Understanding Ohio’s Budget Process

GREATER OHIO POLICY CENTER
Welcome

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

- **Budgets To Be Enacted in 2021**
  - Main Operating Budget
  - State Transportation Budget
  - Bureau of Worker’s Compensation Budget
  - Ohio Industrial Commission Budget

- **Budgets To Be Enacted in 2022**
  - Capital Appropriations Budget
  - Capital Reappropriations Budget
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 **FY2021** (Began July 1, 2020, Ends June 30, **2021**)
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 (51.4%)
  - State Motor Fuel Tax Revenue $3.057 billion
  - Federal Highway Aid Second Largest Source ($2.46 billion | 41.5%)
- 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
  - Federal Highway Funding is more flexible in its use
  - Current State Budget (passed in 2019) saw first-ever appropriation of General Revenue Fund (GRF) revenue appropriated as part of the Transportation Budget ($70 million per year) for Public Transit
  - Other appropriations include Rail Maintenance, Deep Water Ports, Airport Improvement & Maintenance (federal funds) & debt services
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
State Transportation Budget - Process

- **Ohio Senate**
  - Senate Transportation Committee will hear the bill
  - Likely to begin hearings before the passage of the bill in the House
  - Passage by the full Senate by Mid-March 2021

- **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 2021
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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, 2021 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
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
Main Operating Budget

- Sales & Use Tax & Income Tax Constitute 78% of GRF revenue in 2019
- Total Expenditures in FY2019 was $24.73 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 FY2021 (Began July 1, 2020, Ends June 30, 2021)
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
    - Last General Assembly saw 5 subcommittees
      - Agriculture, Development & Natural Resources
      - Health & Human Services
      - Higher Education
      - Primary & Secondary Education
      - Transportation
  - Full Finance Committee will Amend & Report the Bill
  - Passage by the Full House of Representatives Expected by Late April, Early May
Main Operating Budget- Process

Ohio Senate

- Full Finance Committee will begin initial hearings before final House Passage – likely in late April
- Last several General Assemblies saw subcommittees review agency, boards & commission testimony (as well as public testimony)
  - No subcommittees have been announced by President Huffman
- Full Finance Committee will Amend & Report the Bill
- Passage by the Full Senate Expected by Mid-June
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 2021
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, 2021 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.
- 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.
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
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