of Budget Line Items](#) (COBLI). For each state agency, the catalog describes the legal authority, purpose, and revenue source for each line item. It also lists actual disbursements from the previous four years and appropriations for the current biennium. The COBLI is updated at the beginning and end of the biennial main operating budget process and in the fall of every year.

### **Budget Infographics**

LBO staff prepare [infographics](#) to explain budget information through tables and graphs that are available at the Publications link on the LSC website: [lsc.ohio.gov](http://lsc.ohio.gov). Topics for these infographics include, for example, state government operating expenses, the budget stabilization fund, the GRF budget, and federal grants in the main operating budget.

### **Tracking Fee Changes**

For the main operating appropriations bill, LBO staff prepare a [State Agency Fees table](#) identifying all provisions of the bill that create new fees, or alter existing fees charged by state agencies or local governments. The initial table indicates the fee provisions included in the “As Introduced” version. LBO staff update the table throughout the budget process to reflect changes made by the House-passed, Senate-passed, and “As Enacted” versions. The table also provides the estimated annual revenue change that will occur as a result of each provision.

### **Historical Revenue and Expenditure Spreadsheets**

LSC revenue and expenditure [spreadsheet tables](#) provide a history of sources and allocations of major state resources and can provide useful information. For example, the revenue spreadsheet for GRF, lottery profits, and local government funds (Table 1) organizes revenues into three categories: tax revenues, nontax revenues such as license fees and other fees, and revenue transfers from liquor profits, lottery profits, and other sources.

The expenditure spreadsheet for state-source GRF, lottery profits, and local government funds (Table 2) lists seven categories of expenditures: primary and secondary education, higher education, human services, corrections, transportation, local government funds, and other.

Other spreadsheets provide history for GRF-only revenue (Table 1A), total state and federal GRF expenditures (Table 3), and Medicaid expenditures for all funds (Table 4).

### **Documents for Other Appropriations Bills**

Budget support documents for capital appropriations and reappropriations bills include detailed reports of capital projects by agency, fund, and county. These are prepared by LBO staff and are available at the Budget Central link on the LSC website: [lsc.ohio.gov](http://lsc.ohio.gov).

Some bills include an appropriation but are not one of the major appropriations bills. Budget support documents are not prepared for these bills. However, the fiscal impact of these bills and the appropriations included in them are addressed in the bill's fiscal note prepared by LBO staff and updated during the bill's progress through the legislative process.

### **Bill Analyses**

LSC's Office of Research and Drafting (ORD) staff produce an analysis for each bill that is scheduled for a committee hearing. The analysis for an appropriations bill is organized by agency and provides a summary of the bill's provisions, followed by a detailed analysis describing the bill's content and operation. The analysis focuses on codified law provisions and nonappropriation uncodified law provisions. For main operating appropriations bills, an analysis is prepared following the bill's introduction and passage by each house. After a budget bill becomes law, ORD staff also prepare a final analysis. For a more detailed discussion of bill analyses, see [Chapter 5](#).

### **Ohio Checkbook**

The Treasurer of State and OBM work together to produce a central resource for state and local financial information. The [Ohio Checkbook](#) is available at the Our State Government link on the state of Ohio website: [ohio.gov](http://ohio.gov). It provides information on state spending, public salary information, state contracting, and many other topics. The information is presented in an easy-to-use format and allows users to get both high level and detailed information about state finance.





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## Legal Foundations of the Budget

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1. **Power of the purse** – No expenditure of state funds may be made from the state treasury without the authorization of the General Assembly, referred to as an appropriation (Ohio Constitution, Article II, Section 22).
2. **Appropriation duration** – An appropriation can be made for no longer than two years (Ohio Constitution, Article II, Section 22).
3. **State budget required** – The Governor must submit a state budget containing a complete financial plan for the next biennium to the General Assembly within four weeks after a new General Assembly organizes, or by March 15 in a year a new Governor is inaugurated. The Governor’s transportation budget proposal, however, must always be submitted within four weeks after a new General Assembly organizes. (R.C. 107.03.)
4. **Capital budget required** – The Governor also must submit a capital budget for public improvements. Typically, the capital budget is submitted during the second year of a General Assembly. (R.C. 126.03.)
5. **Appropriation limitations** – General Revenue Fund (GRF) appropriation growth is limited to either 3.5% or the sum of the inflation rate plus the rate of population change, whichever is greater. Exemptions are provided for appropriations made for emergency situations, tax relief or refunds, or made with a  $\frac{2}{3}$  supermajority vote, and for appropriations of federal funds or donations. (R.C. 107.032 to 107.035 and 131.55 to 131.60.)
6. **Item veto** – The Governor may veto “any item or items in any bill making an appropriation of money” (Ohio Constitution, Article II, Section 16).
7. **Balanced budget required** – These two requirements, operating together, are interpreted to require a balanced budget:
  - a. **State debt prohibited** – The state is prohibited from incurring debt except to finance specified capital improvements, to fund casual deficits up to \$750,000, to defend the state in time of war or rebellion, and to fund other items that have been approved through a constitutional amendment (Ohio Constitution, Article VIII, Sections 2 and 3; see also item number 11, below);
  - b. **Adequate revenues required** – The General Assembly must provide for raising sufficient revenue to offset state expenses each year (Ohio Constitution, Article XII, Section 4).
8. **Mandatory spending reductions** – If anticipated receipts and available balances of the GRF for the current fiscal year will likely be less than GRF appropriations for the year, the Governor must order GRF spending reductions to prevent a deficit, and may order spending reductions if that situation occurs with respect to any other fund (R.C. 126.05).
9. **Fiscal emergency** – Additionally, if the available revenue receipts and balances in any fund or across funds will likely be less than the appropriations for the year, the Governor may declare

a “fiscal emergency” and issue orders to (a) reduce expenditures or (b) implement personnel actions consistent with such an emergency, including mandatory cost savings days (R.C. 126.05).

10. **Controlling Board** – The seven-member Controlling Board provides legislative oversight of executive actions by ruling on agency requests for approval of (a) transfers of money from one fund, line item, or fiscal year to another, (b) the release or expenditure of appropriated funds, (c) the waiver of competitive selection to purchase goods and services, and (d) the expenditure of excess or unanticipated revenue. The Board may authorize the expenditure of unexpected revenues for a specific or related purpose or item in any fiscal year in an amount less than 0.05% of the GRF appropriations for that fiscal year. (R.C. 131.35.)
11. **5% debt cap** – State bonds or other obligations cannot be issued if the total amount of debt service payments (principal and interest) that would be made in any future fiscal year from the GRF and net state lottery proceeds would exceed 5% of the total estimated GRF and net state lottery proceeds revenue during the fiscal year of issuance. The General Assembly can waive this limitation by the vote of at least  $\frac{3}{5}$  of the members of each house. (Ohio Constitution, Article VIII, Section 17.)
12. **Budget stabilization fund** – Maintained in an amount equal to approximately 8.5% of GRF revenue for the preceding fiscal year. After this level has been reached and certain other reserves have been provided for, any remaining budget surplus is used to provide a temporary reduction in income tax rates through the Income Tax Reduction Fund. (R.C. 131.43 and 131.44.)
13. **Motor vehicle taxes** – The spending of money derived from taxes and fees related to the use of motor vehicles on the public highways (including gasoline taxes) is restricted to (a) highway purposes such as construction and maintenance, (b) state enforcement of traffic laws, (c) administration of the tax and fee laws, and (d) hospitalization of indigent persons injured in motor vehicle accidents (Ohio Constitution, Article XII, Section 5a).
14. **Gambling proceeds** – Net state lottery proceeds can be used only for the support of elementary, secondary, vocational, and special education programs. The tax collected on gross casino revenue is distributed to local governments and oversight agencies in accordance with a specified formula. (Ohio Constitution, Article XV, Section 6.)
15. **Income, estate, and inheritance taxes** – At least 50% of income, estate, and inheritance taxes that the state collects must be remitted to the county, school district, city, village, or township in which the tax originates, or to any combination of those entities as determined by the General Assembly (Ohio Constitution, Article XII, Section 9).
16. **Application of the referendum and effective dates** – Both (1) appropriations for the current expenses of state government and (2) laws providing for tax levies go into immediate effect and are not subject to the referendum (Ohio Constitution, Article II, Section 1d).
17. **Binding of future General Assemblies** – One General Assembly cannot bind the legislative authority of a future General Assembly through the enactment of a law, because all future General Assemblies have the authority to amend or repeal that law (Ohio Constitution, Article II, Sections 1 and 15).