




State of Ohio - Office of Budget and Management
30 East Broad Street - Columbus, Ohio 43266-0411

MEMORANDUM

To: Agency Directors and Fiscal Officers

From: Thomas W. Johnson, Director 

Date: June 24, 2002

Re: Preliminary Budget Guidance for FYs 2004 and 2005

The purpose of this preliminary guidance is to provide you and your staff an opportunity to preview key requirements that will be included in the budget guidance document as well as to prepare you for the fiscal environment in which the next budget will be prepared. It is my intention that this preliminary budget guidance will provide a framework for the decisions that all agencies must make during their internal budget preparation process.

In mid-July, the complete Operating Budget Guidance will be available on line at OBM's website to assist in the preparation of your agency's budget for fiscal years 2004-2005. Two agencies will participate in a Zero-Based Budgeting exercise as required by H.B. 231. Also, there are a number of agencies contributing to the development of a Children's Budget. Agencies affected by the Zero-Based Budgeting exercise and the development of a Children's Budget will receive separate instructions in mid-July.

Budget Outlook

The current budget has presented many challenges to state managers. It has also presented an opportunity to reevaluate, reassess and reengineer what we do in state government. I know that the budget cuts that have already taken place have been a challenge to manage. However, as we look forward to the FY 2004 - 2005 budget, there will continue to be serious budget constraints. I would encourage you to continue to seek and identify savings and to reduce lower priority areas as a means to protect essential state services.

Despite signs of a general economic recovery apparent on the horizon, the revenue picture for Ohio remains very weak. Growth in state revenues will be very modest. In general, state revenue recovery lags general economic recovery by at least a year. Compounding this problem, the current FY 2002-2003 budget calls for the use of several non-recurring revenue sources, which will no longer be available to use in FYs 2004-2005.

In addition to these factors, we know that two of the largest areas of state government will experience relatively large growth rates. Primary and secondary education continues to be the Governor's top priority and will consume a substantial portion of available resources. In addition, we believe that considerable additional resources will need to be appropriated in order to meet our obligations to the Medicaid program.

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As you begin the process of preparing your budget request for 2004-2005, you should realize that the budget realities for the upcoming biennium will mean that the majority of state agencies will receive growth rates less than inflation, and that many agencies' total recommendations may be at or below current funding levels.

The budget development process is not a simple exercise, particularly in times when available state revenues for most state programs are so limited. But it is a process that helps the Governor to prioritize the needs and demands for public service within the confines of the overall state budget. The Governor sees the budget development process as an opportunity to review and scrutinize the use of taxpayer dollars and to work towards greater savings by reviewing current programs and needs.

Upcoming Budget Events

This preview is the first in a series of communications from OBM on the budget process. Below is a general timeline of major events in the budget process:

- Guidance and Payroll Projections. Available in mid-July.
- Core budget levels and request caps. Computed and available in mid-July.
- Budget fiscal officer meeting. July 17, 2002.
- BUGS-E (budget computer system) training. Conducted in August.
- Budget requests due August to November, depending on the agency (see appendix).

Budget Guidance – What to Expect

The budget guidance for fiscal year 2004-2005 will be similar to the guidance for fiscal years 2002-2003, but there will be a few important changes. Below is a summary of what to expect:

1. Due Dates – See Attachment 2 for your agency's budget due date.
2. Format – Most required materials in an agency's budget requests are the same; however, there are a few changes. (1) Agencies completing a Zero-Based budget will follow the Zero-Based budget guidelines in addition to those outlined in the main Operating Budget Guidance. (2) Agencies participating in the Children's Budget will follow the Children's Budget Guidelines in addition to those outlined in the main Operating Budget Guidance. (3) All agency requirements for the narrative portion of the Table 4 Core and Supplemental requests have been modified. The narrative portion of the requests will be submitted on a Microsoft Word form that will be e-mailed to all agency fiscal officers by the OBM budget analyst on July 17, 2002. There is also a new staffing requirement table that must be completed for each Table 4. This Excel document will be e-mailed to all agency fiscal officers by the OBM budget analyst with the narrative form.
3. BUGS-E (the budget computer system) – Virtually all agencies are on-line in the Central Accounting System (CAS) and will use BUGS-E to enter the amounts they request. Most of the functions of the system are the same. You will receive information shortly regarding BUGS-E training. For agencies that are not on-line, please work with your OBM budget analyst.

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4. Core Budget Levels (CBLs) and Budget Request Caps – OBM will again use the concepts of CBLs and budget request caps for fiscal years 2004-2005 budget requests. The CBLs and budget request caps provided to agencies will reflect the underlying economic environment that we expect for the next budget. While final decisions have not been made, it is almost certain that CBLs for the General Revenue Fund will be at levels below 100 percent of the fiscal year 2003 post-cut appropriation levels.
5. Information Technology – All agencies will be asked to provide a summary of the information technology (IT) items in their budget request and they should correspond to information technology plans submitted to the Department of Administrative Services.
6. Budget Language – Budget language requests are to be submitted as part of an agency's budget request. Language requests must be budget-related. The process for submitting budget language has been revised. This year, agency language will no longer be submitted as an e-mail attachment or on paper. Instead, all language requests will be submitted electronically via OBM's website. An on-line Budget Language Summary Form and instructions will be posted on OBM's website.
7. Use of the Internet – OBM's budget guidance documents, including this preliminary budget guidance memo will be posted on OBM's website. The address is: <http://www.state.oh.us/obm/information/budget/obmBudgetPage.asp>. OBM budget analysts will not distribute paper copies of the guidance document this year.
8. Employee Compensation – Of special note going into this budget is the issue of employee compensation. Unlike the fiscal year 2002-2003 budget, which was developed after union contract negotiations had been finalized, we will not know the results of collective bargaining until after the Executive Budget recommendations are complete in January 2003. Therefore, during the budget process, we will not make any assumptions as to what changes in pay and benefits will be negotiated. The numbers you receive from OBM (CBLs, payroll projections) will reflect a 0% pay increase assumption for both years. OBM will decide how to deal with the cost of actual negotiated pay increases in the Executive Budget.

C: Governor Taft
Brian Hicks
Paolo DeMaria

Attachments:

1. Budget process timeline
2. Budget request due dates, agency by agency (with single and multi-program designation)

ATTACHMENT 1:

FY 2004-2005 BUDGET PROCESS TIMELINE

- June 2002 – Preliminary Budget Guidance is distributed to agencies.
- June 2002 – Information is sent to agencies regarding training on BUGS-E, the computer budget system.
- Mid-July 2002 – Budget guidance is made available on the OBM website
- July 17, 2002 – OBM holds fiscal officers' meetings and distributes core budget levels (CBLs), budget request caps, payroll projections, and other budget preparation materials. The meetings will take place in the Lobby Hearing Room of Rhodes State Office Tower.
Group 1 and 2 agencies will meet from 9:30 A.M. – 11:00 A.M.
Group 3 and 4 agencies will meet from 2:00 P.M. – 3:30 P.M.
- Late July to early August 2002 – OBM, State Accounting will hold training classes on BUGS-E
- August through November – Agencies' budget requests are due at various times during this period. See Attachment 2 for the due date of your agency's budget.
- Mid-August through Mid-November 2002 – OBM will hold budget hearings. Hearings will be mandatory for most large agencies and voluntary for some small agencies. Your OBM analyst will schedule the hearing. Hearings will primarily take place on Tuesdays, Wednesdays, and Thursdays.
- Late November 2002 – Budget Recommendations to Governor.
- Mid-December 2002 – Budget recommendations to agencies and opportunity to appeal.
- November 2002 through January 2003 – OBM prepares the Executive Budget Document.
- December 2002 through January 2003 – OBM and Legislative Service Commission prepare budget bill.
- Early February 2003 – Bill introduced in House of Representatives.
- February through June 2003 – House and Senate hold hearings and vote on the budget bill.
- June 2003 Conference Committee.
- Late June 2003 OBM and agencies review the bill in preparation for the Governor's signature.

ATTACHMENT 2:

Budget Request Due Dates by Agency Group Assignment

OBM divides agencies into four groups and assigns each group a budget submission due date. It is important that agencies submit their budget requests by the assigned due date in order for OBM to adequately review each request. Agencies that require prior approval of their budget submission by a board or commission are encouraged to meet with those entities prior to the due date established by OBM. The groups and due dates are listed below. Agencies should take note of their group; while most group assignments are the same as last budget, a few changes have been made.

An asterisk (*) beside an agency in the table below denotes the multiple program series agencies. The remaining agencies are single program series agencies.

Group 1 Agencies: Requests Due August 19, 2002

CAS Code	Agency Name
AAM	Commission on African American Males
ACC	Accountancy Board
AFC	Arts and Sports Facilities Commission
AIR	Air Quality Development Authority
AMB	Ambulance Licensing Board
ARC	Board of Examiners of Architects
ATH	Athletic Commission
BRB	Board of Barber Examiners
BTA	Board of Tax Appeals
CDR	Commission on Dispute Resolution and Conflict Management
CHR	Board of Chiropractic Examiners
COS	Board of Cosmetology
CRB	Board of Motor Vehicle Collision Repair Registration
CSW	Counselor and Social Workers Board
DEN	State Dental Board
DVM	Veterinary Medical Board
EBR	Environmental Review Appeals Commission
ENG	Board of Engineers and Surveyors
ERB	State Employment Relations Board
ETH	Ethics Commission
FUN	Board of Embalmers and Funeral Directors
LCO	Liquor Control Commission
LEC	Lake Erie Commission
LRS	Legal Rights Services
MED	State Medical Board
MIH	Commission on Minority Health
NUR	State Board of Nursing
OBD	Board of Dietetics
OCC	Office of Consumers' Counsel

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ODB	Optical Dispensers Board
OEB	Educational Telecommunications Network Commission
OLA	Ohioana Library Association
OPP	Board of Orthotics, Prosthetics, and Pedorthics
OPT	Board of Optometry
PBR	Personnel Board of Review
PRX	Board of Pharmacy
PSY	Board of Psychology
PWC	Public Works Commission
PYT	Occupational Therapy, Physical Therapy and Athletic Trainers Board
RAC	State Racing Commission
RCB	Respiratory Care board
SAN	Board of Sanitarian Registration
SCR	Board of Proprietary School Registration
SPA	Commission on Hispanic/Latino Affairs
SPE	Board of Speech Pathology and Audiology
TTA	Tuition Trust Authority
UST	Petroleum Underground Storage Tank Release Compensation Board
VET	15 Veterans' Organizations

Group 2 Agencies: Requests Due September 16, 2002

CAS Code	Agency Name
ADJ	Adjutant General *
ART	Arts Council
CIV	Civil Rights Commission
CSR	Capital Square Review and Advisory Board
DHS	Department of Public Safety*
INS	Department of Insurance*
LIB	State Library Board
LOT	Lottery Commission
OBM	Office of Budget and Management*
OHS	Historical Society
OVH	Veterans' Home
PUB	Public Defender Commission*
PUC	Public Utilities Commission*
RSC	Rehabilitation Services Commission**
TAX	Department of Taxation

Group 3 Agencies: Requests Due October 7, 2002

CAS Code	Agency Name
ADA	Department of Alcohol and Drug Addiction Services*
AGE	Department of Aging*
AGR	Department of Agriculture*
BOR	Board of Regents*

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BWC	Bureau of Workers' Compensation*
CJS	Office of Criminal Justice Services*
COM	Department of Commerce*
DAS	Department of Administrative Services*
DEV	Department of Development*
DMH	Department of Mental Health*
DMR	Department of Mental Retardation and Developmental Disabilities*
DNR	Department of Natural Resources*
DOH	Department of Health*
DOT	Department of Transportation*
DRC	Department of Rehabilitation and Correction*
DYS	Department of Youth Services*
EDU	Department of Education*
EPA	Environmental Protection Agency*
EXP	Expositions Commission
HEF	Higher Education Facilities Commission
JFS	Department of Job and Family Services*
NET	Ohio School Net Commission
OIC	Industrial Commission
OSB	Ohio School for the Blind
OSD	Ohio School for the Deaf
SFC	School Facilities Commission

Group 4 Agencies: Requests Due November 8, 2002

CAS Code	Agency Name
AGO	Attorney General
AUD	Auditor of State*
BDP	Board of Deposit
CLA	Court of Claims
ELC	Elections Commission
GOV	Governor
IGO	Office of the Inspector General
JCO	Judicial Conference of Ohio
JCR	Joint Committee on Agency Rule Review
JLE	Joint Legislative Ethics Committee
JSC	The Judiciary/Supreme Court
LSC	Legislative Service Commission
OBB	Ballot Board
REP	House of Representatives
SEN	Senate
SOS	Secretary of State
TOS	Treasurer of State

* Denotes multiple program series agencies