



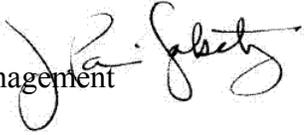
# OBM

Ted Strickland  
Governor

J. Pari Sabety  
Director

September 11, 2008

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

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

**CC:** Agency Fiscal Officers

**SUBJECT:** Budget Directive # 7 – Process to Reduce Authorized Expenditures

On September 10, 2008 Governor Strickland announced an additional projected revenue shortfall of \$540 million for FY 2009. In accordance with ORC 126.05 and Executive Order 2008-01S, “Implementing Expenditure Reductions and Spending Control Strategies Necessary to Maintain a Balanced Budget”, this directive provides further instructions to agencies for FY2009 to exercise and maintain supervision and control over the State’s expenditures and to assure that the State’s budget remains in balance.

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

### **Calculation of Agency GRF Budget Reductions**

OBM calculated the agency-specific GRF reductions based on the following:

- The base for analysis was the FY 2009 adjusted appropriation level for each GRF line item. This is net of Directive 5 appropriation reductions and any other miscellaneous appropriation adjustments (e.g., Controlling Board action) as of September 5, 2008.
- Line items exempted from the calculation were referenced publicly and are attached to this memorandum (Appendix A).
- Line items that were 100% disbursed as of September 5, 2008 were exempted from the calculation.

- The following agencies had a calculation that was not 4.75% across the board for specific policy reasons: ADA, DMH, DMR, DNR and TAX.
- For all other agencies, an across-the-board 4.75% reduction was applied to all GRF line items with the caveats above.
  - Line items that were 100% encumbered but not yet disbursed were included in the calculation. Agencies are directed to un-encumber the funds, apply the reduction and then re-encumber the balance as a part of the process outlined in this memo.

If you have specific questions regarding the calculation for your agency’s published reduction amount, please contact your OBM analyst.

**Process for Agency GRF Budget Reductions**

<b>Timeframe</b>	<b>Action</b>
September 12 – 22	Agencies revise disbursement estimates for FY 2009 based on the additional budget reduction amount for each line item
September 22	Agencies submit revised disbursement estimates to OBM
September 30	OBM finalizes review of revised estimates and: <ul style="list-style-type: none"> <li>• Reduces appropriation levels</li> <li>• Reduces agency allotments for Q3 as a placeholder (see below)</li> <li>• Loads revised disbursement estimates in OAKS/FIN</li> <li>• Issues Directive #8, which contains line item-specific appropriation reductions</li> <li>• Reports status to Governor and legislative leadership</li> </ul>
October 1 – 31	Agencies revise their FY 2009 allotment plans for Quarters 2, 3 & 4 in order to reflect reduced appropriation and submit to OBM when completed
October 10	OBM publishes Monthly Financial Report which incorporates updated disbursement estimates, revenue estimates & FY 2009 fund balance
November 10	OBM finalizes all allotment plans from agencies. Commitment for a 10 day response from the date plans are received from agencies October 1 – November 1.
November TBA	OBM works with agencies to alter FY 09 amounts in BPM

**Effect on FY 2010/2011 Budget Request Submission**

This Budget Directive does not impact either the FY 2009 estimates or the FY 10/11 planning targets for agency budget requests. Agencies must continue to use their current FY 2009 adjusted appropriation levels as the measure of comparison in reports submitted through the Budget Planning Module (BPM.)

After October 1<sup>st</sup> but prior to introduction of the Executive Budget in February, OBM will work with agencies to modify FY 2009 adjusted appropriation levels in BPM so that reports contained in the Executive Budget will be consistent with agency appropriation levels at the time of budget introduction.

All agency budget requests must be submitted by 5PM on Monday, September 15<sup>th</sup>.

### **Cash Management Strategies**

In addition to agency budget reductions of \$198.3 million, the Governor's September 10<sup>th</sup> announcement contained plans for cash management strategies resulting in \$341.7 million. Of particular interest to agencies:

- **Non-GRF Rotary Raids** – OBM has legislative authority to transfer up to \$112 million from non-GRF funds to the GRF by the end of FY 2009 in order to balance. Note that these transfers may affect both agencies that have GRF appropriation and those agencies that do not.
  - Some of these rotary funds were identified by agencies via their budget reduction plans earlier this year. Within the next month OBM will move forward to transfer cash that had been identified at that time. Communication will occur with agencies as transfers are implemented.
  - Other rotary funds have yet to be identified. Your agency may be contacted to discuss the viability of a specific transfer. Please note that unlike last February, agencies will not be able to “trade” a GRF reduction for the transfer of additional non-GRF cash. To manage the budget situation, OBM will exercise both GRF reductions and rotary raids to the fullest extent.
- **Additional Lapse Amounts at the End of FY 2009** – Some agencies have specific planned lapse amounts as a component of Directive 5 or regular disbursement estimates. Please note that agencies will be unable to offer those lapses as “trade” for a GRF reduction at this time, as the identified lapses are already booked into the balance sheet. Agencies may be contacted by OBM to discuss the possibility of additional lapses in FY 2009 based on specific circumstances.

### **Agency Planning**

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

## APPENDIX A

<u>Agency</u>	<u>ALI</u>	<u>ALI Description</u>
AFC	371-401	Lease Rental Payments
AIR	898-901	Coal R&D General Obligation Debt Service
BOR	235-401	Lease Rental Payments
BOR	235-501	State Share of Instruction
BOR	235-503	Ohio Instructional Grants
BOR	235-552	Capital Component
BOR	235-563	Ohio College Opportunity Grant
BOR	235-909	Higher Ed. G.O. Debt Service
CLA	015-321	Operating Expenses
DAS	100-415	OAKS Rental Payments
DAS	100-447	OBA - Ohio Building Rent Payments
DAS	100-448	OBA - Ohio Building Operations Payments
DAS	100-449	DAS - Building Operating Payments
DEV	195-905	Third Frontier Research and Development General Obligation Debt Service
DEV	195-912	Job Ready Site Development General Obligation Debt Service
DMH	333-415	Lease Rental Payments
DMR	320-415	Lease Rental Payments
DNR	725-404	Fountain Square Rental Payments - OBA
DNR	725-413	Lease Rental Payments
DNR	725-502	Soil and Water Districts
DNR	725-903	Natural Resources General Obligation Debt Services
DNR	733-321	Division of Water
DRC	501-321	Institutional Operations
DRC	501-403	Prisoner Compensation
DRC	501-405	Halfway House
DRC	501-406	Lease Rental Payments
DRC	501-407	Community Nonresidential Prgs
DRC	501-408	Community Misdemeanor Prgs
DRC	501-501	Community Residential Prgs - CBCF
DRC	502-321	Mental Health Services
DRC	503-321	Parole and Community Operations
DRC	504-321	Administrative Operations
DRC	505-321	Institution Medical Services
DRC	506-321	Institution Education Services
DRC	507-321	Institution Recovery Services
DYS	470-401	RECLAIM Ohio
DYS	470-412	Lease Rental Payments
DYS	470-510	Youth Services
DYS	472-321	Parole Operations
DYS	477-321	Administrative Operations
EDU	200-502	Pupil Transportation
EDU	200-521	Gifted Pupil Program

EDU	200-540	Special Education Enhancements
EDU	200-545	Career-Technical Education Enhancements
EDU	200-550	Foundation Funding
EDU	200-901	Property Tax Allocation - Education
EDU	200-906	Tangible Tax Exemption - Education
ELC	051-321	Operating Expenses
EXP	723-403	Junior Fair Subsidy
JCO	018-321	Operating Expenses
JCR	029-321	Operating Expenses
JFS	600-511	Disability Financial Assistance
JFS	600-525	Healthcare Medicaid
JLE	028-321	Legislative Ethics Committee
JSC	005-321	Operating Expenses - Judiciary/Supreme Court
JSC	005-401	State Criminal Sentencing Council
JSC	005-406	Law-Related Education
JSC	005-409	Ohio Courts Technology Initiative
JSC	005-502	Legal Education Opportunity
LIB	350-321	Operating Expenses (debt service portion of ALI only)
LIB	350-401	Ohioana Rental Payments
LSC	035-321	Operating Expenses
LSC	035-402	Legislative Interns
LSC	035-405	Correctional Institutions Inspection Committee
LSC	035-409	National Associations
LSC	035-410	Legislative Information Systems
OBB	052-501	Ballot Advertising Reimbursement
PWC	150-904	Conservation General Obligation Debt Service
PWC	150-907	State Capital Improvements General Obligation Debt Service
REP	025-321	Operating Expenses
SEN	020-321	Operating Expenses
SFC	230-428	Lease Rental Payments
SFC	230-908	Common Schools General Obligation Debt Service
SOS	050-407	Poll workers Training
SOS	050-405	County Postage Reimbursement
TAX	110-901	Property Tax Allocation - TAX
TAX	110-906	Tangible Tax Exemption - TAX
TOS	090-401	Office of the Sinking Fund
TOS	090-524	Police & Fire Disability Pension Fund
TOS	090-534	Police & Fire Ad Hoc Cost of Living
TOS	090-554	Police & Fire Survivor Benefits
TOS	090-575	Police & Fire Death Benefits