



Understanding Ohio's Budget Process

GREATER OHIO POLICY CENTER



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Understanding Ohio's Budget Process

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Welcome

JASON WARNER

DIRECTOR OF STRATEGIC ENGAGEMENT

GREATER OHIO POLICY CENTER



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Ohio Has Six Budgets Which Will Be Enacted Over the Next Two Years

▶ **Budgets To Be Enacted in 2023**

- ▶ Main Operating Budget
- ▶ State Transportation Budget
- ▶ Bureau of Worker's Compensation Budget
- ▶ Ohio Industrial Commission Budget

▶ **Budgets To Be Enacted in 2024**

- ▶ Capital Appropriations Budget
- ▶ Capital Reappropriations Budget



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Ohio's Budgets

▶ Main Operating Budget

- ▶ Provides funding for most state agencies, the legislature, and the judiciary
- ▶ Budget enactments run for two years (referred to as a “biennium”)
- ▶ In addition to funding, often includes law/policy changes made by the legislature
- ▶ State Fiscal Year Begins on July 1 and Ends June 30
 - ▶ Ohio is currently in **FY2023** (Began July 1, 2022, Ends June 30, 2023)



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Ohio's Budgets

▶ **State Transportation Budget**

- ▶ Provides funding for the Ohio Department of Transportation, as well as some funding for the Ohio Department of Public Safety & Ohio State Highway Patrol
- ▶ In addition to funding, often includes law/policy changes made by the legislature
- ▶ Cannot pass and be effective the next day – requires a 90-day effective period (must be approved by March 31)



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Ohio's Budgets

▶ **Bureau of Worker's Compensation Budget**

- ▶ Provides funding for the Ohio BWC
- ▶ Budget is funded by fees paid by Ohio businesses

▶ **Ohio Industrial Commission Budget**

- ▶ Provides funding for the Ohio Industrial Commission
- ▶ Budget is funded by fees paid by Ohio businesses



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Ohio's Budgets

▶ **Capital Appropriations Budget**

- ▶ Provides funds for the acquisition, construction, equipment, or renovation of buildings and other facilities of government agencies (except the Department of Transportation)
- ▶ Also includes projects at the county & local level funded through state agencies

▶ **Capital Reappropriations Budget**

- ▶ Reallocation of funds approved for capital projects in a previous Capital Budget that have not been completed



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Important Legal Requirements of the State Budgets

▶ **Budget Must Be Balanced**

- ▶ Article VIII – Sec. 1-3 “limits state’s ability to incur debt”
- ▶ Article XII – Sec. 4 “revenue sufficient to defray expenses”
- ▶ Article II – Sec. 22 “appropriations only made by law”
- ▶ Article II – Sec. 22 “appropriations limited to 2 years”

▶ **State Appropriation Limitation**

- ▶ Ohio Revised Code (ORC) limits appropriations to the aggregate GRF appropriations for each fiscal year
 - ▶ Growth is limited to the greater of 3.5% or the sum of the inflation rate plus the rate of population change



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Understanding the Law

- ▶ **Governor Proposes the State Budgets**
 - ▶ Office of Budget & Management (OBM) Sets Guidance for State Agencies
 - ▶ Agencies Transmit Funding Requests to OBM
 - ▶ OBM Produces Governor's Blue Book Budget Proposal
 - ▶ Budget Must Be Presented 4 Weeks After General Assembly Convenes*

*When a new Governor takes office, state law provides extra time for presentation of his or her first budget (March 15)



The Transportation Budget



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State Transportation Budget

- ▶ **Provides funding for Highway Operating, Capital Projects and other transportation modes**
 - ▶ Must be enacted by March 31; 90 day enactment period to start budget funding on July 1. (other provisions can have set “effective dates”)
 - ▶ Primary Revenue Source is State Motor Fuel Tax
 - ▶ State keeps about 60% of MFT Revenue, 35% is shared with municipalities, counties and townships; Public Works Commission receives final 5% of revenue
 - ▶ Federal Highway Aid Second Largest Source
 - ▶ Motor Vehicle Registration Fees, License Fees provide funding for the State Highways Patrol, Department of Public Safety



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State Transportation Budget

- ▶ **The Ohio Constitution mandates that Ohio's Motor Fuel Tax can only fund roadway construction & maintenance**
 - ▶ Since 2019, Transportation Budget has included a general revenue fund appropriation to support public transit operations
 - ▶ Federal Highway Funding is more flexible in its use
 - ▶ Other appropriations include Rail Maintenance, Deep Water Ports, Airport Improvement & Maintenance (federal funds) & debt services



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State Transportation Budget - Process

▶ Ohio House of Representatives

- ▶ Most Hearings will be conducted by the House Finance Subcommittee on Transportation
- ▶ Full Finance Committee will amend & report the bill
- ▶ Passage by the full House of Representatives by end of February



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State Transportation Budget - Process

▶ Ohio Senate

- ▶ Senate Transportation Committee will hear the bill
 - ▶ Likely to begin hearings before the passage of the bill by the House
- ▶ Passage by the full Senate by Mid-March

▶ Committee of Conference*

- ▶ Three members from the House & Senate will work-out differences between the House & Senate passed bills
- ▶ Committee reports likely to be agreed to by late March



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State Transportation Budget - Process

▶ Governor DeWine

- ▶ Governor's team will be part of negotiations on the conference report, working to reach agreement on particulars of the budget
- ▶ Governor must sign the bill by April 1, 2023 for the 90 day effective period to take place
 - ▶ Governor can exercise "line item veto" in any appropriations bill
 - ▶ Veto power extends not only to appropriations, but policy/law changes implemented as part of the bill
 - ▶ Veto must set forth the reasons why the Governor disallowed the item
 - ▶ Legislature can override any veto by a three-fifths vote in each chamber



The Main Operating Budget



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Main Operating Budget

- ▶ **Provides funding for most state agencies, the legislature, and the judiciary**
 - ▶ Must be enacted by June 30; constitution permits bills that “provide for tax levies and appropriations for current expenses of the state government” may take effect immediately (other provisions have set “effective dates”)
 - ▶ Contains revenue from multiple sources, including
 - ▶ Sales & use tax
 - ▶ Income tax
 - ▶ Cigarette tax
 - ▶ Public utilities taxes
 - ▶ Business taxes
 - ▶ Lottery profits
 - ▶ License & Registration fees from state agencies



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Main Operating Budget

- ▶ Sales & Use Tax & Income Tax Constitute 55% of GRF revenue in FY2023
- ▶ Total Expenditures in FY2021 was \$22.61 billion (excludes federal funds)
- ▶ Budget enactments run for two years (referred to as a “biennium”)
- ▶ State Fiscal Year Begins on July 1 and Ends June 30
 - ▶ Ohio is currently in **FY2023** (Began July 1, 2022, Ends June 30, **2023**)



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Main Operating Budget

- ▶ **Budget has increasingly become a tool for the enactment of law & policy changes not directly related to the budget**
 - ▶ These changes are still subject to the Governor's Line Item Veto Power



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Main Operating Budget- Process

▶ Ohio House of Representatives

- ▶ Full Finance Committee will receive first review of the administration's proposals
- ▶ Standing Subcommittees will take testimony from **ALL** state agencies, boards & commissions as well as public testimony
 - ▶ New General Assembly Will Feature 7 Subcommittees to Review Budget Requests
 - ▶ Agriculture, Development & Natural Resources
 - ▶ Health & Human Services
 - ▶ Higher Education
 - ▶ Infrastructure & American Rescue Plan
 - ▶ Primary & Secondary Education
 - ▶ Public Safety
 - ▶ Transportation
- ▶ Full Finance Committee will Amend & Report the Bill
- ▶ Passage by the Full House of Representatives Expected by Late April, Early May



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Main Operating Budget- Process

▶ Ohio Senate

- ▶ Full Finance Committee will begin initial hearings before final House Passage – likely in late April
- ▶ Last General Assembly saw some standing committees review testimony on certain programs to ease burden on the Finance Committee
- ▶ Full Finance Committee will Amend & Report the Bill
- ▶ Passage by the Full Senate Expected by Mid-June



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Main Operating Budget- Process

▶ Committee of Conference

- ▶ Three members from the House & Senate will work-out differences between the House & Senate passed bills
- ▶ Committee reports likely to be agreed to by late June



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Main Operating Budget- Process

▶ Governor DeWine

- ▶ Governor's team will be part of negotiations on the conference report, working to reach agreement on particulars of the budget
- ▶ Governor must sign the bill by June 30, 2023 for the bill to take effect the next day
 - ▶ Governor can exercise "line item veto" in any appropriations bill
 - ▶ Veto power extends not only to appropriations, but policy/law changes implemented as part of the bill
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If the Budget Deadline is Missed

▶ **2019 – Disagreement Led to Missed Deadline**

- ▶ 17-day continuation budget passed
- ▶ Provided funding as the “same level as the FY2019 budget” from July 1-July 17, 2019
- ▶ Provides lawmakers more time to work out differences in the budget
- ▶ New Bill introduced in the Ohio Senate (SB171)

▶ **2009 – Divided Government Led to Delay in the Heart of the Financial Crisis**

- ▶ Three “One Week” Continuance Budgets Were Passed while negotiations were ongoing
- ▶ Provided funding at 70 percent of their funding from FY2009, leading to some staff & agencies being closed partially
- ▶ Continuance Budgets were amended into other legislation that was already poised to move in either House of Senate



Questions



Jason Warner

Director of Strategic Engagement

(614) 224-0187 | jwarner@greaterohio.org

@GreaterOhio



@JasonEWarner